

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

*For the Fiscal Year Ended
June 30, 2018*

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ANNUAL FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

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FINANCIAL SECTION

THIS SECTION CONTAINS THE FOLLOWING:

Independent Auditor's Report

Management Discussion and Analysis

Basic Financial Statements

Required Supplementary Information

Other Supplementary Information

Independent Auditor's Report

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of North Smithfield, Rhode Island, as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 1 and 18 to the financial statements, the Town of North Smithfield, Rhode Island implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, during fiscal year 2018. Our opinion was not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, and supplementary other postemployment benefit and pension information on pages 4 through 12 and pages 78 through 94 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of North Smithfield, Rhode Island's basic financial statements. The combining nonmajor fund financial statements, the combining fiduciary fund financial statements, Annual Supplemental Transparency Report (MTP2), other supplementary information, and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements, the combining fiduciary fund financial statements, Annual Supplemental Transparency Report (MTP2), other supplementary information, and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements, the combining fiduciary fund financial statements, Annual Supplemental Transparency Report (MTP2), other supplementary information, and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2018 on our consideration of the Town of North Smithfield, Rhode Island's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the Town of North Smithfield, Rhode Island's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of North Smithfield, Rhode Island's internal control over financial reporting and compliance.

Bacon & Company CPAs, LLC

Warwick, Rhode Island
December 20, 2018

TOWN OF NORTH SMITHFIELD, RHODE ISLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of the Town of North Smithfield provides this Management's Discussion and Analysis of the Town's Annual Financial Report for the readers of the Town's financial statements. This narrative overview and analysis of the financial statements of the Town of North Smithfield is for fiscal year ended June 30, 2018.

Included within our discussion will be a series of comparative tables, serving to more clearly illustrate changes in the Town's financial position. These tables will reflect governmental activities, business - type activities and total activities for the 2017 and 2018 fiscal years. We encourage readers to consider the information presented in this narrative in conjunction with additional information that we have provided herein.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

Government-Wide Statements

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

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

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

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

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

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

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

Fund Financial Statements

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

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

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

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

The Town maintains 25 governmental funds; 3 are considered major funds for presentation purposes. That is, each major fund is presented in a separate column in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances. Data from the remaining 22 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of "combining statements" later in this report. The Town's three major governmental funds are:

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

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

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

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

Notes to the financial statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements follow the basic financial statements and can be found on pages 25 through 77 of this report.

Other Information - In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. This section includes budgetary comparison schedules, which include reconciliation between the statutory revenues and expenditures for budgetary purposes and the revenues and expenditures for the General Fund and School Unrestricted Fund as presented in the governmental fund financial statements. Required supplementary information follows the notes to the financial statements and can be found beginning on page 78 of this report. The combining statements referred to earlier in connection with non-major governmental funds and other information related to the individual funds are presented immediately following the required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Town's combined net position (government and business-type activities) totaled \$19,906,259 at the close of the most recent fiscal year.

Town of North Smithfield Net Position						
	June 30, 2018			June 30, 2017		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
<u>Assets</u>						
Current assets	\$ 18,997,318	\$ 3,012,367	\$ 22,009,685	\$ 17,855,726	\$ 3,215,912	\$ 21,071,638
Capital assets, net	50,891,094	10,798,172	61,689,266	51,953,529	11,598,300	63,551,829
Other noncurrent assets	2,100,264	2,395,552	4,495,816	3,033,302	2,513,304	5,546,606
<u>Total assets</u>	<u>71,988,676</u>	<u>16,206,091</u>	<u>88,194,767</u>	<u>72,842,557</u>	<u>17,327,516</u>	<u>90,170,073</u>
<u>Deferred outflow of resources</u>						
Deferred pension amounts	7,891,073	-	7,891,073	6,390,618	-	6,390,618
Deferred other post employment benefit amounts	127,059	-	127,059	-	-	-
Deferred amounts on refunding	1,275,670	36,579	1,312,249	1,402,379	39,905	1,442,284
<u>Total deferred outflow of resources</u>	<u>9,293,802</u>	<u>36,579</u>	<u>9,330,381</u>	<u>7,792,997</u>	<u>39,905</u>	<u>7,832,902</u>
<u>Liabilities</u>						
Current liabilities	4,234,512	658,972	4,893,484	4,243,300	913,479	5,156,779
Noncurrent liabilities	63,180,512	3,635,395	66,815,907	66,123,565	4,059,691	70,183,256
<u>Total liabilities</u>	<u>67,415,024</u>	<u>4,294,367</u>	<u>71,709,391</u>	<u>70,366,865</u>	<u>4,973,170</u>	<u>75,340,035</u>
<u>Deferred inflow of resources</u>						
Deferred pension amounts	3,048,494	-	3,048,494	2,141,379	-	2,141,379
Deferred other post employment benefit amounts	205,575	-	205,575	-	-	-
Deferred sewer assessments	-	2,655,429	2,655,429	-	2,778,951	2,778,951
<u>Total deferred inflow of resources</u>	<u>3,254,069</u>	<u>2,655,429</u>	<u>5,909,498</u>	<u>2,141,379</u>	<u>2,778,951</u>	<u>4,920,330</u>
<u>Net position</u>						
Net investment in capital assets	25,775,269	7,322,825	33,098,094	23,808,245	7,703,603	31,511,848
Restricted for specific use	3,240,064	-	3,240,064	3,491,053	-	3,491,053
Unrestricted	(18,401,948)	1,970,049	(16,431,899)	(19,171,988)	1,911,697	(17,260,291)
<u>Total net position</u>	<u>\$ 10,613,385</u>	<u>\$ 9,292,874</u>	<u>\$ 19,906,259</u>	<u>\$ 8,127,310</u>	<u>\$ 9,615,300</u>	<u>\$ 17,742,610</u>

The largest portion of the Town's net position, \$33,098,094 reflects its investment in capital such as land, building, equipment, and infrastructure, less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net position, \$3,240,064 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of (\$16,431,899) may be used to meet the Town's ongoing obligations to citizens and creditors. Internally imposed designations of resources are not presented as restricted net position.

Changes in Net Position

Town of North Smithfield Changes in Net Position						
June 30, 2018			June 30, 2017			
Govern- mental Activities	Business- Type Activities	Total	Govern- mental Activities	Business- Type Activities	Total	
Revenues						
Program revenues						
Charges for services	\$ 2,144,534	\$ 2,840,283	\$ 4,984,817	\$ 2,091,466	\$ 2,619,677	\$ 4,711,143
Operating grants	9,314,545	-	9,314,545	9,194,841	-	9,194,841
Capital grants	57,400	-	57,400	-	-	-
General Revenues						
Property taxes, levied for general purposes	34,125,932	-	34,125,932	33,790,297	-	33,790,297
State aid	1,094,016	-	1,094,016	645,821	-	645,821
Interest income	146,297	22,359	168,656	45,304	11,217	56,521
Miscellaneous	128,001	-	128,001	22,632	-	22,632
Total revenues	47,010,725	2,862,642	49,873,367	45,790,361	2,630,894	48,421,255
Expenses						
General government	1,669,556	-	1,669,556	1,533,907	-	1,533,907
Financial administration	967,965	-	967,965	876,290	-	876,290
Public safety	7,729,510	-	7,729,510	7,299,454	-	7,299,454
Public works	3,105,737	-	3,105,737	2,985,925	-	2,985,925
Grants & contributions	8,666	-	8,666	8,920	-	8,920
Settlements	-	-	-	155,000	-	155,000
Education	30,051,376	-	30,051,376	28,406,952	-	28,406,952
Interest	991,840	-	991,840	861,993	-	861,993
Water	-	477,557	477,557	-	481,975	481,975
Sewer	-	2,707,511	2,707,511	-	3,116,660	3,116,660
Total expenses	44,524,650	3,185,068	47,709,718	42,128,441	3,598,635	45,727,076
Excess (deficiency) of revenues over (under)						
expenses before transfers	2,486,075	(322,426)	2,163,649	3,661,920	(967,741)	2,694,179
Transfers in (out)	-	-	-	142,344	(142,344)	-
Change in net position	2,486,075	(322,426)	2,163,649	3,804,264	(1,110,085)	2,694,179
Net position - beginning - Restated	8,127,310	9,615,300	17,742,610	4,323,046	10,725,385	15,048,431
Net position - ending	\$ 10,613,385	\$ 9,292,874	\$19,906,259	\$ 8,127,310	\$ 9,615,300	\$17,742,610

Governmental Activities - To aid in the understanding of the new Statement of Activities, some additional explanation is given. Of particular interest is the format which is different than a typical Statement of Revenues, Expenditures and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a net (expense)/revenue. The reason for this kind of format is to highlight the relative financial burden to our taxpayers of each of the Town's functions. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants. Governmental activities increased the Town's net position by \$2,486,075.

Business-Type activities - Business-type activities decreased the Town's net position by \$322,426.

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$16,026,358 an increase of \$1,033,176 (6.89%) in comparison with the prior year beginning fund balance. The General Fund and School Unrestricted Fund are the chief operating funds of the Town.

At the end of the current fiscal year, the total fund balance of the General Fund was \$7,348,812, of which \$5,391,633 is unassigned (73.37%). The General Fund total fund balance increased by \$1,293,507 (21.36%) during the current fiscal year. The unassigned fund balance in the General Fund represents 14.53% of the total Fiscal Year 2018 General Fund budgeted expenditures.

At the end of the current fiscal year, the total fund balance of the School Unrestricted Fund was \$2,468,997, of which \$2,207,005 is restricted for education with the balance being assigned for specific purposes. There are no unassigned balances in the School Unrestricted Fund. The School Unrestricted Fund total fund balance has increased by \$41,759 (1.72%) during the current fiscal year.

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

At the end of the current fiscal year, net position of the Water Fund amounted to \$1,251,388, an increase of \$123,514 (10.95%) from the prior year Net Position. In the Sewer Fund, net position amounted to \$8,041,486, a decrease of \$445,940 (5.25%) from the prior year Net Position.

General Fund Budgetary Highlights

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

Prior Year taxes - were \$52,661 over budget. A tax sale was held that generated payments on many delinquent accounts. Additionally, DMV registry blocks has aided in the collection of Motor Vehicle taxes.

Building Permits & Zoning fees – were over budget by \$34,386 due to an increase in new construction in Town especially in commercial which has amplified building inspection fees as well as the budget committee’s conservative approach for revenue estimation.

Other Revenues – were over budget by \$29,515 due to favorable collections of Rescue Service Fees and the budget committee’s conservative approach for revenue estimation.

Interest Income – was over budget by \$35,248 due to favorable interest rates and cash management.

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

General governmental expenditures - were under budget by \$54,538, primarily due to plant operations line items being under spent by \$30,815.

Financial administration expenditures - were under budget by \$27,072, primarily due to the Audits and Computer Services expenditure line item under spent by \$10,161 and tax assessor salary line under spent by \$6,796.

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 \$61,689,266 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, roads and construction in progress.

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

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

	June 30, 2018			June 30, 2017		
	Govern- mental Activities	Business Type Activities	Total	Govern- mental Activities	Business Type Activities	Total
Land	\$ 8,720,242	\$ 16,141	\$ 8,736,383	\$ 8,720,242	\$ 16,141	\$ 8,736,383
Construction in progress	397,921	47,803	445,724	827,289	-	827,289
Land improvements	1,825,332	14,573	1,839,905	1,340,042	15,436	1,355,478
Buildings and improvements	34,432,638	1,456,162	35,888,800	35,762,823	1,503,088	37,265,911
Infrastructure	2,791,442	5,306,225	8,097,667	2,936,287	5,449,691	8,385,978
Machinery, equipment and furniture	864,730	3,950,565	4,815,295	1,013,509	4,597,423	5,610,932
Vehicles	1,858,789	6,703	1,865,492	1,353,337	16,521	1,369,858
Total	\$ 50,891,094	\$ 10,798,172	\$ 61,689,266	\$ 51,953,529	\$ 11,598,300	\$ 63,551,829

Long-Term Obligations – At the end of the fiscal year, the Town had total debt outstanding of \$69,906,680. General obligation bonds are backed by the full faith and credit of the Town, including the Town's power to levy additional taxes to ensure repayment of the debt. A summary of the Town's Long-Term Obligations is presented below:

Town of North Smithfield Long-Term Obligations

	June 30, 2018			June 30, 2017		
	Govern- mental Activities	Business- Type Activities	Total	Govern- mental Activities	Business- Type Activities	Total
General Obligation Bonds & Loans	\$ 28,174,416	\$3,861,537	\$32,035,953	\$30,917,624	\$4,257,917	\$35,175,541
Capital leases payable	63,906	19,338	83,244	209,530	38,269	247,799
Amortized premium on bonds	3,199,217	41,194	3,240,411	3,529,652	44,938	3,574,590
Accrued compensated absences	1,030,228	-	1,030,228	950,273	-	950,273
Settlements payable	100,100	-	100,100	100,100	215,143	315,243
Net OPEB liabilities	8,875,324	-	8,875,324	9,102,683	-	9,102,683
Net pension liabilities	24,541,420	-	24,541,420	24,216,835	-	24,216,835
Totals	\$ 65,984,611	\$3,922,069	\$69,906,680	\$69,026,697	\$4,556,267	\$73,582,964

The Town retired bond debt of \$2,743,208 for Governmental Activities and \$396,380 for Business-Type Activities during the current fiscal year. State statute limits the amount of bonds a governmental entity can issue to 3% of its total assessed valuation. Currently, the Town is in compliance with the Legal Debt margin requirement.

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

Independent Audit

State statutes and the Town Charter require an annual audit by independent certified public accountants. The accounting firm of Bacon & Company, LLC provided this service for the purpose of issuing basic financial statements and supplementary information for the year ended June 30, 2018.

Economic Factors and Next Year's Budgets and Rates

The budget for fiscal year 2018-2019 is \$43,977,801, an increase of \$670,573 (1.55%) from the prior year. Education, at \$26,119,209 or 59.39% of the total budgeted expenditures. The increase for education was \$807,434, which is made up primarily of Town Appropriation.

For the fiscal year 2018-2019, the tax rate was broken down into three tiers: residential, commercial and personal property, with rates of \$17.24, \$19.13 and \$43.00, respectively. The breakdown consists of 40.61% for municipal and 59.39% for education. For the fiscal year 2017-2018, the tax rate was broken down into the same three tiers, with rates of \$16.82, \$18.66 and \$41.95, respectively. The breakdown consists of 41.55% for municipal and 58.45% for education.

Requests for Information

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

Thank you very much!

Cynthia DeJesus
Finance Director

BASIC FINANCIAL STATEMENTS

THE BASIC FINANCIAL STATEMENTS INCLUDE:

Government-Wide Financial Statements

Fund Financial Statements:

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

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

TOWN OF NORTH SMITHFIELD, RHODE ISLAND

Statement of Net Position

June 30, 2018

	Governmental Activities	Business-Type Activities	Total
Assets:			
Current assets:			
Cash and cash equivalents	\$ 16,715,575	\$ 2,174,719	\$ 18,890,294
Real estate and personal property tax receivable, net	1,397,210	-	1,397,210
Water and sewer use fees receivable, net	-	286,087	286,087
Sewer assessments receivable, net	-	366,391	366,391
Due from federal and state government	392,032	-	392,032
Accrued interest receivable, net	470,166	-	470,166
Other receivables	85,772	-	85,772
Internal balances	(185,170)	185,170	-
Prepaid expenses	110,283	-	110,283
Inventory	11,450	-	11,450
Total current assets	18,997,318	3,012,367	22,009,685
Noncurrent assets:			
Sewer assessments receivable, net	-	2,395,552	2,395,552
Capital assets: (Note 6)			
Land and land easements	8,720,242	16,141	8,736,383
Construction in progress	397,921	47,803	445,724
Depreciable buildings, property, equipment, infrastructure, net	41,772,931	10,734,228	52,507,159
Capital assets, net	50,891,094	10,798,172	61,689,266
Net pension asset	2,100,264	-	2,100,264
Total noncurrent assets	52,991,358	13,193,724	66,185,082
Total assets	71,988,676	16,206,091	88,194,767
Deferred outflows of resources:			
Deferred pension amounts	7,891,073	-	7,891,073
Deferred other post employment benefit amounts	127,059	-	127,059
Deferred amounts on refunding	1,275,670	36,579	1,312,249
Total deferred outflows of resources	9,293,802	36,579	9,330,381
Liabilities:			
Current liabilities:			
Accounts payable and accrued liabilities	1,270,354	216,590	1,486,944
Accrued interest payable	153,958	53,938	207,896
Unearned revenue	6,101	-	6,101
Settlements payable - due within one year	14,300	-	14,300
Long-term debt - due within one year (Note 7)	2,789,799	388,444	3,178,243
Total current liabilities	4,234,512	658,972	4,893,484
Noncurrent liabilities:			
Long-term debt - due in more than one year (Note 7)	28,647,740	3,533,625	32,181,365
Accrued compensated absences	1,030,228	-	1,030,228
Settlements payable - due in more than one year	85,800	-	85,800
Other liabilities	-	101,770	101,770
Net pension liabilities	24,541,420	-	24,541,420
Net other post employment benefit liabilities	8,875,324	-	8,875,324
Total noncurrent liabilities	63,180,512	3,635,395	66,815,907
Total liabilities	67,415,024	4,294,367	71,709,391
Deferred Inflows of Resources:			
Deferred pension amounts	3,048,494	-	3,048,494
Deferred other post employment benefit amounts	205,575	-	205,575
Deferred sewer assessments	-	2,655,429	2,655,429
Total deferred inflows of resources	3,254,069	2,655,429	5,909,498
Net Position:			
Net investment in capital assets	25,775,269	7,322,825	33,098,094
Restricted for:			
Education programs	2,278,395	-	2,278,395
Public safety programs	772,927	-	772,927
Historical records preservation	75,583	-	75,583
Other programs	113,159	-	113,159
Unrestricted	(18,401,948)	1,970,049	(16,431,899)
Total net position	\$ 10,613,385	\$ 9,292,874	\$ 19,906,259

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

TOWN OF NORTH SMITHFIELD, RHODE ISLAND

Statement of Activities

For the Fiscal Year Ended June 30, 2018

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Governmental Activities:							
General government	\$ 1,669,556	\$ 453,652	\$ 88,724	\$ -	\$ (1,127,180)	\$ -	\$ (1,127,180)
Financial administration	967,965	61,245	17,132	-	(889,588)	-	(889,588)
Public safety	7,729,510	870,977	34,415	-	(6,824,118)	-	(6,824,118)
Public works	3,105,737	130,529	7,815	-	(2,967,393)	-	(2,967,393)
Grants and contributions	8,666	-	-	-	(8,666)	-	(8,666)
Education	30,051,376	628,131	8,179,947	57,400	(21,185,898)	-	(21,185,898)
Interest on long-term debt	991,840	-	986,512	-	(5,328)	-	(5,328)
Total governmental activities	44,524,650	2,144,534	9,314,545	57,400	(33,008,171)	-	(33,008,171)
Business-Type Activities:							
Water	477,557	601,071	-	-	-	123,514	123,514
Sewer	2,707,511	2,239,212	-	-	-	(468,299)	(468,299)
Total business-type activities	3,185,068	2,840,283	-	-	-	(344,785)	(344,785)
Total	\$ 47,709,718	\$ 4,984,817	\$ 9,314,545	\$ 57,400	(33,008,171)	(344,785)	(33,352,956)
General Revenues:							
Taxes:							
Property taxes							
					34,125,932	-	34,125,932
State aid and in lieu of taxes,							
not restricted for a specific purpose							
					1,094,016	-	1,094,016
Investment earnings							
					146,297	22,359	168,656
Miscellaneous							
					128,001	-	128,001
Total general revenues					35,494,246	22,359	35,516,605
Change in net position							
					2,486,075	(322,426)	2,163,649
Net position - beginning of year, restated							
					8,127,310	9,615,300	17,742,610
Net position - end of year							
					\$ 10,613,385	\$ 9,292,874	\$ 19,906,259

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

TOWN OF NORTH SMITHFIELD, RHODE ISLAND

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

	General Fund	School Unrestricted Fund	Town Building Bond	Other Non-Major Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 8,716,168	\$ 2,201,916	\$ 4,948,635	\$ 848,856	\$ 16,715,575
Real estate and personal property tax receivable (net)	1,397,210	-	-	-	1,397,210
Due from federal and state governments	-	36,929	-	355,103	392,032
Other receivables	61,222	3,917	-	20,633	85,772
Due from other funds	234,662	880,417	-	658,006	1,773,085
Prepaid expenditures	110,283	-	-	-	110,283
Inventory	11,450	-	-	-	11,450
Total assets	\$ 10,530,995	\$ 3,123,179	\$ 4,948,635	\$ 1,882,598	\$ 20,485,407
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities:					
Accounts payable and accrued expenditures	\$ 502,442	\$ 536,845	\$ 11,810	\$ 85,328	\$ 1,136,425
Due to other funds	1,411,044	117,337	-	509,321	2,037,702
Unearned revenue	6,101	-	-	-	6,101
Other liabilities	54,482	-	-	-	54,482
Total liabilities	1,974,069	654,182	11,810	594,649	3,234,710
Deferred Inflows of Resources:					
Deferred property taxes	1,208,114	-	-	-	1,208,114
Other deferred revenues	-	-	-	16,225	16,225
Total deferred inflows of resources	1,208,114	-	-	16,225	1,224,339
Fund Balances (Deficits):					
Nonspendable:					
Prepaid expenditures	110,283	-	-	-	110,283
Inventory	11,450	-	-	-	11,450
Restricted for:					
Education programs	-	2,207,005	-	71,390	2,278,395
Public safety programs	-	-	-	772,927	772,927
Historical records preservation	-	-	-	75,583	75,583
Capital projects	-	-	4,936,825	109,219	5,046,044
Other programs	4,126	-	-	92,808	96,934
Committed for:					
Road resurfacing and repairs	126,763	-	-	-	126,763
Revaluation	259,919	-	-	-	259,919
Capital assets and projects	263,480	-	-	257,250	520,730
Branch Village project	67,000	-	-	-	67,000
Public safety programs	-	-	-	34,471	34,471
Other	70,903	-	-	-	70,903
Assigned to:					
Road resurfacing and repairs	503,621	-	-	-	503,621
Capital assets and projects	322,235	-	-	-	322,235
Public safety programs	42,581	-	-	-	42,581
Other	174,818	-	-	-	174,818
Building and field maintenance	-	143,969	-	-	143,969
Preschool program	-	92,325	-	-	92,325
Extraordinary special education costs	-	25,698	-	-	25,698
Unassigned	5,391,633	-	-	(141,924)	5,249,709
Total fund balances (deficits)	7,348,812	2,468,997	4,936,825	1,271,724	16,026,358
Total liabilities, deferred inflows of resources, and fund balances	\$ 10,530,995	\$ 3,123,179	\$ 4,948,635	\$ 1,882,598	\$ 20,485,407

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

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2018

Total Fund Balances - Total Governmental Funds \$ 16,026,358

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

Capital assets used in Governmental Activities are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet. See note 6 to the financial statements. 50,891,094

Accrued interest receivable on property taxes is reported as revenue in Government-Wide financial statements in the period earned. In Governmental Funds financial statements, interest on property taxes is reported when received. 470,166

Other long-term receivables are not available to pay for current period expenditures and, therefore, are deferred in Governmental Funds financial statements. 16,225

Property taxes are recognized as revenue in the period for which levied in the Government-Wide financial statements, but are reported as revenue when received in Governmental Funds financial statements. 1,208,114

Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in Governmental Funds Balance Sheet. (153,958)

Long-term liabilities (including bonds and loans payable, capital leases, settlements, compensated absences, net other post employment benefit liabilities, and net pension liabilities) are not due and payable in the current period and therefore are not reported in the Governmental Funds Balance Sheet. See Note 7 to the financial statements. (65,984,611)

Deferred outflows related debt refunding are not reported in the Governmental Funds financial statements, but are reported in the Government-Wide financial statements. 1,275,670

Net pension assets are not available to pay for current period expenditures and, therefore, are not reported in Governmental Funds financial statements. 2,100,264

Deferred outflows and inflows related to pensions and other post employment benefits are not reported in the Governmental Funds financial statements, but are reported in the Government-Wide financial statements.

Deferred outflows - pension	7,891,073
Deferred inflows - pension	(3,048,494)
Deferred outflows - other post employment benefits	127,059
Deferred inflows - other post employment benefits	(205,575)

Net Position of Governmental Activities **\$ 10,613,385**

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

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2018

	General Fund	School Unrestricted Fund	Town Building Bond	Other Non-Major Governmental Funds	Total Governmental Funds
Revenues:					
Property taxes	\$ 34,133,995	\$ -	\$ -	\$ -	\$ 34,133,995
Motor vehicle excise in lieu of tax	634,700	-	-	-	634,700
Intergovernmental and grant revenue	1,546,116	7,295,840	-	841,145	9,683,101
Town clerk licenses and fees	365,229	-	-	-	365,229
Other departmental fines and fees	508,738	317,937	-	62,940	889,615
Investment and interest income	70,248	-	70,274	5,775	146,297
Other revenues	341,461	13,311	-	682,770	1,037,542
Total revenues	37,600,487	7,627,088	70,274	1,592,630	46,890,479
Expenditures:					
Current:					
General government	1,234,284	-	61,148	26,023	1,321,455
Financial administration	788,414	-	-	-	788,414
Public safety	5,640,496	-	-	355,633	5,996,129
Public works	2,354,884	-	-	20,910	2,375,794
Fixed charges	2,297,693	-	-	-	2,297,693
Grants and contributions	8,666	-	-	-	8,666
Education	-	26,693,607	-	1,053,430	27,747,037
Other	-	-	-	43,723	43,723
Capital outlay	768,809	-	39,395	368,455	1,176,659
Debt service:					
Principal	2,888,832	-	-	-	2,888,832
Interest and issuance costs	1,212,901	-	-	-	1,212,901
Total expenditures	17,194,979	26,693,607	100,543	1,868,174	45,857,303
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	20,405,508	(19,066,519)	(30,269)	(275,544)	1,033,176
Other financing sources (uses):					
Transfers from other funds	-	19,108,278	-	3,723	19,112,001
Transfers to other funds	(19,112,001)	-	-	-	(19,112,001)
Total other financing sources (uses)	(19,112,001)	19,108,278	-	3,723	-
Net change in fund balances	1,293,507	41,759	(30,269)	(271,821)	1,033,176
Fund balances (deficits) - beginning of year	6,055,305	2,427,238	4,967,094	1,543,545	14,993,182
Fund balances (deficits) - end of year	\$ 7,348,812	\$ 2,468,997	\$ 4,936,825	\$ 1,271,724	\$ 16,026,358

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

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in the Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2018

Net Changes in Fund Balances - Total Governmental Funds \$ 1,033,176

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

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

This is the amount of capital assets recorded in the current period. 1,172,870
This is the amount of the loss on the disposal of capital assets during the current period. (20,554)

Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities, but does not require the use of current financial resources. Therefore, depreciation expense is not reported in the Governmental Funds financial statements. (2,214,751)

New loans are reported as an increase in accounts receivable in the Government-Wide Statement of Net Position, but are reported as expenditures in the Governmental Fund Financial Statements. 9,650

Long-term compensated absences, net pension liabilities (assets) and net other post employment benefit (OPEB) liabilities are reported in the Government-Wide financial statements, but do not require the use of current financial resources. Therefore, compensated absences, net pension liabilities (assets) and net OPEB liabilities are not reported as expenditures in Governmental Funds financial statements. This amount represents the change in these long-term liabilities from the prior year. (595,395)

Bond, loan and lease proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Government-Wide Statement of Net Position. Repayment of debt principal and payments to escrow agents are expenditures or uses of current financial resources in Governmental Funds, but the payments reduce long-term liabilities in the Government-Wide Statement of Net Position. This amount represents long-term debt principal payments. 2,888,832

Debt issued at a premium provide current financial resources to Governmental Funds, but are deferred and amortized in the Government-Wide financial statements. Deferred amounts on refunding are expenditures in the Governmental Funds, but are deferred and amortized in the Government-Wide financial statements. This amount represents amortization of deferred amounts on refunding during the current period. (126,708)
This amount represents amortization of premium on debt during the current period. 330,435

Accrued interest expense on long-term debt is reported in the Government-Wide Statement of Activities, but does not require the use of current financial resources. Therefore, accrued interest expense is not reported as an expenditure in Governmental Funds financial statements. The following amount represents the change in accrued interest from prior year. 17,334

Revenues in the Statement of Activities that are not available in Governmental Funds are not reported as revenue in the Governmental Funds. (8,814)

Change in Net Position of Governmental Activities \$ 2,486,075

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

TOWN OF NORTH SMITHFIELD, RHODE ISLAND

Statement of Net Position

Proprietary Funds

June 30, 2018

	<i>Business-Type Activities</i>		
	<i>Enterprise Funds</i>		
	<i>Water</i>	<i>Sewer</i>	
	<i>Fund</i>	<i>Fund</i>	<i>Total</i>
Assets			
Current assets:			
Cash and cash equivalents	\$ -	\$ 2,174,719	\$ 2,174,719
Accounts receivable:			
Water and sewer use fees, net	135,230	150,857	286,087
Sewer assessments, net	-	366,391	366,391
Due from other funds	218,004	-	218,004
Total current assets	<u>353,234</u>	<u>2,691,967</u>	<u>3,045,201</u>
Noncurrent assets:			
Sewer assessments receivable, net	-	2,395,552	2,395,552
Capital assets:			
Non-depreciable assets	16,141	47,803	63,944
Depreciable assets - net	2,177,611	8,556,617	10,734,228
Total noncurrent assets	<u>2,193,752</u>	<u>10,999,972</u>	<u>13,193,724</u>
Total assets	<u>2,546,986</u>	<u>13,691,939</u>	<u>16,238,925</u>
Deferred outflows of resources			
Deferred amounts on refunding	-	36,579	36,579
Total deferred outflows of resources	<u>-</u>	<u>36,579</u>	<u>36,579</u>
Liabilities			
Current liabilities:			
Accounts payable and accrued expenses	166,974	49,616	216,590
Accrued interest payable	34,391	19,547	53,938
Due to other funds	-	32,834	32,834
Current portion of long term debt	138,757	249,687	388,444
Total current liabilities	<u>340,122</u>	<u>351,684</u>	<u>691,806</u>
Noncurrent liabilities:			
Long-term debt	912,176	2,621,449	3,533,625
Other liabilities	43,300	58,470	101,770
Total noncurrent liabilities	<u>955,476</u>	<u>2,679,919</u>	<u>3,635,395</u>
Total liabilities	<u>1,295,598</u>	<u>3,031,603</u>	<u>4,327,201</u>
Deferred inflows of resources			
Deferred sewer assessments	-	2,655,429	2,655,429
Total deferred inflows of resources	<u>-</u>	<u>2,655,429</u>	<u>2,655,429</u>
Net position			
Net investment in capital assets	1,142,819	6,180,006	7,322,825
Unrestricted	108,569	1,861,480	1,970,049
Total net position	<u>\$ 1,251,388</u>	<u>\$ 8,041,486</u>	<u>\$ 9,292,874</u>

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

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2018

	Business-Type Activities		
	Enterprise Funds		
	Water Fund	Sewer Fund	Total
Operating revenues			
Assessments and user fees	\$ 549,357	\$ 2,141,183	\$ 2,690,540
Other revenues	51,714	98,029	149,743
Total operating revenues	<u>601,071</u>	<u>2,239,212</u>	<u>2,840,283</u>
Operating expenses			
Salaries and benefits	30,137	167,406	197,543
Service	262,207	1,454,310	1,716,517
Operating supplies	506	5,012	5,518
Fixed and general charges	56,835	185,760	242,595
Depreciation	77,542	819,585	897,127
Total operating expenses	<u>427,227</u>	<u>2,632,073</u>	<u>3,059,300</u>
Operating income (loss)	<u>173,844</u>	<u>(392,861)</u>	<u>(219,017)</u>
Nonoperating revenues (expenses)			
Interest income	-	22,359	22,359
Interest expense	(50,330)	(75,438)	(125,768)
Total non-operating revenues (expenses)	<u>(50,330)</u>	<u>(53,079)</u>	<u>(103,409)</u>
Change in net position	123,514	(445,940)	(322,426)
Total net position - beginning of year	<u>1,127,874</u>	<u>8,487,426</u>	<u>9,615,300</u>
Total net position - end of year	<u>\$ 1,251,388</u>	<u>\$ 8,041,486</u>	<u>\$ 9,292,874</u>

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

TOWN OF NORTH SMITHFIELD, RHODE ISLAND

Statement of Cash Flows

Proprietary Funds

For the Fiscal Year Ended June 30, 2018

	<i>Business-Type Activities Enterprise Funds</i>		
	<i>Water Fund</i>	<i>Sewer Fund</i>	<i>Total</i>
<i>Cash flows from operating activities</i>			
Cash received from customers	\$ 601,897	\$ 2,163,431	\$ 2,765,328
Cash payments to suppliers for goods and services	(342,605)	(1,655,798)	(1,998,403)
Cash payments to employees for services	(30,116)	(167,283)	(197,399)
<i>Net cash provided by operating activities</i>	<u>229,176</u>	<u>340,350</u>	<u>569,526</u>
<i>Cash flows from non-capital financing activities</i>			
Interfund transactions	(14,015)	(796,083)	(810,098)
Settlements paid	<u>-</u>	<u>(215,143)</u>	<u>(215,143)</u>
<i>Net cash used for non-capital financing activities</i>	<u>(14,015)</u>	<u>(1,011,226)</u>	<u>(1,025,241)</u>
<i>Cash flows from capital and related financing activities</i>			
Acquisition and construction of capital assets	(26,123)	(70,876)	(96,999)
Principal paid on bonds and loans	(136,324)	(278,986)	(415,310)
Interest paid on bonds and loans	<u>(52,714)</u>	<u>(84,449)</u>	<u>(137,163)</u>
<i>Net cash used for capital and related financing activities</i>	<u>(215,161)</u>	<u>(434,311)</u>	<u>(649,472)</u>
<i>Cash flows from investing activities</i>			
Investment income	<u>-</u>	<u>22,359</u>	<u>22,359</u>
<i>Net cash provided by investing activities</i>	<u>-</u>	<u>22,359</u>	<u>22,359</u>
<i>Net decrease in cash and cash equivalents</i>	<u>-</u>	<u>(1,082,828)</u>	<u>(1,082,828)</u>
<i>Cash and cash equivalents, beginning of year</i>	<u>-</u>	<u>3,257,547</u>	<u>3,257,547</u>
<i>Cash and cash equivalents, end of year</i>	<u><u>\$ -</u></u>	<u><u>\$ 2,174,719</u></u>	<u><u>\$ 2,174,719</u></u>

(Continued)

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

TOWN OF NORTH SMITHFIELD, RHODE ISLAND

Statement of Cash Flows (Continued)

Proprietary Funds

For the Fiscal Year Ended June 30, 2018

	Business-Type Activities		
	Enterprise Funds		
	Water	Sewer	
	Fund	Fund	Total
Reconciliation of operating income (loss) to net cash provided by operating activities			
Operating income (loss)	\$ 173,844	\$ (392,861)	\$ (219,017)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	77,542	819,585	897,127
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	826	47,741	48,567
Increase (decrease) in accounts payable and accrued expenses	(23,036)	(10,593)	(33,629)
Increase (decrease) in deferred sewer assessments	-	(123,522)	(123,522)
Net cash provided by operating activities	\$ 229,176	\$ 340,350	\$ 569,526

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

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2018

	<i>Other Post Employment Benefits Trust Fund</i>	<i>Private-Purpose Trust Buxton Family Association</i>	<i>Agency Funds</i>
Assets			
Cash and cash equivalents	\$ -	\$ 802	\$ 244,820
Investments:			
Pooled investments	509,041	-	-
Due from other funds	-	-	79,447
Total assets	<u>509,041</u>	<u>802</u>	<u>324,267</u>
Liabilities			
Accounts payable and accrued expenses	-	-	325
Deposits held in custody for others	-	-	323,942
Total liabilities	<u>-</u>	<u>-</u>	<u>324,267</u>
Net position			
Restricted for other post employment benefits and other purposes	<u>\$ 509,041</u>	<u>\$ 802</u>	<u>\$ -</u>

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

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2018

	<i>Other Post Employment Benefits Trust Fund</i>	<i>Private-Purpose Trust Buxton Family Association</i>
<i>Additions</i>		
Contributions:		
Employer	\$ 804,219	\$ -
Total contributions	<u>804,219</u>	<u>-</u>
Investment earnings:		
Net increase (decrease) in fair value of investments	3,890	-
Interest and dividends	<u>-</u>	<u>7</u>
Total investment earnings	3,890	7
Less investment expense	<u>487</u>	<u>-</u>
Net investment income	<u>3,403</u>	<u>7</u>
<i>Total additions</i>	<u>807,622</u>	<u>7</u>
<i>Deductions</i>		
Benefits	<u>298,581</u>	<u>-</u>
<i>Total deductions</i>	<u>298,581</u>	<u>-</u>
<i>Change in net position</i>	509,041	7
<i>Net position - beginning of year</i>	<u>-</u>	<u>795</u>
<i>Net position - end of year</i>	<u>\$ 509,041</u>	<u>\$ 802</u>

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

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

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

In evaluating the inclusion of other separate and distinct legal entities as component units within its financial reporting entity, the Town applied the criteria prescribed by GASB Statement No. 14, as amended by GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units", GASB Statement No. 61 "Financial Reporting Entity-Omnibus" and GASB Statement No. 80 "Blending Requirements for Certain Component Units". A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable or based on the nature and significance of the organization's relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading. The Town of North Smithfield does not have any component units.

B. BASIS OF PRESENTATION AND ACCOUNTING

Government-Wide Financial Statements

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

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

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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

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

Fund Financial Statements

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

Governmental Fund Financial Statements

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

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

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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

Major Governmental Funds:

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

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

Town Building Bond Fund – This fund accounts for debt proceeds used for major capital projects for Town buildings.

Proprietary Fund Financial Statements

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

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

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

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

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

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

Fiduciary Fund Financial Statements

Fiduciary Fund Financial Statements include a Statement of Net Position and a Statement of Changes in Net Position. The Town’s Fiduciary Funds include an Other Post Employment Benefits Trust Fund, a Private Purpose Trust Fund and Agency Funds. Fiduciary Funds are used to account

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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

Other Post Employment Benefits Trust Fund – This fund accounts for assets held under a trust arrangement to finance other post employment benefits of Town employees and payments of these benefits as they come due.

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

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

C. RECENTLY ISSUED ACCOUNTING STANDARDS

The Town has implemented the following new accounting pronouncements:

- GASB Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for the Town’s fiscal year ending June 30, 2018.
- GASB Statement No. 81 – *Irrevocable Split-Interest Agreements*, effective for the Town’s fiscal year ending June 30, 2018.
- GASB Statement No. 85 – *Omnibus 2017*, effective for the Town’s fiscal year ending June 30, 2018.
- GASB Statement No. 86 – *Certain Debt Extinguishment Issues*, effective for the Town’s fiscal year ending June 30, 2018.

The adoption of GASB Statement Number 75 resulted in a restatement of net position in the Government-Wide Financial Statements of \$(6,483,693) as discussed in Note 18. The adoption of GASB Statement Numbers 81, 85 and 86 did not have an impact on the Town’s financial position or results of operations.

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

- GASB Statement No. 83 – *Certain Asset Retirement Obligations*, effective for the Town’s fiscal year ending June 30, 2019.
- GASB Statement No. 84 – *Fiduciary Activities*, effective for the Town’s fiscal year ending June 30, 2020.
- GASB Statement No. 87 – *Leases*, effective for the Town’s fiscal year ending June 30, 2021.
- GASB Statement No. 88 – *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, effective for the Town’s fiscal year ending June 30, 2019.

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

- GASB Statement No. 89 – *Accounting for Interest Cost Incurred before the End of a Construction Period*, effective for the Town’s fiscal year ending June 30, 2021.
- GASB Statement No. 90 – *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*, effective for the Town’s fiscal year ending June 30, 2020.

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

D. CASH AND CASH EQUIVALENTS

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

E. INVESTMENTS

The Town’s investments are reported at fair value.

F. ACCOUNTS RECEIVABLE AND TAXES RECEIVABLE

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

G. PREPAID ITEMS

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

H. INVENTORY

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

I. CAPITAL ASSETS

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

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

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

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

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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

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

J. DEBT PREMIUMS

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

K. DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

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

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

L. PROPERTY TAXES

The Town is permitted by state law to levy property taxes. Current tax collections for the Town were approximately 98.3% of the total 2017 levy. The Town's fiscal 2017-2018 property taxes were levied on July 17, 2017 on assessed valuation as of December 31, 2016. Upon levy, taxes are due and payable on August 15 or may be paid quarterly on August 15, October 15, January 15, and April 15. Failure to mail payments by due dates will result in lien on taxpayer's property. Taxable assessed values are established by Tax Assessor's Office and are currently calculated at approximately 100% of current market value for real estate and 100% of current market value for motor vehicles.

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

M. COMPENSATED ABSENCES

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

Vacation benefits are accrued as a liability based on the accumulated benefits earned at June 30. Sick leave benefits are accrued based on the sick leave accumulated as of June 30 by those employees who are currently eligible to receive termination payments and those employees for whom it is probable they will become eligible to receive termination benefits in the future. The liability is calculated at the rate of pay in effect at June 30, 2018.

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

N. ACCRUED LIABILITIES AND LONG-TERM DEBT

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

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

O. PENSIONS

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

P. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Town of North Smithfield's Other Post Employment Benefits Plan (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable, in accordance with the benefit terms. Investments are reported at fair value.

Q. USE OF ESTIMATES

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

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. LEGAL DEBT MARGIN

The Town's legal debt margin as set forth by State Statute is limited to three percent of total taxable assessed value, which approximates \$48,120,118. As of June 30, 2018, the Town's debt subject to the legal debt margin is \$5,938,060 and the Town is under the debt limit by \$42,182,058. The debt subject to the debt limitation is based on the type of debt that is issued.

B. DEFICIT FUND BALANCES

The following other nonmajor governmental funds have deficit fund balances as of June 30, 2018: School Building Fund \$(15,428); Renewable Energy Grant \$(126,496).

NOTE 3 – CASH DEPOSITS

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

	<i>Carrying Amount</i>
Total Deposits	\$19,134,766
Add: Petty cash and cash on hand	<u>1,150</u>
Total Cash and Cash Equivalents	
Reported in the Financial Statements	<u><u>\$19,135,916</u></u>

CUSTODIAL CREDIT RISK – custodial credit risk is the risk that in the event of the failure of a depository financial institution, the Town will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Town does not have a formal deposit policy for custodial credit risk, but is governed by State laws as described below. As of June 30, 2018, \$19,431,630 of the Town's bank balance of \$20,181,630 was exposed to custodial credit risk as follows:

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

	<u>Bank</u>
	<u>Balance</u>
Insured (Federal depository insurance funds)	\$750,000
Collateralized with securities held by pledging financial institution or its agent in the Town's name	15,749,961
Collateralized with securities held by pledging financial institution or its agent, but not in the Town's name	3,678,548
Uninsured and uncollateralized	3,121
Total	<u>\$20,181,630</u>

Under Rhode Island general laws, depository institutions holding deposits of the State, its agencies or governmental subdivisions of the State, shall at a minimum, insure or pledge eligible collateral equal to one hundred percent (100%) of the deposits, which are time deposits with maturities greater than sixty (60) days. Any of these institutions which do not meet minimum capital standards prescribed by federal regulators shall insure or pledge eligible collateral equal to one hundred percent (100%) of the deposits, regardless of maturity. At June 30, 2018, the Town's uncollateralized deposits with institutions were \$3,121. These deposits are held by institutions that meet the minimum capital standards prescribed by the federal regulators.

NOTE 4 – INVESTMENTS

At June 30, 2018, the Town's investment balances were as follows:

<u>Investment</u>	<u>Fair Value</u>
Trust OPEB Funding Program	\$509,041
Total Investments Reported	
In the Financial Statements	<u>\$509,041</u>

The Town's General Fund investments are governed by Title 35, Chapter 10, Section 11 of the State's General Laws. This law generally allows for short-term investments, such as Certificate of Deposits, Money Market Funds, Obligations guaranteed by the U.S. Government, etc. with the goal of seeking responsible income while preserving capital.

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

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

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

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

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 5 – FAIR VALUE MEASUREMENTS

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

The Town had no recurring or nonrecurring fair value measurements as of June 30, 2018.

The valuation method for investments measured at net asset value (NAV) per share (or its equivalent) is presented in the following table:

	<u><i>Fair Value</i></u>	<u><i>Redemption Frequency</i></u>	<u><i>Redemption Notice Period</i></u>
Trust OPEB Funding Program	\$509,041	Daily	None

The Trust OPEB Funding Program investment utilizes a balanced strategy seeking both a reasonable level of income and long-term growth of capital and income. The Program invests in seven index and mutual funds: total stock market index fund, total international stock index fund, total bond market index fund, intermediate-term investment grade fund, short-term investment grade fund, inflation protected securities fund, and REIT index fund. The fair values of the underlying investments are used to determine NAV per share (or its equivalent) of the Trust OPEB Funding Program investment.

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 6 - CAPITAL ASSETS

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

	<u><i>Beginning Balance</i></u>	<u><i>Additions</i></u>	<u><i>Retirements</i></u>	<u><i>Ending Balance</i></u>
<i>Governmental Activities:</i>				
Nondepreciable assets:				
Land and land easements	\$ 8,720,242	\$ -	\$ -	\$ 8,720,242
Construction in progress	827,289	179,483	608,851	397,921
	<u>9,547,531</u>	<u>179,483</u>	<u>608,851</u>	<u>9,118,163</u>
Depreciable assets:				
Land improvements	3,434,187	622,926	21,000	4,036,113
Buildings and improvements	55,476,085	10,684	90,803	55,395,966
Infrastructure	24,810,410	50,776	-	24,861,186
Machinery, equipment and furniture	5,163,262	82,196	1,791	5,243,667
Vehicles	4,188,298	835,656	-	5,023,954
	<u>93,072,242</u>	<u>1,602,238</u>	<u>113,594</u>	<u>94,560,886</u>
<i>Total capital assets</i>	<u>102,619,773</u>	<u>1,781,721</u>	<u>722,445</u>	<u>103,679,049</u>
Less accumulated depreciation for:				
Land improvements	2,094,145	132,386	15,750	2,210,781
Buildings and improvements	19,713,262	1,326,341	76,275	20,963,328
Infrastructure	21,874,123	195,621	-	22,069,744
Machinery, equipment and furniture	4,149,753	230,199	1,015	4,378,937
Vehicles	2,834,961	330,204	-	3,165,165
	<u>50,666,244</u>	<u>2,214,751</u>	<u>93,040</u>	<u>52,787,955</u>
<i>Total accumulated depreciation</i>	<u>50,666,244</u>	<u>2,214,751</u>	<u>93,040</u>	<u>52,787,955</u>
<i>Governmental activities capital assets, net</i>	<u>\$ 51,953,529</u>	<u>\$ (433,030)</u>	<u>\$ 629,405</u>	<u>\$ 50,891,094</u>
<i>Business-Type Activities</i>				
Nondepreciable assets:				
Land	\$ 16,141	\$ -	\$ -	\$ 16,141
Construction in progress	-	47,803	-	47,803
	<u>16,141</u>	<u>47,803</u>	<u>-</u>	<u>63,944</u>
Depreciable assets:				
Land improvements	32,405	-	-	32,405
Buildings and improvements	2,346,289	-	-	2,346,289
Infrastructure	11,366,032	8,131	-	11,374,163
Machinery, equipment and furniture	19,211,387	41,065	-	19,252,452
Vehicles	139,110	-	-	139,110
	<u>33,095,223</u>	<u>49,196</u>	<u>-</u>	<u>33,144,419</u>
<i>Total capital assets</i>	<u>33,111,364</u>	<u>96,999</u>	<u>-</u>	<u>33,208,363</u>
Less accumulated depreciation for:				
Land improvements	16,969	863	-	17,832
Buildings and improvements	843,201	46,926	-	890,127
Infrastructure	5,916,341	151,597	-	6,067,938
Machinery, equipment and furniture	14,613,964	687,923	-	15,301,887
Vehicles	122,589	9,818	-	132,407
	<u>21,513,064</u>	<u>897,127</u>	<u>-</u>	<u>22,410,191</u>
<i>Total accumulated depreciation</i>	<u>21,513,064</u>	<u>897,127</u>	<u>-</u>	<u>22,410,191</u>
<i>Business-type activities capital assets, net</i>	<u>\$ 11,598,300</u>	<u>\$ (800,128)</u>	<u>\$ -</u>	<u>\$ 10,798,172</u>

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Depreciation expense was charged as follows:

Governmental activities:

General government	\$ 83,878
Public safety	193,402
Public works	487,382
Education	1,450,089
Total depreciation expense, governmental activities	\$ 2,214,751

Business-type activities:

Water fund	\$ 77,542
Sewer fund	819,585
Total depreciation expense, business-type activities	\$ 897,127

NOTE 7 – LONG-TERM LIABILITIES

A. LONG-TERM LIABILITIES:

Changes in long-term liabilities during the year ended June 30, 2018 were as follows:

	<i>Beginning Balance</i>	<i>Additions</i>	<i>Retirements</i>	<i>Ending Balance</i>	<i>Amounts Due Within One Year</i>
Governmental activities:					
Bonds, loans and capital leases payable:					
Bonds and loans payable	\$ 30,917,624	\$ -	\$ 2,743,208	\$ 28,174,416	\$ 2,725,893
Capital leases	209,530	-	145,624	63,906	63,906
	31,127,154	-	2,888,832	28,238,322	2,789,799
Plus amortized premium on bonds	3,529,652	-	330,435	3,199,217	-
Total bonds, loans and capital leases	34,656,806	-	3,219,267	31,437,539	2,789,799
Other liabilities:					
Accrued compensated absences	950,273	79,955	-	1,030,228	-
Settlements payable	100,100	-	-	100,100	14,300
Net other postemployment benefit liabilities	9,102,683	-	227,359	8,875,324	-
Net pension liabilities	24,216,835	324,585	-	24,541,420	-
Total Governmental Activities					
Long-Term Liabilities	\$ 69,026,697	\$ 404,540	\$ 3,446,626	\$ 65,984,611	\$ 2,804,099
Business- type activities:					
Bonds, loans and capital leases payable:					
Bonds and loans payable	\$ 4,257,917	\$ -	\$ 396,380	\$ 3,861,537	\$ 369,106
Capital leases	38,269	-	18,931	19,338	19,338
	4,296,186	-	415,311	3,880,875	388,444
Plus amortized premium on bonds	44,938	-	3,744	41,194	-
Total bonds, loans and capital leases	4,341,124	-	419,055	3,922,069	388,444
Other liabilities:					
Settlements payable	215,143	-	215,143	-	-
Total Business- Type Activities					
Long-Term Liabilities	\$ 4,556,267	\$ -	\$ 634,198	\$ 3,922,069	\$ 388,444

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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

B. GENERAL OBLIGATION BONDS AND LOANS DEBT SERVICE REQUIREMENTS

The debt service requirements at June 30, 2018 were as follows:

<i>Fiscal Year Ended June 30,</i>	<i>Governmental Activities Bonds and Loans Payable</i>		<i>Business-Type Activities Bonds and Loans Payable</i>	
	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>
2019	\$ 2,725,893	\$ 1,097,632	\$ 369,106	\$ 106,110
2020	2,806,766	1,000,413	384,312	101,373
2021	2,903,767	893,879	353,510	83,059
2022	3,019,767	783,241	331,306	71,463
2023	2,919,162	685,012	285,589	62,203
2024-2028	13,745,000	1,614,283	1,318,726	199,215
2029-2033	54,061	541	557,223	82,757
2034-2038	-	-	181,052	49,418
2039-2040	-	-	80,713	6,460
	<u>\$ 28,174,416</u>	<u>\$ 6,075,001</u>	<u>\$ 3,861,537</u>	<u>\$ 762,058</u>

C. CAPITAL LEASE COMMITMENTS

The Town acquired equipment and vehicles valued at \$966,661 that were financed with lease purchase agreements. Amortization of assets acquired under capital leases is included in depreciation expense for the year ended June 30, 2018.

Obligations of Governmental and Business-Type Activities under capital leases as of June 30, 2018 were as follows:

<i>Fiscal Year Ended June 30,</i>	<i>Governmental Activities Lease Payment Requirements</i>	<i>Business-Type Activities Lease Payment Requirements</i>
2019	\$ 64,986	\$ 19,664
Total minimum lease payments	64,986	19,664
Less: Amount representing interest cost	(1,080)	(326)
Present value of minimum lease payments	<u>\$ 63,906</u>	<u>\$ 19,338</u>

TOWN OF NORTH SMITHFIELD, RHODE ISLAND

Notes to Financial Statements

June 30, 2018

D. SCHEDULE OF BONDS AND LOANS PAYABLE

<i>Purpose</i>	<i>Date Issued</i>	<i>Interest Rate</i>	<i>Maturity Date</i>	<i>Authorized and Issued</i>	<i>Outstanding June 30, 2017</i>	<i>New Issues</i>	<i>Refundings/ Maturities During Year</i>	<i>Outstanding June 30, 2018</i>
Governmental Activities:								
School loan	9/2/2010	3.84%	4/1/2026	\$ 3,550,000	\$ 2,715,000	\$ -	\$ 210,000	\$ 2,505,000
School loan	5/14/2008	3.50-5.00%	4/1/2028	30,000,000	1,455,000	-	1,455,000	-
General obligation bond	7/1/2007	4.125-5.50%	7/1/2027	2,100,000	105,000	-	105,000	-
School general obligation bond	12/15/2008	3.125-5.00%	12/15/2028	700,000	70,000	-	35,000	35,000
Refunding bond	6/12/2012	1.89%	10/15/2021	2,068,000	1,016,000	-	216,000	800,000
General obligation bond	12/30/2013	2.25%	12/15/2023	545,000	400,000	-	55,000	345,000
Refunding bond	6/30/2016	2.00-4.00%	7/1/2028	1,441,624	1,441,624	-	7,208	1,434,416
General obligation bond	6/30/2016	2.00-4.00%	6/15/2026	7,350,000	6,695,000	-	660,000	6,035,000
Refunding loan	8/10/2016	2.0-5.0%	5/15/2028	17,115,000	17,020,000	-	-	17,020,000
Total Governmental Activities				<u>64,869,624</u>	<u>30,917,624</u>	<u>-</u>	<u>2,743,208</u>	<u>28,174,416</u>
Business-Type Activities:								
Water Fund:								
Water bond	5/11/1982	5.00%	5/11/2022	50,000	12,483	-	2,284	10,199
Water bond	5/16/1995	6.00%	5/16/2020	500,000	103,125	-	32,846	70,279
Water bond	8/26/1999	5.00%	8/26/2039	790,900	621,339	-	15,011	606,328
Shell oil bond	9/16/1997	5.50%	9/16/2022	500,000	185,898	-	27,034	158,864
Refunding bond	6/12/2012	1.89%	10/15/2021	517,000	254,000	-	54,000	200,000
				<u>2,357,900</u>	<u>1,176,845</u>	<u>-</u>	<u>131,175</u>	<u>1,045,670</u>
Sewer Fund:								
Sewer general obligation bond	12/15/2008	3.125-5.00%	12/15/2028	1,000,000	100,000	-	50,000	50,000
Mendon road project #1 bond	12/18/1990	7.25%	12/18/2020	303,000	81,823	-	18,922	62,901
Mendon road project #2 bond	4/7/1992	6.625%	4/7/2021	60,000	15,804	-	3,649	12,155
Refunding bond	6/30/2016	2.00-4.00%	7/1/2028	558,376	558,376	-	34,899	523,477
Clean water revolving loan	10/6/2009	0.49-1.93%	9/1/2029	4,750,000	2,325,069	-	157,735	2,167,334
				<u>6,671,376</u>	<u>3,081,072</u>	<u>-</u>	<u>265,205</u>	<u>2,815,867</u>
Total Business-Type Activities				<u>9,029,276</u>	<u>4,257,917</u>	<u>-</u>	<u>396,380</u>	<u>3,861,537</u>
Total Bonds and Loans Payable				<u>\$ 73,898,900</u>	<u>\$ 35,175,541</u>	<u>\$ -</u>	<u>\$ 3,139,588</u>	<u>\$ 32,035,953</u>

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

E. PRIOR-YEAR DEFEASANCE OF DEBT

In prior years, the Town defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Town's financial statements. On June 30, 2018, \$900,000 of bonds outstanding are considered defeased.

NOTE 8 – INTERFUND BALANCES

The Town reports interfund balances between many of its funds. Interfund balances at June 30, 2018 were as follows:

	<i>Due From:</i>				<i>Total</i>
	<i>General Fund</i>	<i>School Unrestricted Fund</i>	<i>Nonmajor Governmental Funds</i>	<i>Sewer Fund</i>	
<i>Due To:</i>					
General Fund	\$ 34,083	\$ -	\$ 185,009	\$ 15,570	\$ 234,662
School Unrestricted Fund	556,105	-	324,312	-	880,417
Nonmajor Governmental Funds	540,669	117,337	-	-	658,006
Water Fund	200,740	-	-	17,264	218,004
Agency Funds	79,447	-	-	-	79,447
<i>Total</i>	\$ 1,411,044	\$ 117,337	\$ 509,321	\$ 32,834	\$ 2,070,536

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

NOTE 9 – INTERFUND TRANSFERS

	<i>Transfer From:</i>	
	<i>General Fund</i>	<i>Total</i>
<i>Transfer To:</i>		
School Unrestricted Fund	\$ 19,108,278	\$ 19,108,278
Nonmajor Governmental Funds	3,723	3,723
<i>Total</i>	\$ 19,112,001	\$ 19,112,001

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

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 10 – DISAGGREGATION OF RECEIVABLE AND PAYABLE BALANCES

A. ACCOUNTS RECEIVABLE

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

<u>Fund/Description</u>	<u>Allowance for Doubtful Accounts</u>
Governmental Activities/General Fund – Real estate and personal property tax receivable	\$696,480
Governmental Activities – Accrued interest receivable	\$343,245
Business-Type Activities/Water Fund – Use fees receivable	\$1,030
Business-Type Activities/Sewer Fund – Use fees receivable	\$4,654
Business-Type Activities/Sewer Fund – Sewer assessments receivable	\$3,294

B. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The accounts payable and accrued liabilities at June 30, 2018, were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Other</u>	<u>Total</u>
Governmental Activities:				
General Fund	\$ 357,007	\$ 145,435	\$ -	\$ 502,442
School Unrestricted Fund	222,661	314,184	-	536,845
Town Building Bond	11,810	-	-	11,810
Nonmajor Governmental Funds	84,956	372	-	85,328
Reconciliation of balances in fund financial statements to government-wide financial statements	-	-	133,929	133,929
Total Governmental Activities	<u><u>\$ 676,434</u></u>	<u><u>\$ 459,991</u></u>	<u><u>\$ 133,929</u></u>	<u><u>\$ 1,270,354</u></u>
Business-Type Activities:				
Water Fund	\$ 66,155	\$ 463	\$ 100,356	\$ 166,974
Sewer Fund	46,996	2,620	-	49,616
Total Business-Type Activities	<u><u>\$ 113,151</u></u>	<u><u>\$ 3,083</u></u>	<u><u>\$ 100,356</u></u>	<u><u>\$ 216,590</u></u>

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 11 – NET POSITION/FUND BALANCES

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

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

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

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

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

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

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

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

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

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

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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

The Town has established the following fund balance policies:

- General Fund unassigned fund balance will be maintained at a minimum of 12% but not more than 16% of General Fund expenditures in any given year.
- Enterprise Funds unrestricted net position will be maintained at a minimum of three months operating expenses plus 25% of the accumulated depreciation of the capital assets of the fund.

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 12 – DIFFERENCES BETWEEN GOVERNMENTAL FUNDS AND GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

The total fund balances for Governmental Funds of \$16,026,358 differs from the total net position for Governmental Activities \$10,613,385 reported in the Statement of Net Position. The differences arise primarily from the long-term economic focus of the Statement of Net Position versus the current financial resources focus of the Governmental Funds Balance Sheet. The effect of the differences is illustrated below.

Balance Sheet/Statement of Net Position:

	Total Governmental Funds	Long-Term Assets/ Liabilities (1)	Reclassifications and Eliminations	Statement Net Position Totals
Assets:				
Cash and cash equivalents	\$ 16,715,575	\$ -	\$ -	\$ 16,715,575
Real and personal property				
tax receivable, net	1,397,210	-	-	1,397,210
Due from federal and state governments	392,032	-	-	392,032
Accrued interest receivable, net	-	470,166	-	470,166
Other receivables	85,772	-	-	85,772
Internal balances	1,773,085	-	(1,958,255)	(185,170)
Prepaid expenditures	110,283	-	-	110,283
Inventory	11,450	-	-	11,450
Capital assets, net	-	50,891,094	-	50,891,094
Net pension asset	-	2,100,264	-	2,100,264
Total assets	\$ 20,485,407	\$ 53,461,524	\$ (1,958,255)	\$ 71,988,676
Total deferred outflows of resources	\$ -	\$ 9,293,802	\$ -	\$ 9,293,802
Liabilities:				
Accounts payable and accrued expenditures	\$ 1,136,425	\$ -	\$ 133,929	\$ 1,270,354
Accrued interest payable	-	153,958	-	153,958
Internal balances	2,037,702	-	(2,037,702)	-
Unearned revenue	6,101	-	-	6,101
Other liabilities	54,482	-	(54,482)	-
Long-term liabilities:				
Due within one year	-	2,804,099	-	2,804,099
Due in more than one year	-	63,180,512	-	63,180,512
Total liabilities	\$ 3,234,710	\$ 66,138,569	\$ (1,958,255)	\$ 67,415,024
Total deferred inflows of resources	\$ 1,224,339	\$ 2,029,730	\$ -	\$ 3,254,069
Total fund balances/net position	\$ 16,026,358	\$ (5,412,973)	\$ -	\$ 10,613,385

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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

Cost of capital assets	\$ 103,679,049
Accumulated depreciation	<u>(52,787,955)</u>
	<u><u>\$ 50,891,094</u></u>

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

Adjustment of deferred revenue	<u><u>\$ (1,224,339)</u></u>
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Accrued interest receivable on property taxes is reported as revenue in the Government-Wide financial statements in the period earned and in the Governmental Funds when received.

<u><u>\$ 470,166</u></u>

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

Bonds and loans payable	\$ 31,373,633
Capital leases payable	63,906
Accrued compensated absences	1,030,228
Settlements payable	100,100
Net OPEB liabilities	8,875,324
Net pension liabilities	24,541,420
Accrued interest payable	<u>153,958</u>
	<u><u>\$ 66,138,569</u></u>
Deferred outflows - refunding	<u><u>\$ 1,275,670</u></u>
Net pension asset	<u><u>\$ 2,100,264</u></u>
Deferred outflows - pension	\$ 7,891,073
Deferred outflows - OPEB	<u>127,059</u>
	<u><u>\$ 8,018,132</u></u>
Deferred inflows - pension	\$ 3,048,494
Deferred inflows - OPEB	<u>205,575</u>
	<u><u>\$ 3,254,069</u></u>

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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

The net change in the fund balances for Governmental Funds of \$1,033,176 differs from the change in net position for Governmental Activities \$2,486,075 reported in the Statement of Activities. The differences arise primarily from the long-term economic focus of the Statement of Activities versus the current financial resources focus of the Governmental Funds. The effect of the differences is illustrated below.

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

	Total Governmental Funds	Long-Term Revenues/ Expenses (1)	Capital- Related Items (2)	Long-Term Liability Transactions (3)	Reclassifications and Eliminations	Statement of Activities Totals
Revenues:						
Property taxes	\$ 34,133,995	\$ (8,063)	\$ -	\$ -	\$ -	\$ 34,125,932
Motor vehicle excise in lieu of tax	634,700	-	-	-	(634,700)	-
Intergovernmental and grant revenue	9,683,101	129,060	-	-	653,800	10,465,961
Town clerk licenses and fees	365,229	-	-	-	-	365,229
Other departmental fines and fees	889,615	-	-	-	889,690	1,779,305
Investment and interest income	146,297	-	-	-	-	146,297
Other revenues	1,037,542	(751)	-	-	(908,790)	128,001
Total revenues	46,890,479	120,246	-	-	-	47,010,725
Expenditures:						
Current:						
General government	1,321,455	(9,650)	83,878	53,310	220,563	1,669,556
Financial administration	788,414	-	-	14,087	165,464	967,965
Public safety	5,996,129	-	193,402	584,843	955,136	7,729,510
Public works	2,375,794	-	444,626	22,184	263,133	3,105,737
Fixed charges	2,297,693	-	-	(804,219)	(1,493,474)	-
Grants and contributions	8,666	-	-	-	-	8,666
Education	27,747,037	129,060	1,450,089	725,190	-	30,051,376
Other	43,723	-	-	-	(43,723)	-
Capital outlay	1,176,659	-	(1,109,560)	-	(67,099)	-
Debt service:						
Principal	2,888,832	-	-	(2,888,832)	-	-
Interest	1,212,901	(17,335)	-	(203,726)	-	991,840
Total expenditures	45,857,303	102,075	1,062,435	(2,497,163)	-	44,524,650
Other financing sources (uses):						
Transfer from (to) other funds	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Net change for the year	\$ 1,033,176	\$ 18,171	\$ (1,062,435)	\$ 2,497,163	\$ -	\$ 2,486,075

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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

Change in deferred property taxes	\$ (22,900)
Change in accrued interest receivable	14,837
Change in other deferred revenues	8,899
	<u>\$ 836</u>

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

Change in accrued interest payable	<u>\$ (17,335)</u>
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Change in on-behalf pension payments made by the State related to recording the net pension liability in the Government-Wide Statement of Activities.

Change in intergovernmental and grant revenue	<u>\$ 129,060</u>
Change in education expense	<u>\$ 129,060</u>

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

Capital outlay	\$ (1,172,870)
Depreciation expense	2,214,751
Loss on disposal of capital assets	20,554
	<u>\$ 1,062,435</u>

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

Bond principal payments made	\$ (2,743,208)
Lease principal payments made	(145,624)
	<u>\$ (2,888,832)</u>

Debt issued at a premium provide current financial resources to Governmental Funds, but are deferred and amortized in the Government-Wide financial statements. Deferred amounts on refunding are expenditures in the Governmental Funds, but are deferred and amortized in the Government-Wide financial statements.

Amortization of premium on long-term debt	\$ (330,434)
Amortization of deferred amounts on refunding	126,708
	<u>\$ (203,726)</u>

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

Net increase in compensated absences	\$ 79,955
Net change in net OPEB liabilities and related deferred outflows/inflows	(148,843)
Net change in net pension liabilities (assets) and related deferred outflows/inflows	664,283
	<u>\$ 595,395</u>

NOTE 13 – RISK MANAGEMENT

The Town of North Smithfield is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; injuries to employees; and natural disasters. As a result, the Town participates in a non-profit, public entity risk pool (Rhode Island Interlocal Risk Management Trust, Inc.) which provides coverage for property/liability claims and workers' compensation claims. Upon joining the Trust, the Town signed a participation agreement which outlines the rights and responsibilities of both the Trust and the Town. The agreement states that

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for premiums paid by the Town, the Trust will assume financial responsibility for the Town's losses up to the maximum amount of insurance purchased, minus the Town's deductible amounts. The Trust provides this insurance coverage through a pooled, self-insurance mechanism which includes reinsurance purchased by the Trust to protect against large, catastrophic claims above the losses the Trust retains internally for payment from the pooled contributions of its members. Settled claims resulting from these risks have not exceeded the Trust coverage in any of the past three fiscal years, except for in fiscal year 2017 the Town paid \$155,000 related to a settled claim that exceeded Trust coverage.

NOTE 14 – LITIGATION AND CONTINGENCIES

A. LITIGATION

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

B. FEDERALLY FUNDED PROGRAMS

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

NOTE 15 – OTHER POST-EMPLOYMENT BENEFIT PLANS

A. TOWN PLAN

Plan Description

Plan Administration - The Town of North Smithfield administers a single-employer, defined benefit post-employment benefit plan. This plan does not include the pension benefits discussed in Note 16. On August 21, 2017, the Town Council authorized the creation of an OPEB Trust Fund. The Finance Director is responsible for administration of the plan in accordance with the Trust Agreement effective August 21, 2017 with Town Council oversight. The plan is reported as a Trust Fund in the Town's financial statements. The plan does not issue a publicly available financial report.

Plan Membership - As of June 30, 2018, the plan membership data is as follows:

Active employees	70
Inactive employees receiving benefits	16
	86

Benefits Provided - The plan provides medical and dental insurance for eligible retirees and their dependents through the Town's group insurance plans, which cover both active and retired

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members. Benefit provisions are established and amended by the union contracts through negotiations between the Town and the respective unions. The plan provides the following benefits based on employee group upon retirement:

- *Police Officers* – Medical and dental coverage (single or family) for police officers who retired on or after June 30, 1990 until the retiree secures employment with equivalent coverage or until Medicare eligible. Effective July 1, 2007, the retiree will receive the same coverage in effect at the date of retirement and will continue to pay any co-share in effect at the date of retirement. Members who retire before July 1, 2007 will not contribute to the cost of coverage.
- *Local 937 Municipal and Public Works Employees* – Medical and dental coverage (single or family) for employees hired prior to July 1, 2005 who retire with 20 years of service. Coverage will continue for a period of 5 years from date of retirement.

Contributions - 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 retiree share of premiums. For the year ended June 30, 2018, the Town's contribution was based on the current year cost of retiree benefits plus amounts committed for OPEB in the current fiscal year and prior fiscal years. For the fiscal year ended June 30, 2018, the Town contributed \$804,219 to the plan. Administrative costs are paid from plan assets.

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.

Investments

Investment Policy – The Finance Director may invest funds held in the OPEB Trust Fund in accordance with the Trust Agreement and State Law. The Town has selected a balanced investment strategy which seeks to provide capital appreciation and current income.

Rate of Return – For the year ended June 30, 2018, the annual money-weighted rate of return on investments, net of investment expense, was 1.43%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for changing amounts actually invested.

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Net OPEB Liability of the Town Plan

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

Total OPEB Liability	\$5,441,736
OPEB Plan Fiduciary Net Position	(509,041)
Net OPEB Liability	<u>\$4,932,695</u>

Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	9.35%
--	-------

Actuarial Assumptions – The total OPEB liability was determined by an actuarial valuation as of July 1, 2017 rolled forward to June 30, 2018, the measurement date. The following actuarial assumptions applied to all periods in the measurement, unless otherwise specified:

Actuarial Cost Method	Entry Age Normal Cost Method		
Salary Increases	3% per annum		
Inflation	3% per annum		
Discount Rate	2.98%		
Mortality	RP-2014 mortality table with MP-2016 projection		
Health Care Trend Rates	<u>Year</u>	<u>Medical</u>	<u>Dental</u>
	1	8.0%	5.0%
	2	7.5%	5.0%
	3	7.0%	5.0%
	4	6.5%	5.0%
	5	6.0%	5.0%
	6	5.5%	5.0%
	7+	5.0%	5.0%

Discount Rate – The discount rate used to measure the OPEB liability was 2.98% for the Town Plan. The projection of cash flows used to determine the discount rate assumed that the plan was unfunded since the Trust Fund has been open less than one year. Based on those assumptions, the Town Plan's net fiduciary position was not projected to be available to make all projected future benefit payments of current plan members. The municipal bond rate of 2.98% (S&P Municipal Bond 20-year High Grade Rate Index) was applied to all years in the analysis.

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Town Plan - Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balances as of June 30, 2017	\$5,591,012	\$ -	\$5,591,012
Changes for the Year:			
Service cost	213,275	-	213,275
Interest on the total OPEB liability	162,163	-	162,163
Changes in benefits	-	-	-
Difference between expected and actual experience	(226,133)	-	(226,133)
Changes in assumptions	-	-	-
Employer contributions	-	804,219	(804,219)
Plan member contributions	-	-	-
Net investment income	-	3,403	(3,403)
Benefit payments, including employee refunds	(298,581)	(298,581)	-
Administrative expense	-	-	-
Other changes	-	-	-
Net changes	(149,276)	509,041	(658,317)
Balances as of June 30, 2018	\$5,441,736	\$509,041	\$4,932,695

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate - The following presents the net OPEB liability of the Town Plan, as well as what the Town Plan's net OPEB liability would be if it were calculated using a discount rate 1-percentage-point lower and 1-percentage-point higher than the current discount rate:

	1% Decrease (1.98%)	Current Discount Rate (2.98%)	1% Increase (3.98%)
Net OPEB Liability	\$5,491,381	\$4,932,695	\$4,374,009

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates - The following presents the net OPEB liability of the Town Plan, as well as what the Town Plan's net OPEB liability would be if it were calculated using a healthcare cost trend rates 1-percentage-point lower (7% decreasing to 4%) and 1-percentage-point higher (9% decreasing to 6%) than the current healthcare cost trend rates:

	1% Decrease (7% decreasing to 4%)	Current Healthcare Cost Trend Rates (8% decreasing to 5%)	1% Increase (9% decreasing to 6%)
Net OPEB Liability	\$4,479,188	\$4,932,695	\$5,465,645

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**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources
Related to OPEB**

For the year ended June 30, 2018, the Town recognized OPEB expense of \$345,679. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$205,575
Net difference between projected and actual earnings on OPEB plan investments	<u>5,798</u>	<u>-</u>
Total	<u><u>\$5,798</u></u>	<u><u>\$205,575</u></u>

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

Year ended June 30:

2019	\$(19,108)
2020	(19,108)
2021	(19,108)
2022	(19,108)
2023	(20,558)
Thereafter	(102,787)

B. SCHOOL PLAN

Plan Description

Plan Administration - The North Smithfield School Department's defined benefit OPEB plan (the plan) provides OPEB for certified teachers and support staff of the School Department. The plan is a single-employer defined benefit OPEB plan administered by the School Department. Benefit terms and financing requirements are established and amended by the union contracts through negotiations between the School Department and the respective unions. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

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Plan Membership - As of June 30, 2018, the following employees were covered by the benefit terms:

Active employees	231
Inactive employees receiving benefits	5
	<u>236</u>

Benefits Provided - The Plan provides medical and dental insurance for eligible retirees through the School Department's group health and dental insurance plans, which cover both active and inactive members. Benefit provisions are established and amended by the union contracts through negotiations between the School Department and the respective unions. The plan provides the following benefits based on employee group upon retirement:

- *Certified Teachers* – For employees retiring on or after the completion of the 1997-1998 school year with 25 or more years of service in North Smithfield, individual health and dental insurance for a maximum period of 7 years from retirement, but in no event beyond the date the retiree attains age 65. Retirees receive the same health and dental insurance and shall contribute the same cost share as contributed by employees per the union agreement and successive union agreements. Benefits shall terminate if the retiree or spouse secures employment with comparable coverage or if the retiree become eligible for Medicare.
- *Support Staff* – For retirees who have completed 15 or more years of service, individual health insurance for a maximum period of 5 years from retirement, but in no event beyond the date the retiree attains age 65. Retirees receive the same health insurance and shall contribute the same cost share as contributed by employees per the union agreement and successive union agreements. Eligible retirees may obtain a family plan from the School Department if the retiree pays the difference between the individual and family plan. The family plan is available until the earlier of the retiree's or spouse's attainment of age 65. Benefits shall terminate if the retiree or spouse secures employment with comparable coverage or if the retiree become eligible for Medicare.

Total OPEB Liability of the School Plan

The School Department's total OPEB liability of \$3,942,629 was measured as of June 30, 2018, the measurement date, and was determined by an actuarial valuation as of July 1, 2017 rolled forward to June 30, 2018.

Actuarial Assumptions – The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

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Actuarial Cost Method	Entry Age Normal Cost Method		
Salary Increases	3% per annum		
Inflation	3% per annum		
Discount Rate	2.98%		
Mortality	RP-2014 mortality table with MP-2016 projection		
Health Care Trend Rates	<u><i>Year</i></u>	<u><i>Medical</i></u>	<u><i>Dental</i></u>
	1	8.0%	5.0%
	2	7.5%	5.0%
	3	7.0%	5.0%
	4	6.5%	5.0%
	5	6.0%	5.0%
	6	5.5%	5.0%
	7+	5.0%	5.0%

The discount rate was based on the S&P Municipal Bond 20-year High Grade Rate Index.

School Plan - Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at of June 30, 2017	\$3,511,671
Changes for the Year:	
Service cost	229,225
Interest on the total OPEB liability	104,115
Changes of benefit terms	-
Difference between expected and actual experience	133,387
Changes in assumptions and other inputs	-
Benefit payments	(35,769)
Net change	430,958
Balance at of June 30, 2018	\$3,942,629

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate - The following presents the total OPEB liability of the School Department, as well as what the School Department's total OPEB liability would be if it were calculated using a discount rate 1-percentage-point lower (1.98%) and 1-percentage-point higher (3.98%) than the current discount rate:

	1% Decrease (1.98%)	Current Discount Rate (2.98%)	1% Increase (3.98%)
Total OPEB Liability	\$4,733,734	\$3,942,629	\$3,151,522

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
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Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates - The following presents the total OPEB liability of the School Department, as well as what the School Department's total OPEB liability would be if it were calculated using a healthcare cost trend rates 1-percentage-point lower (7% decreasing to 4%) and 1-percentage-point higher (9% decreasing to 6%) than the current healthcare cost trend rates:

	1% Decrease (7% decreasing to 4%)	Current Healthcare Cost Trend Rates (8% decreasing to 5%)	1% Increase (9% decreasing to 6%)
Total OPEB Liability	\$3,275,219	\$3,942,629	\$4,749,386

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the School Department recognized OPEB expense of \$345,466. At June 30, 2018, the School Department reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources
Differences between expected and actual experience	\$121,261
Total	<u>\$121,261</u>

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

Year ended June 30:	
2019	\$12,126
2020	12,126
2021	12,126
2022	12,126
2023	12,126
Thereafter	60,631

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
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C. AGGREGATE OPEB AMOUNTS REPORTED IN THE FINANCIAL STATEMENTS

	Deferred Outflows of Resources – OPEB Amounts	Deferred Inflows of Resources – OPEB Amounts	Net OPEB Liability	OPEB Expense
Town Plan	\$5,798	\$205,575	\$4,932,695	\$345,679
School Plan	121,261	-	3,942,629	345,466
Total	\$127,059	\$205,575	\$8,875,324	\$691,145

NOTE 16 – PENSION PLANS

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

Defined Benefit Plan

General Information about the Pension Plan

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

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

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

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

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

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

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

Contributions - The funding policy, as set forth in the General Laws, Section 16-16-22, provides for actuarially determined periodic contributions to the plan. For fiscal 2018, North Smithfield School Department teachers were required to contribute 3.75% of their annual covered salary, except for teachers with twenty or more years of service as of June 30, 2012 must contribute 11% of their annual covered salary. The State and the North Smithfield School Department are required to contribute at an actuarially determined rate, 40% of which is to be paid by the State and the remaining 60% is to be paid by the North Smithfield School Department; the rates were 9.89% and 13.24% of annual covered payroll for the fiscal year ended June 30, 2018 for the State and the North Smithfield School Department, respectively. The North Smithfield School Department contributed \$1,685,417, \$1,515,153 and \$1,562,602 for the fiscal years ended June 30, 2018, 2017 and 2016, respectively, equal to 100% of the required contributions for each year. The State's share of contributions totaling \$1,240,389 for fiscal year 2018 are reflected as on-behalf payments and are included as both revenue and expenditures in the Governmental Funds financial statements.

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

At June 30, 2018, the North Smithfield School Department reported a liability of \$20,295,425 for its proportionate share of the net pension liability that reflected a reduction for contributions made by the State. The amount recognized by the North Smithfield School Department as its proportionate share of the net pension liability, the related State support and the total portion of the net pension liability that was associated with the North Smithfield School Department were as follows:

North Smithfield School Department's proportionate share of the net pension liability	\$20,295,425
State's proportionate share of the net pension liability associated with the North Smithfield School Department	<u>15,338,465</u>
Total net pension liability	<u>\$35,633,890</u>

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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 North Smithfield School Department's proportion of the net pension liability was based on a projection of the North Smithfield School Department's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers and the State, actuarially determined. At June 30, 2017 the North Smithfield School Department's proportion was 0.64346444%.

For the year ended June 30, 2018, the North Smithfield School Department recognized in the Government-Wide financial statements gross pension expense of \$2,950,246 and revenue of \$1,369,449 for support provided by the State. At June 30, 2018, the North Smithfield School Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred outflows of resources:	
Contributions subsequent to the measurement date	\$1,685,417
Change of assumptions	1,772,513
Changes in proportion and differences between employer contributions and proportionate share of contributions	161,264
Net difference between projected and actual earnings on pension plan investments	512,676
Total	<u><u>\$4,131,870</u></u>
Deferred inflows of resources:	
Change of assumptions	\$319,824
Differences between expected and actual experience	481,157
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,465,619
Total	<u><u>\$2,266,600</u></u>

\$1,685,417 reported as deferred outflows of resources related to pensions resulting from the North Smithfield School Department 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:

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Year ended June 30:	
2019	\$(17,663)
2020	320,229
2021	70,158
2022	(286,579)
2023	10,682
Thereafter	83,026

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

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

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

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

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:

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

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.

The following changes in actuarial assumptions have been made since the prior measurement date: inflation was changed from 2.75% to 2.5%; salary increases were changed from 3.5% -13.5% to 3% -13.5%; investment rate of return was changed from 7.5% to 7.0%; and mortality was changed from 97% (males) and 92% (females) of rates in the GRS table based on teacher experience projected with scale AA from 2000 to variants of the RP-2014 tables with MP-2016 projection scale.

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. The prior measurement date used a discount rate of 7.5%.

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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 7.0 percent as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

1.00% Decrease	Current Discount	1.00 Increase
<u>(6.0%)</u>	Rate <u>(7.0%)</u>	<u>(8.0%)</u>
\$25,506,500	\$20,295,425	\$16,414,003

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

Defined Contribution Plan

Plan Description

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

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

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

The North Smithfield School Department recognized pension expense of \$359,084 and employees contributed \$797,396 for the fiscal year ended June 30, 2018. For financial reporting purposes, the State's share of contributions totaling \$51,954 for fiscal year 2018 are reflected as on behalf-payments and are included as both revenue and expenditures in the accompanying financial statements.

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

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B. TEACHERS' SURVIVOR BENEFIT PLAN

General Information about the Pension Plan

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

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

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

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:

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

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

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

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

The North Smithfield School Department contributed \$19,613, \$14,976, and \$17,184, for the fiscal years ended June 30, 2018, 2017 and 2016, respectively, equal to 100% of the required contributions for each year.

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

At June 30, 2018 the North Smithfield School Department reported an asset of \$2,100,264 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 rolled forward to June 30, 2017. The North Smithfield School Department's proportion of the net pension asset was based on its share of contributions to the TSB for fiscal year 2017 relative to the total contributions of all participating employers for that fiscal year. At June 30, 2017 the North Smithfield School Department's proportion was 2.53880669%

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For the year ended June 30, 2018 the North Smithfield School Department recognized pension expense of \$452,614. At June 30, 2018 the North Smithfield School Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred outflows of resources:	
Contributions subsequent to the measurement date	\$19,613
Change of assumptions	346,000
Difference between expected and actual experience	414,502
Changes in proportion and differences between employer contributions and proportionate share of contributions	171,775
Net difference between projected and actual earnings on pension plan investments	134,188
Total	<u>\$1,086,078</u>
Deferred inflows of resources:	
Difference between expected and actual experience	\$441,347
Changes in proportion and differences between employer contributions and proportionate share of contributions	8,725
Total	<u>\$450,072</u>

\$19,613 reported as deferred outflows of resources related to pensions resulting from the North Smithfield School Department's 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 outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2019	\$96,712
2020	199,978
2021	124,688
2022	13,925
2023	75,279
Thereafter	105,811

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

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

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

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

The actuarial assumptions used in the June 30, 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:

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

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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.

The following changes in actuarial assumptions have been made since the prior measurement date: inflation was changed from 2.75% - 2.5%; salary increases were changed from 3.5% - 13.5% to 3% - 13.5%; investment rate of return was changed from 7.5% to 7.0%; and mortality was changed from 97% (males) and 92% (females) of rates in the GRS table based on teacher experience projected with scale AA from 2000 to variants of the RP-2014 tables with MP-2016 projection scale.

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. The prior measurement date used a discount rate of 7.5%.

Sensitivity of the Net Pension Asset to Changes in the Discount Rate - The following presents the net pension asset calculated using the discount rate of 7.0 percent as well as what the net pension asset would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

1.00% Decrease (6.0%)	Current Discount Rate (7.0%)	1.00 Increase (8.0%)
\$1,436,522	\$2,100,264	\$2,594,403

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

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

Defined Benefit Plans

General Information about the Pension Plan

Plan Description - The Municipal Employees' Retirement System (MERS) – an agent multiple-employer defined benefit pension plan - provides certain retirement, disability and death benefits to plan members and beneficiaries. MERS was established under Rhode Island General Law and placed under the management of the Employee's Retirement System of Rhode Island (ERSRI) Board to provide retirement allowances to employees of municipalities, housing authorities, water

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and sewer districts, and municipal police and fire persons that have elected to participate. Benefit provisions are subject to amendment by the General Assembly.

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

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

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

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

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

Subsequent to June 30, 2015, litigation challenging the various pension reform measures enacted in previous years by the General Assembly (2009, 2010, and 2011) was settled. The final settlement approved by the Court on July 8, 2015 also included enactment of the pension settlement provisions by the General Assembly. These amended benefit provisions, which have been included in the determination of the total pension liability at the June 30, 2017 measurement date and are reflected in the summary of benefit provisions described below.

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

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

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

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

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

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

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

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

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

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

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

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

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

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only current and future active members and excluding members already retired) or COLA B (covering current retired members as well as current and future active members).

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

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

c.) The COLA will be limited to the first \$25,000 of the member's annual pension benefit. For retirees and beneficiaries who retired on or before July 1, 2015, years in which a COLA is payable based on the every fourth year provision described in (a) above will be limited to the first \$30,000. These limits will be indexed annually to increase in the same manner as COLAs, with the known values of \$25,000 for 2013, \$25,000 for 2014, \$25,168 for 2015, \$25,855 for 2016, and \$26,098 for 2017. The Town of North Smithfield has elected the optional cost-of-living provision for general employees and police officers.

Employees Covered by Benefit Terms - At the June 30, 2016 valuation date, the following employees were covered by the benefit terms:

	General Employees Plan	Police Officers Plan
Retirees and Beneficiaries	72	19
Inactive, Nonretired		
Members	71	1
Active Members	93	27
Total	236	47

Contributions - The amount of employee and employer contributions have been established under Rhode Island General Law Chapter 45-21. General employees with less than 20 years of service as of June 30, 2012 are required to contribute 2% of their salaries. General employees with more than 20 years of service as of June 30, 2012 are required to contribute 9.25%. Police officers are required to contribute 10% of their salaries. The Town of North Smithfield contributes at a rate of covered employee payroll as determined by an independent actuary on an annual basis. The General Assembly can amend the amount of these contribution requirements. The Town of North Smithfield contributed the following amounts in the year ended June 30, 2018: general employees plan - \$186,431 and police officers plan - \$331,340. The Town's contributions represented the following percentages of annual covered payroll: general employees plan - 4.58%; police officers plan - 20.33%.

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Net Pension Liability - 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.

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)	
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	7.0%
Projected Salary Increases	General Employees - 3.50% to 7.50% ; Police Officers - 4.00% to 14.00%
Inflation	2.5%
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, 2016 valuation rolled forward to June 30, 2017 and the calculation of the total pension liability at June 30, 2017 were consistent with the results of an actuarial experience study performed as of June 30, 2016.

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

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

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.

The following changes in actuarial assumptions have been made since the prior measurement date: inflation was changed from 2.75% to 2.5%; investment rate of return was changed from 7.5% to 7.0%; and mortality was changed from 115% (males) and 95% (females) of RP-2000 combined healthy with white collar adjustments projected with scale AA from 2000 to variants of the RP-2014 tables with MP-2016 projection scale.

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. The prior measurement date used a discount rate of 7.5%.

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General Employees Plan
Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension (Asset) Liability
Balances as of June 30, 2016	\$13,330,430	\$13,699,700	\$(369,270)
Changes for the Year:			
Service cost	338,709	-	338,709
Interest on the total pension liability	976,100	-	976,100
Changes in benefits	-	-	-
Difference between expected and actual experience	749,911	-	749,911
Changes in assumptions	711,147	-	711,147
Employer contributions	-	232,064	(232,064)
Employee contributions	-	99,685	(99,685)
Net investment income	-	1,575,569	(1,575,569)
Benefit payments, including employee refunds	(970,223)	(970,223)	-
Administrative expense	-	(14,885)	14,885
Other changes	-	214,436	(214,436)
Net changes	1,805,644	1,136,646	668,998
Balances as of June 30, 2017	\$15,136,074	\$14,836,346	\$299,728

Police Officers Plan
Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances as of June 30, 2016	\$12,306,152	\$8,757,631	\$3,548,521
Changes for the Year:			
Service cost	304,609	-	304,609
Interest on the total pension liability	909,400	-	909,400
Changes in benefits	-	-	-
Difference between expected and actual experience	(71,474)	-	(71,474)
Changes in assumptions	697,862	-	697,862
Employer contributions	-	343,389	(343,389)
Employee contributions	-	164,628	(164,628)
Net investment income	-	1,012,481	(1,012,481)
Benefit payments, including employee refunds	(666,252)	(666,252)	-
Administrative expense	-	(9,566)	9,566
Other changes	-	(68,281)	68,281
Net changes	1,174,145	776,399	397,746
Balances as of June 30, 2017	\$13,480,297	\$9,534,030	\$3,946,267

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

Plan	1.00% Decrease (6.0%)	Current Discount Rate (7.0%)	1.00 Increase (8.0%)
General Employees	\$2,074,343	\$299,728	\$(1,002,004)
Police Officers	\$5,503,416	\$3,946,267	\$2,786,735

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

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

For the year ended June 30, 2018, the Town recognized pension expense as follows: general employees plan - \$288,478; and police officers plan - \$566,830. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	General Employees Plan	Police Officers Plan
Deferred Outflows of Resources:		
Assumption changes	\$537,782	\$614,232
Net difference between projected and actual investment earnings	265,501	168,837
Difference between expected and actual experience	562,943	6,059
Contributions subsequent to the measurement date	186,431	331,340
Total	\$1,552,657	\$1,120,468
Deferred Inflows of Resources:		
Assumption changes	\$ -	\$34,430
Difference between expected and actual experience	151,130	146,262
Total	\$151,130	\$180,692

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The 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 Ending June 30	Net Deferred Outflows/(Inflows) of Resources	
	General Employees Plan	Police Officers Plan
2019	\$304,932	\$87,572
2020	561,077	205,358
2021	458,028	115,608
2022	(108,941)	(17,305)
2023	-	55,599
Thereafter	-	161,604

Defined Contribution Plan

Plan Description

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

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

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

The Town of North Smithfield recognized pension expense of \$40,043 and employees contributed \$187,348 for the fiscal year ended June 30, 2018.

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

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

D. AGGREGATE PENSION AMOUNTS REPORTED IN THE FINANCIAL STATEMENTS

	Deferred Outflows of Resources – Pension Amounts	Deferred Inflows of Resources – Pension Amounts	Net Pension Asset	Net Pension Liability	Pension Expense
Employees' Retirement System Plan	\$4,131,870	\$2,266,600	\$ -	\$20,295,425	\$2,950,246
Teachers' Survivor Benefits Plan	1,086,078	450,072	2,100,264	-	452,614
General Employees Plan	1,552,657	151,130	-	299,728	288,478
Police Officers Plan	1,120,468	180,692	-	3,946,267	566,830
Total	<u>\$7,891,073</u>	<u>\$3,048,494</u>	<u>\$2,100,264</u>	<u>\$24,541,420</u>	<u>\$4,258,168</u>

NOTE 17 – OPERATING LEASES

The Town leases certain equipment under noncancellable operating leases expiring in March 2022. At June 30, 2018, future minimum lease payments are as follows:

<i>Year Ending June 30,</i>	
2019	\$32,692
2020	32,692
2021	17,891
2022	11,198
	<u>\$94,473</u>

Rental expenditures for operating leases for the year ended June 30, 2018 totaled \$32,692.

NOTE 18 – RESTATEMENTS

The Governmental Activities net position has been restated to reflect the adjustment related to the adoption of GASB Statement Number 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in fiscal year 2018.

	<i>Governmental Activities</i>
Net position, June 30, 2017, as previously reported	\$14,611,003
Adoption of GASB Statement No. 75:	
Remove OPEB obligation as of June 30, 2017	2,618,990
Record net OPEB liabilities as of June 30, 2017	(9,102,683)
Net position, June 30, 2017, as restated	<u>\$8,127,310</u>

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 19 – TAX ABATEMENTS

Renewable Energy Systems - The Town established in 2014 by ordinance a tax stabilization program for qualifying property that is used for renewable energy systems pursuant to Section 44-3-21 of Rhode Island General Laws. The purpose of the program is to encourage the development of cost-effective, domestically-produced renewable energy.

The Town Council has the authority to exempt from payment of personal property taxes, in whole or in part, or to stabilize the amount of personal property taxes on property that will be used exclusively for the production of renewable energy for sale beyond the property. The Town shall enter into a contractual agreement approved by the Town Council.

The Town had two taxpayers participating in the tax stabilization program in fiscal year 2018.

<i>Tangible Property Abatement Granted</i>		
<u>Effective Date</u>	<u>Term</u>	<u>Fiscal Year 2018</u>
12/1/2014	20 years	\$54,731
12/31/2016	20 years	\$65,746

As the result of a change in the Rhode Island General Laws, which changes how cities and towns tax “renewable energy resources and associated equipment” the Town amended in October 2017 the ordinance establishing the tax stabilization program described above. The two taxpayers that have an agreement with the Town under the prior ordinance would not be effected by the change and will continue to pay taxes under the existing stabilization agreements.

Commercial Expansion and New Development – The Town established in 2017 by ordinance a tax stabilization program to encourage and facilitate the expansion of the Town’s real property tax base through the expansion, re-development and rehabilitation of existing commercial property. The program does not apply to retail, residential or mixed use property. The Town Council may authorize, for a period not to exceed 10 years, to exempt from payment in whole or in part real and/or personal property used for manufacturing or commercial purposes or to determine a stabilized amount of taxes to be paid on such property, notwithstanding the valuation or the rate of tax. Applications shall be filed with the Town Administrator. The Town Council shall conduct a public hearing and after the public hearing make a determination to grant or deny the tax exemption or stabilization. The granting of the exemption or stabilization will inure to the benefit of the Town by reason of:

- a) The willingness of the manufacturing or commercial firm or concern to locate in Town;
- b) The willingness of the manufacturing or commercial firm or concern to expand facilities with an increase in employment; or
- c) The willingness of the manufacturing or commercial firm or concern to replace, reconstruct, expand or remodel existing buildings, facilities, fixtures, machinery or equipment with modern buildings, facilities, fixtures, machinery or equipment resulting in an increase in plant or commercial building investment by the firm or concern in the Town.

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

The Town has one taxpayer participating in the tax stabilization program. A five-year tax stabilization agreement for tangible property was granted on March 19, 2018 and is not effective until the fiscal year 2020 tax bill.

REQUIRED SUPPLEMENTARY INFORMATION

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

Schedule of Changes in the Net OPEB Liability and Related Ratios – OPEB Plan

Schedule of Town Contributions – OPEB Plan

Schedule of Investment Returns – OPEB Plan

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

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

Schedule of Town Contributions – Pension Plans

Budgetary Comparison Schedules - General Fund & School Unrestricted Fund

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

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
Required Supplementary Information
Town Other Post Employment Benefit (OPEB) Plan
Schedule of Changes in the Net OPEB Liability and Related Ratios (1)
"Unaudited"

<i>Fiscal Year</i>	<u><i>2018</i></u>
Total OPEB liability:	
Service cost	\$ 213,275
Interest	162,163
Changes of benefit terms	-
Differences between expected and actual experience	(226,133)
Changes of assumptions	-
Benefits payments	(298,581)
Net change in total OPEB liability	<u>(149,276)</u>
Total OPEB liability - beginning	<u>5,591,012</u>
Total OPEB liability - ending (a)	<u><u>\$ 5,441,736</u></u>
 Plan fiduciary net position:	
Contributions - employer	\$ 804,219
Net investment income	3,403
Benefits payments	(298,581)
Administrative expense	-
Other	-
Net change in plan fiduciary net position	<u>509,041</u>
Plan fiduciary net position - beginning	<u>-</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 509,041</u></u>
 Town's net OPEB liability - ending (a) - (b)	<u><u>\$ 4,932,695</u></u>
 Plan fiduciary net position as a percentage of the total OPEB liability	9.35%
 Covered employee payroll	\$ 4,162,840
 Net OPEB liability (asset) as a percentage of covered employee payroll	118.49%

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

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

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
Required Supplementary Information
School Other Post Employment Benefit (OPEB) Plan
Schedule of Changes in the Total OPEB Liability and Related Ratios (1) (2)
"Unaudited"

<i>Fiscal Year</i>	<u><i>2018</i></u>
<i>Total OPEB liability:</i>	
Service cost	\$ 229,225
Interest	104,115
Changes of benefit terms	-
Differences between expected and actual experience	133,387
Changes of assumptions	-
Benefits payments	<u>(35,769)</u>
<i>Net change in total OPEB liability</i>	<u>430,958</u>
<i>Total OPEB liability - beginning</i>	<u>3,511,671</u>
<i>Total OPEB liability - ending</i>	<u><u>\$ 3,942,629</u></u>
 <i>Covered employee payroll</i>	 \$ 15,595,383
 <i>Total OPEB liability as a percentage of covered employee payroll</i>	 25.28%

- (1) This schedule is intended to show 10 years - additional information will be presented as it becomes available.
- (2) No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

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

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
Required Supplementary Information - Other Post Employment Benefit (OPEB) Plans
Schedule of Town Contributions (1)
"Unaudited"

<i>Fiscal Year</i>	<u>2018</u>
<u>Town OPEB Plan</u>	
Actuarially determined contribution	\$ 588,384
Contributions in relation to the actuarially determined contribution	804,219
<i>Contribution deficiency (excess)</i>	<u><u>\$ (215,835)</u></u>
Covered employee payroll	\$ 4,162,840
Contributions as a percentage of covered employee payroll	19.32%
<u>School OPEB Plan</u>	
Actuarially determined contribution	\$ 464,828
Contributions in relation to the actuarially determined contribution	35,769
<i>Contribution deficiency (excess)</i>	<u><u>\$ 429,059</u></u>
Covered employee payroll	\$ 15,595,383
Contributions as a percentage of covered employee payroll	0.23%

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

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

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
Required Supplementary Information - Town Other Post Employment Benefit (OPEB) Plan
Schedule of Investment Returns (1)
"Unaudited"

Fiscal Year

2018

Town OPEB Plan

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

1.43%

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

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

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

<i>Fiscal Year</i>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Town's proportion of the net pension liability	0.64346444%	0.69273594%	0.68486334%	0.70243536%
Town's proportionate share of the net pension liability	\$ 20,295,425	\$ 20,668,314	\$ 18,854,306	\$ 17,097,279
State's proportionate share of the net pension liability associated with the Town	<u>15,338,465</u>	<u>14,154,760</u>	<u>12,880,670</u>	<u>11,724,392</u>
Total	<u>\$ 35,633,890</u>	<u>\$ 34,823,074</u>	<u>\$ 31,734,976</u>	<u>\$ 28,821,671</u>
Town's covered-employee payroll	\$ 12,065,776	\$ 11,951,207	\$ 11,674,039	\$ 11,842,195
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	168.21%	172.94%	161.51%	144.38%
Plan fiduciary net position as a percentage of the total pension liability	54.00%	54.06%	57.55%	61.40%

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

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

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

<i>Fiscal Year</i>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Town's proportion of the net pension asset	2.53880669%	2.67548651%	2.71030550%	2.69832872%
Town's proportionate share of the net pension asset	\$ 2,100,264	\$ 2,664,032	\$ 2,530,222	\$ 3,354,582
Town's covered-employee payroll	\$ 12,065,776	\$ 11,951,207	\$ 11,674,039	\$ 11,842,195
Town's proportionate share of the net pension asset as a percentage of its covered-employee payroll	17.41%	22.29%	21.67%	28.33%
Plan fiduciary net position as a percentage of the total pension liability	136.10%	153.30%	146.60%	173.30%

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

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

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

<i>Fiscal Year</i>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability:				
Service cost	\$ 338,709	\$ 320,223	\$ 313,382	\$ 323,197
Interest	976,100	965,788	940,220	906,468
Changes of benefit terms	-	-	248,558	-
Differences between expected and actual experience	749,911	(211,249)	(287,684)	-
Changes of assumptions	711,147	-	-	29,011
Benefits payments, including refunds of member contributions	(970,223)	(922,792)	(831,170)	(776,322)
Net change in total pension liability	<u>1,805,644</u>	<u>151,970</u>	<u>383,306</u>	<u>482,354</u>
Total pension liability - beginning	<u>13,330,430</u>	<u>13,178,460</u>	<u>12,795,154</u>	<u>12,312,800</u>
Total pension liability - ending (a)	<u>\$ 15,136,074</u>	<u>\$ 13,330,430</u>	<u>\$ 13,178,460</u>	<u>\$ 12,795,154</u>
Plan fiduciary net position:				
Contributions - employer	\$ 232,064	\$ 228,318	\$ 202,160	\$ 193,061
Contributions - employee	99,685	93,355	65,426	77,177
Net investment income	1,575,569	(4,755)	325,291	1,880,372
Benefits payments, including refunds of member contributions	(970,223)	(922,792)	(831,170)	(776,322)
Administrative expense	(14,885)	(12,792)	(13,127)	(11,775)
Other	214,436	437,862	13,836	(104,407)
Net change in plan fiduciary net position	<u>1,136,646</u>	<u>(180,804)</u>	<u>(237,584)</u>	<u>1,258,106</u>
Plan fiduciary net position - beginning	<u>13,699,700</u>	<u>13,880,504</u>	<u>14,118,088</u>	<u>12,859,982</u>
Plan fiduciary net position - ending (b)	<u>\$ 14,836,346</u>	<u>\$ 13,699,700</u>	<u>\$ 13,880,504</u>	<u>\$ 14,118,088</u>
Town's net pension liability (asset) - ending (a) - (b)	<u>\$ 299,728</u>	<u>\$ (369,270)</u>	<u>\$ (702,044)</u>	<u>\$ (1,322,934)</u>
Plan fiduciary net position as a percentage of the total pension liability	98.02%	102.77%	105.33%	110.34%
Covered employee payroll	\$ 3,735,007	\$ 3,530,574	\$ 3,271,216	\$ 3,248,212
Net pension liability as a percentage of covered employee payroll	8.02%	-10.46%	-21.46%	-40.73%

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

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

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

<i>Fiscal Year</i>	<i>2018</i>	<i>2017</i>	<i>2016</i>	<i>2015</i>
Total pension liability:				
Service cost	\$ 304,609	\$ 293,881	\$ 257,868	\$ 234,523
Interest	909,400	878,066	808,451	783,066
Changes of benefit terms	-	-	451,265	-
Differences between expected and actual experience	(71,474)	(111,065)	9,656	-
Changes of assumptions	697,862	-	-	(61,666)
Benefits payments, including refunds of member contributions	(666,252)	(630,681)	(603,406)	(654,847)
Net change in total pension liability	1,174,145	430,201	923,834	301,076
Total pension liability - beginning	12,306,152	11,875,951	10,952,117	10,651,041
Total pension liability - ending (a)	\$ 13,480,297	\$ 12,306,152	\$ 11,875,951	\$ 10,952,117
Plan fiduciary net position:				
Contributions - employer	\$ 343,389	\$ 356,690	\$ 312,414	\$ 182,437
Contributions - employee	164,628	163,316	126,484	104,549
Net investment income	1,012,481	(3,040)	208,093	1,177,979
Benefits payments, including refunds of member contributions	(666,252)	(630,681)	(603,406)	(654,847)
Administrative expense	(9,566)	(8,177)	(8,485)	(7,376)
Other	(68,281)	(1)	1	(1)
Net change in plan fiduciary net position	776,399	(121,893)	35,101	802,741
Plan fiduciary net position - beginning	8,757,631	8,879,524	8,844,423	8,041,682
Plan fiduciary net position - ending (b)	\$ 9,534,030	\$ 8,757,631	\$ 8,879,524	\$ 8,844,423
Town's net pension liability - ending (a) - (b)	\$ 3,946,267	\$ 3,548,521	\$ 2,996,427	\$ 2,107,694
Plan fiduciary net position as a percentage of the total pension liability	70.73%	71.16%	74.77%	80.76%
Covered employee payroll	\$ 1,657,283	\$ 1,635,400	\$ 1,581,045	\$ 1,441,443
Net pension liability as a percentage of covered employee payroll	238.12%	216.98%	189.52%	146.22%

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

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

TOWN OF NORTH SMITHFIELD, RHODE ISLAND

Required Supplementary Information - Pension Plans

Schedule of Town Contributions (1)

"Unaudited"

<i>Fiscal Year</i>	<i>2018</i>	<i>2017</i>	<i>2016</i>	<i>2015</i>
<u>Employees' Retirement System Plan</u>				
Actuarially determined contribution	\$ 1,685,417	\$ 1,515,153	\$ 1,562,602	\$ 1,492,336
Contributions in relation to the actuarially determined contribution	1,685,417	1,515,153	1,562,602	1,492,336
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 12,649,393	\$ 12,065,776	\$ 11,951,207	\$ 11,674,039
Contributions as a percentage of covered employee payroll	13.32%	12.56%	13.07%	12.78%
<u>Teachers' Survivor Benefit Plan</u>				
Statutorily determined contribution	\$ 19,613	\$ 14,976	\$ 17,184	\$ 16,354
Contributions in relation to the statutorily determined contribution	19,613	14,976	17,184	16,354
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 12,527,696	\$ 12,065,776	\$ 11,951,207	\$ 11,674,039
Contributions as a percentage of covered employee payroll	0.16%	0.12%	0.14%	0.14%
<u>General Employees Plan</u>				
Actuarially determined contribution	\$ 186,431	\$ 232,064	\$ 228,318	\$ 202,160
Contributions in relation to the actuarially determined contribution	186,431	232,064	228,318	202,160
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 4,070,547	\$ 3,735,007	\$ 3,530,574	\$ 3,271,216
Contributions as a percentage of covered employee payroll	4.58%	6.21%	6.47%	6.18%

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

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

TOWN OF NORTH SMITHFIELD, RHODE ISLAND

Required Supplementary Information - Pension Plans

Schedule of Town Contributions (1)

"Unaudited"

<i>Fiscal Year</i>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>Police Officers Plan</u>				
Actuarially determined contribution	\$ 331,340	\$ 343,389	\$ 356,690	\$ 312,414
Contributions in relation to the actuarially determined contribution	331,340	343,389	356,690	312,414
Contribution deficiency (excess)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
 Covered employee payroll	 \$ 1,629,806	 \$ 1,657,283	 \$ 1,635,400	 \$ 1,581,045
Contributions as a percentage of covered employee payroll	20.33%	20.72%	21.81%	19.76%

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

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

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$ 34,207,830	\$ 34,207,830	\$ 34,133,995	\$ (73,835)
Motor vehicle excise in lieu of tax	177,990	177,990	634,700	456,710
Intergovernmental and grant revenue	1,665,739	1,665,739	1,528,984	(136,755)
Town clerk licenses and fees	356,050	356,050	365,229	9,179
Other departmental fines and fees	251,400	251,400	384,573	133,173
Investment and interest income	35,000	35,000	70,248	35,248
Other revenues	409,722	409,722	426,140	16,418
Total revenues	37,103,731	37,103,731	37,543,869	440,138
Expenditures				
General Government:				
Town council	10,750	10,750	10,039	711
Probate court	8,000	8,000	6,284	1,716
Town solicitor	187,300	187,300	183,956	3,344
Municipal court	36,763	36,763	32,784	3,979
Administrator's office	111,023	111,023	111,069	(46)
Town clerk's office	143,891	143,891	141,133	2,758
Planning division	137,139	137,139	134,655	2,484
Board of canvassers	8,260	8,260	8,235	25
Zoning board	8,155	8,155	6,138	2,017
Personnel board	1	1	-	1
Conservation commission	1,585	1,585	1,470	115
Historic district commission	250	250	-	250
Housing authority	1	1	-	1
Economic development	2,500	2,500	-	2,500
Public safety commission	1	1	-	1
Budget committee	500	500	-	500
Juvenile hearing board	3,470	3,470	3,051	419
Town hall	11,327	11,327	12,425	(1,098)
Plant operations	183,484	183,484	152,669	30,815
Printing and advertising	17,500	17,500	14,539	2,961
Contingency	535,000	535,000	535,000	-
Scouter's Hall	2,920	2,920	1,835	1,085
N.S. Library	435,452	435,452	435,452	-
	1,845,272	1,845,272	1,790,734	54,538
Financial Administration:				
Finance department	221,447	221,447	219,924	1,523
Tax assessor's office	116,475	116,475	105,815	10,660
Tax collector's office	109,828	109,828	106,884	2,944
Board of tax review	500	500	-	500
Audits and computer services	143,003	143,003	132,842	10,161
Insurance	264,102	264,102	262,818	1,284
	855,355	855,355	828,283	27,072
Public Safety:				
Police department	2,485,167	2,485,167	2,503,264	(18,097)
Animal control	87,337	87,337	85,288	2,049
EMA	23,466	23,466	15,323	8,143
N.S. Fire and Rescue Department	2,912,974	2,912,974	2,906,897	6,077
Hydrant rental	51,575	51,575	52,410	(835)
Inspection division	142,572	142,572	133,380	9,192
	5,703,091	5,703,091	5,696,562	6,529

(Continued)

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

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Continued)
General Fund
For the Fiscal Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget Positive (Negative)
	Original	Final		
Public Works:				
DPW administration	101,969	101,969	99,200	2,769
Highway division	1,316,686	1,316,686	1,358,685	(41,999)
Parks and recreation division	145,021	145,021	135,092	9,929
Tree warden	4,230	4,230	4,230	-
Street lights	109,071	109,071	102,479	6,592
Rubbish disposal	747,892	747,892	748,660	(768)
Sealer of weights and measures	1	1	-	1
	<u>2,424,870</u>	<u>2,424,870</u>	<u>2,448,346</u>	<u>(23,476)</u>
Fixed Charges	<u>2,150,179</u>	<u>2,150,179</u>	<u>2,138,734</u>	<u>11,445</u>
Debt Service:				
Principal	2,888,831	2,888,831	2,888,832	(1)
Interest	1,211,941	1,211,941	1,212,901	(960)
	<u>4,100,772</u>	<u>4,100,772</u>	<u>4,101,733</u>	<u>(961)</u>
Grants and contributions	<u>19,666</u>	<u>19,666</u>	<u>8,666</u>	<u>11,000</u>
Capital Outlay:				
Town	892,525	892,525	875,628	16,897
	<u>892,525</u>	<u>892,525</u>	<u>875,628</u>	<u>16,897</u>
Total expenditures	<u>17,991,730</u>	<u>17,991,730</u>	<u>17,888,686</u>	<u>103,044</u>
Excess of revenues over expenditures before other financing uses	<u>19,112,001</u>	<u>19,112,001</u>	<u>19,655,183</u>	<u>543,182</u>
Other financing uses				
Transfers to other funds:				
School unrestricted fund	(19,108,278)	(19,108,278)	(19,108,278)	-
Substance abuse fund	(3,723)	(3,723)	(3,723)	-
Total other financing uses	<u>(19,112,001)</u>	<u>(19,112,001)</u>	<u>(19,112,001)</u>	<u>-</u>
Net change in fund balance, budgetary basis	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 543,182</u>	<u>\$ 543,182</u>

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

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
School Unrestricted Fund
For the Fiscal Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues				
Local appropriations	\$19,108,278	\$19,108,278	\$ 19,108,278	\$ -
State of Rhode Island - education aid	6,003,497	6,003,497	6,003,497	-
Medicaid	150,000	150,000	218,136	68,136
Rental Income - fields and buildings	50,000	50,000	52,211	2,211
Other	-	-	13,311	13,311
Total revenues	<u>25,311,775</u>	<u>25,311,775</u>	<u>25,395,433</u>	<u>83,658</u>
Expenditures				
Salaries	15,094,643	15,094,643	15,183,546	(88,903)
Employee benefits	4,934,365	4,934,365	4,882,056	52,309
Purchased services	4,036,170	4,031,682	4,071,761	(40,079)
Supplies and materials	1,001,109	990,267	990,670	(403)
Property and equipment	195,247	210,215	177,475	32,740
Other costs	50,241	50,603	48,669	1,934
Total expenditures	<u>25,311,775</u>	<u>25,311,775</u>	<u>25,354,177</u>	<u>(42,402)</u>
Net change in fund balance- budgetary basis	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,256</u>	<u>\$ 41,256</u>

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

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
Notes to Required Supplementary Information
June 30, 2018
“Unaudited”

NOTE 1 – OPEB PLANS

The actuarial methods and assumptions used to calculate the total O P E B liabilities are described in Note 15 to the financial statements.

The net OPEB liability amount presented for each fiscal year was determined as of the fiscal year-end.

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

Actuarially Determined Contributions:

The following actuarial methods and assumptions were used to determine contribution amounts reported in that schedule:

- Actuarial cost method – Entry Age Normal
- Amortization method – Level percentage of payroll, closed
- Amortization period – 20 years
- Asset valuation method – market value
- Inflation – 3%
- Investment rate of return – 2.98%
- Salary increases – 3%
- Mortality – RP-2014 mortality table with MP-2016 projection
- Health care cost trend rate – 8% decreasing to an ultimate rate of 5%

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
Notes to Required Supplementary Information
June 30, 2018
“Unaudited”

NOTE 2 – PENSION PLANS

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

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

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

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.

Actuarially Determined Contributions:

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

- Actuarial cost method – Entry Age Normal
- Amortization method - Level percentage of payroll, closed
- Remaining amortization period - 20 years
- Asset valuation method – 5-year smoothed market
- Inflation – 2.75%
- Investment return - 7.50%
- Salary increases –3.50% to 13.50% for teachers; 3.50% to 7.50% for general employees; 4% to 14% for police and fire employees.
- Retirement age – Experienced-based table of rates that are specific to the type of eligibility condition.
- Mortality – Males, General, Police and Fire Employees – 115% of RP-2000 Combined Healthy for Males with White Collar adjustments, projected with Scale AA from 2000.
- Mortality – Females, General, Police and Fire Employees – 95% of RP-2000 Combined Healthy for Females with White Collar adjustments, projected with Scale AA from 2000.
- Mortality – Males and Females, Teachers – 97% and 92%, respectively, of rates in GRS table based on male and female teacher experience, projected with Scale AA from 2000.

Employers participating in the Employees’ Retirement System are required by RI General Laws, Section 36-10-2, to contribute an actuarially determined contribution rate each year. Employers participating in the Teachers’ Survivors Benefit Plan contribute at a rate established by RI General Laws, 16-16-35. Employers participating in the Municipal Employees’ Retirement System are required by RI General Laws, Section 45-21-42, to contribute an actuarially determined contribution rate each year.

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
Notes to Required Supplementary Information
June 30, 2018
“Unaudited”

NOTE 3 - BUDGETARY DATA AND BUDGETARY COMPLIANCE

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

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

	<i>General Fund</i>	<i>School Unrestricted Fund</i>
<u>Revenues and Other Financing Sources</u>		
Actual amounts (budgetary basis)	\$37,543,869	\$25,395,433
Differences – budget to GAAP:		
The pension contributions made to the Employees Retirement System by the State on behalf of the Town of North Smithfield are not reported as budgetary revenues, but are revenues for financial reporting purposes.	-	1,292,343
Insurance co-pays are reported as revenues for budgetary purposes, but are a reduction of expenditures for financial reporting purposes.	(84,679)	-
Unbudgeted revenues are not included for budgetary purposes, but are included for financial reporting purposes.	141,297	47,590
<i>Total revenues and other financing sources as reported in the statement of revenues, expenditures and changes in fund balances – governmental funds</i>	<u>\$37,600,487</u>	<u>\$26,735,366</u>

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
Notes to Required Supplementary Information
June 30, 2018
“Unaudited”

<u>Expenditures and Other Financing Uses</u>	<u>General Fund</u>	<u>School Unrestricted Fund</u>
Actual amounts (budgetary basis)	\$37,000,687	\$25,354,177
Differences – budget to GAAP:		
Increases and carryforwards of commitments and assignments of fund balance are expenditures for budgetary purposes, but are not expenditures for financial reporting purposes.	(899,368)	-
Unbudgeted expenditures are not included for budgetary purposes, but are included for financial reporting purposes.	825,340	47,087
Restoration of fund balance is a budgetary expenditure, but is not an expenditure for financial reporting purposes.	(535,000)	-
Insurance co-pays are reported as revenues for budgetary purposes, but are a reduction of expenditures for financial reporting purposes.	(84,679)	-
The pension contributions made to the Employees Retirement System by the State on behalf of the Town of North Smithfield are not reported as budgetary expenditures, but are expenditures for financial reporting purposes.	-	1,292,343
<i>Total expenditures and other financing uses as reported in the statement of revenues, expenditures and changes in fund balances – governmental funds</i>	<u>\$36,306,980</u>	<u>\$26,693,607</u>

OTHER SUPPLEMENTARY INFORMATION

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2018

	Special Revenue Funds				
	School Restricted Fund	Governor's Justice Commission Fund	Substance Abuse Prevention Council Fund	Project D.A.R.E. Fund	Business Revolving Loan Fund
					CDBG Fund
ASSETS					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ 14,345
Due from federal and state governments	337,603	-	-	-	-
Other receivables	-	-	2,797	-	16,225
Due from other funds	117,337	1,753	-	32	-
Total assets	\$ 454,940	\$ 1,753	\$ 2,797	\$ 32	\$ 54,816
					\$ 30,570
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities					
Accounts payable and accrued expenditures	\$ 59,238	\$ 224	\$ -	\$ -	\$ -
Due to other funds	324,312	-	2,652	-	-
Total liabilities	383,550	224	2,652	-	-
Deferred Inflows of Resources:					
Other deferred revenues	-	-	-	-	16,225
Total deferred inflows of resources	-	-	-	-	16,225
Fund balances (deficits)					
Restricted for:					
Education programs	71,390	-	-	-	-
Public safety programs	-	1,529	145	32	-
Historical records preservation	-	-	-	-	-
Capital projects	-	-	-	-	-
Other programs	-	-	-	-	54,816
Committed for:					
Public safety programs	-	-	-	-	-
Capital projects	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balances (deficits)	71,390	1,529	145	32	54,816
					14,345
Total liabilities, deferred inflows of resources, and fund balances	\$ 454,940	\$ 1,753	\$ 2,797	\$ 32	\$ 54,816
					\$ 30,570

(Continued)

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2018

	Special Revenue Funds				
	Police Forfeiture Funds	Dattco Fund	EMS Fund	Record Retention Fund	Police Cruiser Fees
ASSETS					
Cash and cash equivalents	\$ -	\$ -	\$ 779,695	\$ -	\$ -
Due from federal and state governments	-	-	-	-	-
Other receivables	-	750	-	-	-
Due from other funds	3,556	3,481	-	77,919	44,764
Total assets	\$ 3,556	\$ 4,231	\$ 779,695	\$ 77,919	\$ 44,764
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities					
Accounts payable and accrued expenditures	\$ -	\$ -	\$ 12,307	\$ 2,336	\$ 10,293
Due to other funds	-	-	23,374	-	-
Total liabilities	-	-	35,681	2,336	10,293
Deferred Inflows of Resources:					
Other deferred revenues	-	-	-	-	-
Total deferred inflows of resources	-	-	-	-	-
Fund balances (deficits)					
Restricted for:					
Education programs	-	-	-	-	-
Public safety programs	3,556	-	744,014	-	-
Historical records preservation	-	-	-	75,583	-
Capital projects	-	-	-	-	-
Other programs	-	4,231	-	-	-
Committed for:					
Public safety programs	-	-	-	-	34,471
Capital projects	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balances (deficits)	3,556	4,231	744,014	75,583	34,471
Total liabilities, deferred inflows of resources, and fund balances	\$ 3,556	\$ 4,231	\$ 779,695	\$ 77,919	\$ 44,764

(Continued)

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2018

	Special Revenue Funds					Total Special Revenue Funds
	Recycling Grant	Clean & Green Day	Pumpkin Festival	EMA Grants	Adopt- A-Spot Fund	
ASSETS						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 848,856
Due from federal and state governments	-	-	-	-	-	337,603
Other receivables	861	-	-	-	-	20,633
Due from other funds	11,541	1,145	4,578	23,740	1,691	291,537
Total assets	\$ 12,402	\$ 1,145	\$ 4,578	\$ 23,740	\$ 1,691	\$ 1,498,629
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities						
Accounts payable and accrued expenditures	\$ 400	\$ -	\$ -	\$ 89	\$ -	\$ 84,887
Due to other funds	-	-	-	-	-	350,338
Total liabilities	400	-	-	89	-	435,225
Deferred Inflows of Resources:						
Other deferred revenues	-	-	-	-	-	16,225
Total deferred inflows of resources	-	-	-	-	-	16,225
Fund balances (deficits)						
Restricted for:						
Education programs	-	-	-	-	-	71,390
Public safety programs	-	-	-	23,651	-	772,927
Historical records preservation	-	-	-	-	-	75,583
Capital projects	-	-	-	-	-	-
Other programs	12,002	1,145	4,578	-	1,691	92,808
Committed for:						
Public safety programs	-	-	-	-	-	34,471
Capital projects	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total fund balances (deficits)	12,002	1,145	4,578	23,651	1,691	1,047,179
Total liabilities, deferred inflows of resources, and fund balances	\$ 12,402	\$ 1,145	\$ 4,578	\$ 23,740	\$ 1,691	\$ 1,498,629

(Continued)

TOWN OF NORTH SMITHFIELD RHODE ISLAND
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2018

	Capital Project Funds						Total Capital Project Funds	Total All Nonmajor Governmental Funds
	Capital Projects Fund	Road Bond	Renewable Energy Grant	Middle School Construction	RIDE Revolving Capital	School Building		
ASSETS								
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 848,856
Due from federal and state governments	-	-	17,500	-	-	-	17,500	355,103
Other receivables	-	-	-	-	-	-	-	20,633
Due from other funds	88,639	-	-	20,580	257,250	-	366,469	658,006
Total assets	\$ 88,639	\$ -	\$ 17,500	\$ 20,580	\$ 257,250	\$ -	\$ 383,969	\$ 1,882,598
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES								
Liabilities								
Accounts payable and accrued expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 441	\$ 441	\$ 85,328
Due to other funds	-	-	143,996	-	-	14,987	158,983	509,321
Total liabilities	-	-	143,996	-	-	15,428	159,424	594,649
Deferred Inflows of Resources:								
Other deferred revenues	-	-	-	-	-	-	-	16,225
Total deferred inflows of resources	-	-	-	-	-	-	-	16,225
Fund balances (deficits)								
Restricted for:								
Education programs	-	-	-	-	-	-	-	71,390
Public safety programs	-	-	-	-	-	-	-	772,927
Historical records preservation	-	-	-	-	-	-	-	75,583
Capital projects	88,639	-	-	20,580	-	-	109,219	109,219
Other programs	-	-	-	-	-	-	-	92,808
Committed for:								
Public safety programs	-	-	-	-	-	-	-	34,471
Capital projects	-	-	-	-	257,250	-	257,250	257,250
Unassigned	-	-	(126,496)	-	-	(15,428)	(141,924)	(141,924)
Total fund balances (deficits)	88,639	-	(126,496)	20,580	257,250	(15,428)	224,545	1,271,724
Total liabilities, deferred inflows of resources, and fund balances	\$ 88,639	\$ -	\$ 17,500	\$ 20,580	\$ 257,250	\$ -	\$ 383,969	\$ 1,882,598

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2018

	Special Revenue Funds					
	School Restricted Fund	Governor's Justice Commission Fund	Substance Abuse Prevention Council Fund	Project D.A.R.E. Fund	Business Revolving Loan Fund	CDBG Fund
Revenues						
Intergovernmental and grant revenue	\$ 755,047	\$ 8,329	\$ 10,093	\$ -	\$ -	\$ -
Other departmental fees	-	-	-	-	-	-
Investment and interest income	-	-	-	-	458	152
Other revenue	310,194	2,266	-	867	-	15,795
Total revenues	1,065,241	10,595	10,093	867	458	15,947
Expenditures						
Current:						
General government	-	-	-	-	-	-
Public safety	-	9,925	13,671	876	-	-
Public works	-	-	-	-	-	-
Education	1,053,430	-	-	-	-	-
Other	-	-	-	-	-	25,075
Capital outlay	-	-	-	-	-	-
Total expenditures	1,053,430	9,925	13,671	876	-	25,075
Excess (deficiency) of revenues over (under) expenditures before other financing sources	11,811	670	(3,578)	(9)	458	(9,128)
Other financing sources						
Transfers from other funds	-	-	3,723	-	-	-
Total other financing sources	-	-	3,723	-	-	-
Net change in fund balances	11,811	670	145	(9)	458	(9,128)
Fund balances (deficits) - beginning of year	59,579	859	-	41	54,358	23,473
Fund balances (deficits) - end of year	\$ 71,390	\$ 1,529	\$ 145	\$ 32	\$ 54,816	\$ 14,345

(Continued)

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2018

	Special Revenue Funds				
	Police Forfeiture Funds	Dattco Fund	EMS Fund	Record Retention Fund	Police Cruiser Fees
Revenues					
Intergovernmental and grant revenue	\$ -	\$ -	\$ -	\$ -	\$ -
Other departmental fees	-	3,000	-	27,781	25,795
Investment and interest income	-	-	5,088	-	-
Other revenue	-	-	335,414	-	-
Total revenues	<u>-</u>	<u>3,000</u>	<u>340,502</u>	<u>27,781</u>	<u>25,795</u>
Expenditures					
Current:					
General government	-	-	-	26,023	-
Public safety	3,747	-	315,637	-	6,929
Public works	-	-	-	-	-
Education	-	-	-	-	-
Other	-	7,569	-	-	-
Capital outlay	-	-	266,545	-	29,605
Total expenditures	<u>3,747</u>	<u>7,569</u>	<u>582,182</u>	<u>26,023</u>	<u>36,534</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources	<u>(3,747)</u>	<u>(4,569)</u>	<u>(241,680)</u>	<u>1,758</u>	<u>(10,739)</u>
Other financing sources					
Transfers from other funds	-	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(3,747)	(4,569)	(241,680)	1,758	(10,739)
Fund balances (deficits) - beginning of year	<u>7,303</u>	<u>8,800</u>	<u>985,694</u>	<u>73,825</u>	<u>45,210</u>
Fund balances (deficits) - end of year	<u>\$ 3,556</u>	<u>\$ 4,231</u>	<u>\$ 744,014</u>	<u>\$ 75,583</u>	<u>\$ 34,471</u>

(Continued)

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2018

	Special Revenue Funds					
	Recycling Grant	Clean & Green Day	Pumpkin Festival	EMA Grants	Adopt- A-Spot Fund	Total Special Revenue Funds
Revenues						
Intergovernmental and grant revenue	\$ -	\$ -	\$ -	\$ 10,276	\$ -	\$ 783,745
Other departmental fees	6,364	-	-	-	-	62,940
Investment and interest income	-	-	-	-	-	5,698
Other revenue	-	3,465	10,419	-	4,350	682,770
Total revenues	6,364	3,465	10,419	10,276	4,350	1,535,153
Expenditures						
Current:						
General government	-	-	-	-	-	26,023
Public safety	-	-	-	4,848	-	355,633
Public works	12,627	3,123	-	-	5,160	20,910
Education	-	-	-	-	-	1,053,430
Other	-	-	10,638	-	-	43,282
Capital outlay	14,075	-	-	-	-	310,225
Total expenditures	26,702	3,123	10,638	4,848	5,160	1,809,503
Excess (deficiency) of revenues over (under) expenditures before other financing sources	(20,338)	342	(219)	5,428	(810)	(274,350)
Other financing sources						
Transfers from other funds	-	-	-	-	-	3,723
Total other financing sources	-	-	-	-	-	3,723
Net change in fund balances	(20,338)	342	(219)	5,428	(810)	(270,627)
Fund balances (deficits) - beginning of year	32,340	803	4,797	18,223	2,501	1,317,806
Fund balances (deficits) - end of year	\$ 12,002	\$ 1,145	\$ 4,578	\$ 23,651	\$ 1,691	\$ 1,047,179

(Continued)

TOWN OF NORTH SMITHFIELD RHODE ISLAND
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2018

	Capital Project Funds						Total Capital Project Funds	Total All Nonmajor Governmental Funds
	Capital Projects Fund	Road Bond	Renewable Energy Grant	Middle School Construction	RIDE Revolving Capital	School Building		
Revenues								
Intergovernmental and grant revenue	\$ -	\$ -	\$ -	\$ -	\$ 57,400	\$ -	\$ 57,400	\$ 841,145
Other departmental fees	-	-	-	-	-	-	-	62,940
Investment and interest income	-	77	-	-	-	-	77	5,775
Other revenue	-	-	-	-	-	-	-	682,770
Total revenues	<u>-</u>	<u>77</u>	<u>-</u>	<u>-</u>	<u>57,400</u>	<u>-</u>	<u>57,477</u>	<u>1,592,630</u>
Expenditures								
Current:								
General government	-	-	-	-	-	-	-	26,023
Public safety	-	-	-	-	-	-	-	355,633
Public works	-	-	-	-	-	-	-	20,910
Education	-	-	-	-	-	-	-	1,053,430
Other	-	-	-	-	-	441	441	43,723
Capital outlay	-	32,907	25,323	-	-	-	58,230	368,455
Total expenditures	<u>-</u>	<u>32,907</u>	<u>25,323</u>	<u>-</u>	<u>-</u>	<u>441</u>	<u>58,671</u>	<u>1,868,174</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources	<u>-</u>	<u>(32,830)</u>	<u>(25,323)</u>	<u>-</u>	<u>57,400</u>	<u>(441)</u>	<u>(1,194)</u>	<u>(275,544)</u>
Other financing sources								
Transfers from other funds	-	-	-	-	-	-	-	3,723
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,723</u>
Net change in fund balances	-	(32,830)	(25,323)	-	57,400	(441)	(1,194)	(271,821)
Fund balances (deficits) - beginning of year	88,639	32,830	(101,173)	20,580	199,850	(14,987)	225,739	1,543,545
Fund balances (deficits) - end of year	<u>\$ 88,639</u>	<u>\$ -</u>	<u>\$ (126,496)</u>	<u>\$ 20,580</u>	<u>\$ 257,250</u>	<u>\$ (15,428)</u>	<u>\$ 224,545</u>	<u>\$ 1,271,724</u>

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
Combining Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2018

	<u>Subdivision Bond</u>	<u>Planning Escrow</u>	<u>Soup Kitchen</u>	<u>Student Activities - Senior High School</u>	<u>Student Activities - Middle School</u>	<u>Student Activities - Halliwell Elementary</u>	<u>Student Activities - North Smithfield Elementary</u>	<u>Athletic Fund</u>	<u>Total Agency Funds</u>
<i>Assets</i>									
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 178,636	\$ 28,158	\$ 16,091	\$ 21,777	\$ 158	\$ 244,820
Due from other funds	<u>15,412</u>	<u>38,101</u>	<u>25,934</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>79,447</u>
<i>Total assets</i>	<u>\$ 15,412</u>	<u>\$ 38,101</u>	<u>\$ 25,934</u>	<u>\$ 178,636</u>	<u>\$ 28,158</u>	<u>\$ 16,091</u>	<u>\$ 21,777</u>	<u>\$ 158</u>	<u>\$ 324,267</u>
<i>Liabilities</i>									
Accounts payable and accrued expenses	\$ -	\$ -	\$ 325	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 325
Deposits held in custody for others	<u>15,412</u>	<u>38,101</u>	<u>25,609</u>	<u>178,636</u>	<u>28,158</u>	<u>16,091</u>	<u>21,777</u>	<u>158</u>	<u>323,942</u>
<i>Total liabilities</i>	<u>\$ 15,412</u>	<u>\$ 38,101</u>	<u>\$ 25,934</u>	<u>\$ 178,636</u>	<u>\$ 28,158</u>	<u>\$ 16,091</u>	<u>\$ 21,777</u>	<u>\$ 158</u>	<u>\$ 324,267</u>

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2018

	<i>Balance</i> <i>June 30, 2017</i>	<i>Additions</i>	<i>Deductions</i>	<i>Balance</i> <i>June 30, 2018</i>
SUBDIVISION BOND				
Assets				
Due from other funds	\$ 15,412	\$ -	\$ -	\$ 15,412
Total assets	<u>\$ 15,412</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,412</u>
Liabilities				
Deposits held in custody for others	\$ 15,412	\$ -	\$ -	\$ 15,412
Total liabilities	<u>\$ 15,412</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,412</u>
PLANNING ESCROW				
Assets				
Due from other funds	\$ 39,101	\$ -	\$ 1,000	\$ 38,101
Total assets	<u>\$ 39,101</u>	<u>\$ -</u>	<u>\$ 1,000</u>	<u>\$ 38,101</u>
Liabilities				
Deposits held in custody for others	\$ 39,101	\$ -	\$ 1,000	\$ 38,101
Total liabilities	<u>\$ 39,101</u>	<u>\$ -</u>	<u>\$ 1,000</u>	<u>\$ 38,101</u>
SOUP KITCHEN				
Assets				
Due from other funds	\$ 14,950	\$ 16,510	\$ 5,526	\$ 25,934
Total assets	<u>\$ 14,950</u>	<u>\$ 16,510</u>	<u>\$ 5,526</u>	<u>\$ 25,934</u>
Liabilities				
Accounts payable and accrued expenses	\$ 55	\$ 325	\$ 55	\$ 325
Deposits held in custody for others	14,895	16,510	5,796	25,609
Total liabilities	<u>\$ 14,950</u>	<u>\$16,835</u>	<u>\$5,851</u>	<u>\$25,934</u>
STUDENT ACTIVITIES - SENIOR HIGH SCHOOL				
Assets				
Cash and cash equivalents	\$ 147,112	\$ 242,222	\$ 210,698	\$ 178,636
Accounts receivable	9,381	-	9,381	-
Total assets	<u>\$ 156,493</u>	<u>\$ 242,222</u>	<u>\$ 220,079</u>	<u>\$ 178,636</u>
Liabilities				
Deposits held in custody for others	\$ 156,493	\$ 242,222	\$ 220,079	\$ 178,636
Total liabilities	<u>\$ 156,493</u>	<u>\$ 242,222</u>	<u>\$ 220,079</u>	<u>\$ 178,636</u>
STUDENT ACTIVITIES - MIDDLE SCHOOL				
Assets				
Cash and cash equivalents	\$ 14,666	\$ 69,793	\$ 56,301	\$ 28,158
Total assets	<u>\$ 14,666</u>	<u>\$ 69,793</u>	<u>\$ 56,301</u>	<u>\$ 28,158</u>
Liabilities				
Deposits held in custody for others	\$ 14,666	\$ 69,793	\$ 56,301	\$ 28,158
Total liabilities	<u>\$ 14,666</u>	<u>\$ 69,793</u>	<u>\$ 56,301</u>	<u>\$ 28,158</u>

(Continued)

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
Combining Statement of Changes in Fiduciary Assets and Liabilities (Continued)
Agency Funds
For the Fiscal Year Ended June 30, 2018

	<i>Balance</i> <i>June 30, 2017</i>	<i>Additions</i>	<i>Deductions</i>	<i>Balance</i> <i>June 30, 2018</i>
STUDENT ACTIVITIES -HALLIWELL ELEMENTARY				
Assets				
Cash and cash equivalents	\$ 22,373	\$ 30,042	\$ 36,324	\$ 16,091
Total assets	<u>\$ 22,373</u>	<u>\$ 30,042</u>	<u>\$ 36,324</u>	<u>\$ 16,091</u>
Liabilities				
Deposits held in custody for others	\$ 22,373	\$ 30,042	\$ 36,324	\$ 16,091
Total liabilities	<u>\$ 22,373</u>	<u>\$ 30,042</u>	<u>\$ 36,324</u>	<u>\$ 16,091</u>
STUDENT ACTIVITIES -NORTH SMITHFIELD ELEMENTARY				
Assets				
Cash and cash equivalents	\$ 33,296	\$ 20,235	\$ 31,754	\$ 21,777
Total assets	<u>\$ 33,296</u>	<u>\$ 20,235</u>	<u>\$ 31,754</u>	<u>\$ 21,777</u>
Liabilities				
Deposits held in custody for others	\$ 33,296	\$ 20,235	\$ 31,754	\$ 21,777
Total liabilities	<u>\$ 33,296</u>	<u>\$ 20,235</u>	<u>\$ 31,754</u>	<u>\$ 21,777</u>
ATHLETIC FUND				
Assets				
Cash and cash equivalents	\$ 199	\$ 4,638	\$ 4,679	\$ 158
Total assets	<u>\$ 199</u>	<u>\$ 4,638</u>	<u>\$ 4,679</u>	<u>\$ 158</u>
Liabilities				
Deposits held in custody for others	\$ 199	\$ 4,638	\$ 4,679	\$ 158
Total liabilities	<u>\$ 199</u>	<u>\$ 4,638</u>	<u>\$ 4,679</u>	<u>\$ 158</u>
TOTAL AGENCY FUNDS				
Assets				
Cash and cash equivalents	\$ 217,646	\$ 366,930	\$ 339,756	\$ 244,820
Accounts receivable	9,381	-	9,381	-
Due from other funds	69,463	16,510	6,526	79,447
Total assets	<u>\$ 296,490</u>	<u>\$ 383,440</u>	<u>\$ 355,663</u>	<u>\$ 324,267</u>
Liabilities				
Accounts payable and accrued expenses	\$ 55	\$ 325	\$ 55	\$ 325
Deposits held in custody for others	296,435	383,440	355,933	323,942
Total liabilities	<u>\$ 296,490</u>	<u>\$383,765</u>	<u>\$355,988</u>	<u>\$324,267</u>

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
Tax Collector's Annual Report
For the Fiscal Year Ending June 30, 2018

Real Estate and Personal Property Taxes

Year	Balance June 30, 2017	Levy	Additions	Abatements and Adjustments	Amount to be Collected	Current Year Collections	Balance June 30, 2018
2018	\$ -	\$ 33,897,089	\$ 132,336	\$ (19,215)	\$ 34,010,210	\$ 33,445,233	\$ 564,977
2017	520,486	-	551	(2,687)	518,350	333,626	184,724
2016	202,352	-	-	(700)	201,652	45,078	156,574
2015	208,948	-	-	(703)	208,245	26,505	181,740
2014	218,583	-	-	-	218,583	21,237	197,346
2013	176,474	-	-	-	176,474	8,993	167,481
2012	146,337	-	-	-	146,337	4,491	141,846
2011	138,018	-	-	-	138,018	2,147	135,871
2010	82,472	-	-	-	82,472	1,895	80,577
2009	80,056	-	-	-	80,056	1,205	78,851
2008	61,132	-	-	-	61,132	1,018	60,114
2007	36,725	-	-	-	36,725	1,065	35,660
2006	35,930	-	-	-	35,930	577	35,353
2005	31,703	-	-	-	31,703	-	31,703
2004	33,265	-	-	-	33,265	-	33,265
2003	7,195	-	-	-	7,195	-	7,195
2002 and prior	413	-	-	20	433	20	413
	<u>\$ 1,980,089</u>	<u>\$ 33,897,089</u>	<u>\$ 132,887</u>	<u>\$ (23,285)</u>	<u>\$ 35,986,780</u>	<u>\$ 33,893,090</u>	<u>2,093,690</u>
Allowance for Uncollectible Accounts							(696,480)
Net Property Tax Receivable							<u>\$ 1,397,210</u>

Schedule of Most Recent Net Assessed Property Value by Category

Description of Property	Valuation	Levy
Real property - residential	\$ 1,082,072,020	\$ 18,195,041
Real property - commercial	272,531,960	5,084,901
Real property - FFOS	3,411,290	57,361
Real property - frozen	6,166,160	82,823
Motor vehicles	117,652,532	4,426,088
Tangible personal property	176,332,130	7,397,309
Total	<u>1,658,166,092</u>	<u>35,243,524</u>
Exemptions	54,162,172	1,346,435
Net assessed value	<u>\$ 1,604,003,920</u>	<u>\$ 33,897,089</u>

Reconciliation of Current Year Property Tax Revenue

Current year collections	\$ 33,893,090
Add: Revenue collected 60 days subsequent to fiscal year ending June 30, 2018	189,096
Less: Revenue collected 60 days subsequent to fiscal year ending June 30, 2017	<u>(159,513)</u>
Current year property tax revenue	<u>\$ 33,922,673</u>

(Continued)

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
Tax Collector's Annual Report (Continued)
For the Fiscal Year Ending June 30, 2018

Fiscal Year 2018 Cash Collection Summary

<u>Year</u>	<u>July - August 2017 Collections Subject to 60 day FY 17 Accrual</u>	<u>September 2017 - June 2018 Collections</u>	<u>Total FY 2018 Cash Collections</u>	<u>July - August 2018 Collections Subject to 60 day FY 18 Accrual</u>
2018	\$ -	\$ 33,445,233	\$ 33,445,233	\$ 161,606
2017	137,819	195,807	333,626	20,502
2016	14,405	30,673	45,078	2,957
2015	1,703	24,802	26,505	1,526
2014	1,893	19,344	21,237	1,075
2013	500	8,493	8,993	447
2012	141	4,350	4,491	269
2011	1,256	891	2,147	-
2010	1,197	698	1,895	357
2009	599	606	1,205	357
2008	-	1,018	1,018	-
2007	-	1,065	1,065	-
2006	-	577	577	-
2005	-	-	-	-
2004	-	-	-	-
2003	-	-	-	-
2002 and prior	-	20	20	-
	<u>\$ 159,513</u>	<u>\$ 33,733,577</u>	<u>\$ 33,893,090</u>	<u>\$ 189,096</u>

OTHER SUPPLEMENTARY INFORMATION

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

Annual Supplemental Transparency Report (MTP2) - Revenue

Annual Supplemental Transparency Report (MTP2) – Expenditures

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

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

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

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

<u>REVENUE</u>	<u>Municipal</u>	<u>Education Department</u>
Current Year Levy Tax Collection	\$ 33,364,714	\$ -
Last Year's Levy Tax Collection	352,786	-
Prior Years Property Tax Collection	152,202	-
Interest & Penalty	237,751	-
PILOT & Tax Treaty (excluded from levy) Collection	-	-
Other Local Property Taxes	-	-
Licenses and Permits	207,055	-
Fines and Forfeitures	67,755	-
Investment Income	70,248	-
Departmental	391,670	-
Rescue Run Revenue	279,515	-
Police & Fire Detail	-	-
Other Local Non-Property Tax Revenues	178,168	-
Tuition	-	47,590
Impact Aid	-	-
Medicaid	-	218,136
Federal Stabilization Funds	-	-
Federal Food Service Reimbursement	-	159,764
CDBG	-	-
COPS Grants	-	-
SAFER Grants	-	-
Other Federal Aid Funds	-	589,023
MV Excise Tax Reimbursement & Phase-out	634,700	-
State PILOT Program	-	-
Distressed Community Relief Fund	-	-
Library Resource Aid	78,305	-
Library Construction Aid	-	-
Public Service Corporation Tax	151,904	-
Meals & Beverage Tax / Hotel Tax	307,413	-
LEA Aid	-	6,003,497
Group Home	-	-
Housing Aid Capital Projects	-	-
Housing Aid Bonded Debt	986,512	-
State Food Service Revenue	-	5,518
Incentive Aid	-	-
Property Revaluation Reimbursement	17,132	-
Other State Revenue	4,850	744
Other Revenue	117,807	375,716
Local Appropriation for Education	-	19,108,278
Regional Appropriation for Education	-	-
Supplemental Appropriation for Education	-	-
Regional Supplemental Appropriation for Education	-	-
Other Education Appropriation	-	-
Rounding	-	-
Total Revenue	\$ 37,600,487	\$ 26,508,266
Financing Sources: Transfer from Capital Funds	\$ -	\$ -
Financing Sources: Transfer from Other Funds	-	-
Financing Sources: Debt Proceeds	-	-
Financing Sources: Other	-	-
Rounding	-	-
Total Other Financing Sources	\$ -	\$ -

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

<u>EXPENDITURES</u>	<u>General Government</u>	<u>Finance</u>	<u>Social Services</u>	<u>Centralized IT</u>	<u>Planning</u>	<u>Libraries</u>	<u>Public Works</u>	<u>Parks and Rec</u>	<u>Police Department</u>
Compensation- Group A	\$ 382,449	\$ 392,776	\$ -	\$ 22,640	\$ 262,243	\$ -	\$ 848,785	\$ 106,109	\$ 1,785,787
Compensation - Group B	-	-	-	-	-	-	-	-	26,336
Compensation - Group C	-	-	-	-	-	-	-	-	-
Compensation -Volunteer	-	-	-	-	-	-	-	-	-
Overtime- Group A	-	3	-	-	-	-	68,963	2,265	353,914
Overtime - Group B	-	-	-	-	-	-	-	-	-
Overtime - Group C	-	-	-	-	-	-	-	-	-
Police & Fire Detail	-	-	-	-	-	-	-	-	-
Active Medical Insurance - Group A	50,646	81,033	-	-	40,517	-	151,937	20,258	289,593
Active Medical Insurance- Group B	-	-	-	-	-	-	-	-	10,129
Active Medical Insurance- Group C	-	-	-	-	-	-	-	-	-
Active Dental insurance- Group A	3,168	5,068	-	-	2,534	-	9,503	1,267	17,106
Active Dental Insurance- Group B	-	-	-	-	-	-	-	-	634
Active Dental Insurance- Group C	-	-	-	-	-	-	-	-	-
Payroll Taxes	23,720	30,047	-	1,732	20,062	-	70,208	8,291	165,702
Life Insurance	3,476	5,561	-	-	2,780	-	10,427	1,390	19,463
State Defined Contribution- Group A	2,838	3,891	-	-	2,302	-	6,904	778	-
State Defined Contribution - Group B	-	-	-	-	-	-	-	-	271
State Defined Contribution - Group C	-	-	-	-	-	-	-	-	-
Other Benefits- Group A	-	2,948	-	-	-	-	-	-	58,819
Other Benefits- Group B	-	-	-	-	-	-	-	-	-
Other Benefits- Group C	-	-	-	-	-	-	-	-	-
Local Defined Benefit Pension- Group A	-	-	-	-	-	-	-	-	-
Local Defined Benefit Pension - Group B	-	-	-	-	-	-	-	-	-
Local Defined Benefit Pension - Group C	-	-	-	-	-	-	-	-	-
State Defined Benefit Pension- Group A	12,785	17,819	-	-	10,545	-	31,620	3,563	331,340
State Defined Benefit Pension - Group B	-	-	-	-	-	-	-	-	1,242
State Defined Benefit Pension - Group C	-	-	-	-	-	-	-	-	-
Other Defined Benefit / Contribution	-	-	-	-	-	-	-	-	-
Purchased Services	78,631	20,084	10,300	9,351	-	-	21,177	2,954	31,201
Materials/Supplies	3,003	3,940	-	11,026	861	-	54,374	38,285	16,385
Software Licenses	-	23,905	-	5,787	6,147	-	-	-	14,349
Capital Outlays	37,900	30,329	-	-	29,296	-	569,070	-	78,738
Insurance	238,279	-	-	-	-	-	-	-	-
Maintenance	3,584	4,160	-	667	2,000	-	4,141	16,541	-
Vehicle Operations	-	210	-	-	427	-	104,562	7,005	66,916
Utilities	63,923	-	-	-	2,140	-	17,162	5,748	31,806
Contingency	-	-	-	-	-	-	-	-	-
Street Lighting	-	-	-	-	-	-	108,463	-	-
Revaluation	-	17,132	-	-	-	-	-	-	-
Snow Removal-Raw Material & External Contracts	-	-	-	-	-	-	18,104	-	-
Trash Removal & Recycling	-	-	-	-	-	-	719,058	-	-
Claims & Settlements	-	-	-	-	-	-	-	-	-
Community Support	8,666	-	-	-	-	-	-	-	-
Other Operation Expenditures	50,813	25,786	-	539	1,745	435,452	316,636	493	126,056
Local Appropriation for Education	-	-	-	-	-	-	-	-	-
Regional Appropriation for Education	-	-	-	-	-	-	-	-	-
Supplemental Appropriation for Education	-	-	-	-	-	-	-	-	-
Regional Supplemental Appropriation for Education	-	-	-	-	-	-	-	-	-
Other Education Appropriation	-	-	-	-	-	-	-	-	-
Municipal Debt- Principal	-	-	-	-	-	-	-	-	-
Municipal Debt- Interest	-	-	-	-	-	-	-	-	-
School Debt- Principal	-	-	-	-	-	-	-	-	-
School Debt- Interest	-	-	-	-	-	-	-	-	-
Retiree Medical Insurance- Total	-	-	-	-	-	-	-	-	-
Retiree Dental Insurance- Total	-	-	-	-	-	-	-	-	-
OPEB Contribution- Total	-	-	-	-	-	-	-	-	-
Non-Qualified OPEB Trust Contribution	-	-	-	-	-	-	-	-	-
Rounding	-	-	-	-	-	-	-	-	-
Total Expenditures	\$ 963,880	\$ 664,693	\$ 10,300	\$ 51,741	\$ 383,600	\$ 435,452	\$ 3,131,092	\$ 214,946	\$ 3,425,786

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

<u>EXPENDITURES</u>	<u>Fire Department</u>	<u>Centralized Dispatch</u>	<u>Public Safety Other</u>	<u>Education Appropriation</u>	<u>Debt</u>	<u>OPEB</u>	<u>Total Municipal</u>	<u>Education Department</u>
Compensation- Group A	\$ -	\$ -	\$ 85,453	\$ -	\$ -	\$ -	\$ 3,886,243	\$ 11,830,834
Compensation - Group B	-	-	-	-	-	-	26,336	1,380,666
Compensation - Group C	-	-	-	-	-	-	-	2,345,269
Compensation -Volunteer	-	-	-	-	-	-	-	-
Overtime- Group A	-	-	3,940	-	-	-	429,085	-
Overtime - Group B	-	-	-	-	-	-	-	-
Overtime - Group C	-	-	-	-	-	-	-	38,613
Police & Fire Detail	-	-	-	-	-	-	-	-
Active Medical Insurance - Group A	-	-	10,129	-	-	-	644,112	1,260,649
Active Medical Insurance- Group B	-	-	-	-	-	-	10,129	149,204
Active Medical Insurance- Group C	-	-	-	-	-	-	-	587,074
Active Dental insurance- Group A	-	-	634	-	-	-	39,281	132,941
Active Dental Insurance- Group B	-	-	-	-	-	-	634	13,243
Active Dental Insurance- Group C	-	-	-	-	-	-	-	45,081
Payroll Taxes	-	-	6,839	-	-	-	326,599	413,104
Life Insurance	-	-	695	-	-	-	43,792	56,722
State Defined Contribution- Group A	-	-	549	-	-	-	17,262	286,017
State Defined Contribution - Group B	-	-	-	-	-	-	271	22,776
State Defined Contribution - Group C	-	-	-	-	-	-	-	19,799
Other Benefits- Group A	-	-	-	-	-	-	61,767	85,574
Other Benefits- Group B	-	-	-	-	-	-	-	63,693
Other Benefits- Group C	-	-	-	-	-	-	-	97,225
Local Defined Benefit Pension- Group A	-	-	-	-	-	-	-	-
Local Defined Benefit Pension - Group B	-	-	-	-	-	-	-	-
Local Defined Benefit Pension - Group C	-	-	-	-	-	-	-	-
State Defined Benefit Pension- Group A	-	-	2,515	-	-	-	410,187	1,535,158
State Defined Benefit Pension - Group B	-	-	-	-	-	-	1,242	157,878
State Defined Benefit Pension - Group C	-	-	-	-	-	-	-	92,799
Other Defined Benefit / Contribution	-	-	-	-	-	-	-	-
Purchased Services	-	-	-	-	-	-	173,697	4,089,200
Materials/Supplies	-	-	456	-	-	-	128,330	364,457
Software Licenses	-	-	-	-	-	-	50,187	61,605
Capital Outlays	6,807	-	-	-	-	-	752,141	143,179
Insurance	-	-	-	-	-	-	238,279	129,809
Maintenance	-	-	1,809	-	-	-	32,902	232,875
Vehicle Operations	65,938	-	6,313	-	-	-	251,370	85,083
Utilities	-	-	4,818	-	-	-	125,597	634,200
Contingency	-	-	-	-	-	-	-	-
Street Lighting	-	-	-	-	-	-	108,463	-
Revaluation	-	-	-	-	-	-	17,132	-
Snow Removal-Raw Material & External Contracts	-	-	-	-	-	-	18,104	-
Trash Removal & Recycling	-	-	-	-	-	-	719,058	-
Claims & Settlements	-	-	-	-	-	-	-	-
Community Support	-	-	-	-	-	-	8,666	-
Other Operation Expenditures	2,845,474	-	19,173	-	-	-	3,822,167	72,617
Local Appropriation for Education	-	-	-	19,108,278	-	-	19,108,278	-
Regional Appropriation for Education	-	-	-	-	-	-	-	-
Supplemental Appropriation for Education	-	-	-	-	-	-	-	-
Regional Supplemental Appropriation for Education	-	-	-	-	-	-	-	-
Other Education Appropriation	-	-	-	-	-	-	-	-
Municipal Debt- Principal	-	-	-	-	860,624	-	860,624	-
Municipal Debt- Interest	-	-	-	-	202,799	-	202,799	-
School Debt- Principal	-	-	-	-	2,028,208	-	2,028,208	-
School Debt- Interest	-	-	-	-	1,010,103	-	1,010,103	-
Retiree Medical Insurance- Total	-	-	-	-	-	-	-	25,373
Retiree Dental Insurance- Total	-	-	-	-	-	-	-	1,978
OPEB Contribution- Total	-	-	-	-	-	750,213	750,213	-
Non-Qualified OPEB Trust Contribution	-	-	-	-	-	-	-	-
Rounding	-	-	-	-	-	-	-	-
Total Expenditures	\$ 2,918,219	\$ -	\$ 143,323	\$ 19,108,278	\$ 4,101,733	\$ 750,213	\$ 36,303,258	\$ 26,454,695

Financing Uses: Transfer to Capital Funds	\$ -	\$ -
Financing Uses: Transfer to Other Funds	3,723	-
Financing Uses: Payment to Bond Escrow Agent	-	-
Financing Uses: Other	-	-
Total Other Financing Uses	\$ 3,723	\$ -
Net Change in Fund Balance¹	1,293,506	53,571
Fund Balance1- beginning of year	\$6,055,305	\$2,486,817
Funds removed from Reportable Government Services (RGS)	-	-
Funds added to Reportable Government Services (RGS)	-	-
Prior period adjustments	-	-
Misc. Adjustment	-	-
Fund Balance¹ - beginning of year adjusted	6,055,305	2,486,817
Rounding	-	-
Fund Balance¹ - end of year	\$ 7,348,811	\$ 2,540,388

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

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

Per Audited Fund Financial Statements	Total	Total Other	Total	Total Other	Net Change	Beginning Fund	Prior Period	Restated Beginning	Ending
Fund Description	Revenue	Financing Sources	Expenditures	Financing Uses	in Fund Balance ¹	Fund Balance ¹ (Deficit)	Adjustment	Fund Balance ¹ (Deficit)	Fund Balance ¹ (Deficit)
General Fund	\$ 37,600,487	\$ -	\$ 17,194,979	\$ 19,112,001	\$ 1,293,507	\$ 6,055,305	\$ -	\$ 6,055,305	\$ 7,348,812
Totals per audited financial statements	\$ 37,600,487	\$ -	\$ 17,194,979	\$ 19,112,001	\$ 1,293,507	\$ 6,055,305	\$ -	\$ 6,055,305	\$ 7,348,812
Reconciliation from financial statements to MTP2									
School appropriation to education reflected in financing use in audit but reflected as expenditure in MTP-2	\$ -	\$ -	\$ 19,108,278.00	\$ (19,108,278.00)	\$ -	\$ -	\$ -	\$ -	\$ -
Rounding	-	-	1	-	(1)	-	-	-	(1)
Totals Per MTP2	\$ 37,600,487	\$ -	\$ 36,303,258	\$ 3,723	\$ 1,293,506	\$ 6,055,305	\$ -	\$ 6,055,305	\$ 7,348,811

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

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

Per Audited Fund Financial Statements Fund Description	Total Revenue	Total Other Financing Sources	Total Expenditures	Total Other Financing Uses	Net Change in Fund Balance ¹	Beginning Fund Fund Balance ¹ (Deficit)	Prior Period Adjustment	Restated Beginning Fund Balance ¹ (Deficit)	Ending Fund Balance ¹ (Deficit)
School Unrestricted Fund	\$ 7,627,088	\$ 19,108,278	\$ 26,693,607	\$ -	\$ 41,759	\$ 2,427,238	\$ -	\$ 2,427,238	\$ 2,468,997
Food Service-Special Revenue Fund	474,475	-	462,664	-	11,811	55,086	-	55,086	66,897
School Special Revenue Funds	590,766	-	590,766	-	-	4,493	-	4,493	4,493
Totals per audited financial statements	\$ 8,692,329	\$ 19,108,278	\$ 27,747,037	\$ -	\$ 53,570	\$ 2,486,817	\$ -	\$ 2,486,817	\$ 2,540,387

Reconciliation from financial statements to MTP2

State contributions on behalf of teacher pensions are reported as revenue and expenditures on financial statements only

School appropriation to education reflected in financing source in audit but reflected as revenue in MTP-2

Rounding

\$ (1,292,343)	\$ -	\$ (1,292,343)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
19,108,278	(19,108,278)	-	-	-	-	-	-	-	-
2	-	1	-	1	-	-	-	-	1
\$ 26,508,266	\$ -	\$ 26,454,695	\$ -	\$ 53,571	\$ 2,486,817	\$ -	\$ 2,486,817	\$ 2,540,388	

Reconciliation from MTP2 to UCOA

No reconciling items from MTP2 to UCOA

Totals per UCOA Validated Totals Report

<u>\$ 26,508,266</u>	<u>\$ 26,454,695</u>
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¹ and Net Position if Enterprise Fund activity is included in the transparency portal report.

Town of North Smithfield, Rhode Island
Reportable Government Services with
MTP2 Notes
Fiscal Year Ended June 30, 2018

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 annual financial statements is part of a broader project to create a municipal transparency portal (MTP) website to host municipal financial information in a centralized location.

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

NOTE 2. Reportable Government Services

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

NOTE 3. Allocations

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

NOTE 4. Employee Groups - Compensation and Benefit Costs

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

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

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

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

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

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

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

NOTE 5. Education Revenue and Expenditures

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

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

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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of North Smithfield, Rhode Island as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of North Smithfield, Rhode Island's basic financial statements, and have issued our report thereon dated December 20, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of North Smithfield, Rhode Island's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2018-001.

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

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

Purpose of this Report

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

Bacon & Company CPAs, LLC

Warwick, Rhode Island
December 20, 2018

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

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Town of North Smithfield, Rhode Island complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

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

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

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

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

Bacon & Company CPAs, LLC

Warwick, Rhode Island
December 20, 2018

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2018

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

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

Internal control over financial reporting:

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

Federal Awards

Internal control over major federal programs:

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

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

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

Identification of major federal programs:

CFDA Number

84.027A
84.173A

Name of Program or Cluster

Special Education Cluster – PL 94-142 – Project IDEA
Special Education Cluster – Preschool Section 619

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

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

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2018

SECTION II - FINANCIAL STATEMENT FINDINGS

FINDING OF NONCOMPLIANCE

2018-001 Levy and Assessment of Taxes

Criteria: *Rhode Island General Law 44-5-1* states that the electors of any town qualified to vote on any proposition to impose a tax or for the expenditure of money, when legally assembled, may levy a tax for the purpose authorized by law, on the ratable property of the Town, either in a sum certain, or in a sum not less than a certain sum and not more than a certain sum.

Condition: The Town of North Smithfield approved a resolution that levied and ordered the assessment and collection of taxes for the 2018 fiscal year for a sum between \$34,325,000 and \$34,375,000. The actual tax levy was \$33,897,089 and is not within the range approved by the Town Council. The Town is not in compliance with *Rhode Island General Law 44-5-1*.

Cause: The State budget which included a change to the motor vehicle phase out exemption amount was enacted after the Town's budget and tax levy resolution were approved. The Town delayed the levy of the motor vehicle tax to incorporate the changes enacted in the State budget. The State approved motor vehicle phase out exemption resulted in a lower motor vehicle tax levy than was initially approved, but the Town did not amend the tax levy resolution for the change.

Recommendation: We recommend that the Town verify the actual tax levy is within the range stated in the tax levy resolution once the levy is certified to ensure compliance with *Rhode Island General Law 44-5-1*.

Views of Responsible Officials/Corrective Actions: The final adoption of the Fiscal Year 2018 budget was on 7/17/17 with a levy of \$34,349,827. At that time, the Town decided to only certify Real Estate, Commercial and Tangible and hold Motor Vehicle until the legislation passed. The Tax Assessor certified the tax roll on 7/24/17 in the amount of \$30,133,257 which excluded the motor vehicle levy in the amount of \$4,215,266. The State filed Article 11 which changed the method of motor vehicle assessment for municipalities on 8/3/17. The Tax Assessor ran the tax roll using the new method and at that time the Motor Vehicle levy was certified at \$3,763,831 which is a difference of \$451,435. The amount was supplemented from the State as a Motor Vehicle Phase Out revenue.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

TOWN OF NORTH SMITHFIELD, RHODE ISLAND**Schedule of Expenditures of Federal Awards****For the Fiscal Year Ended June 30, 2018**

<i>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Total Federal Expenditures</i>
<i>US Department of Education</i>			
<i>Pass-through RI Department of Education:</i>			
<i>Special Education Cluster (IDEA):</i>			
PL-94-142 - Project IDEA	84.027A	2725-13202-801	\$ 382,074
Preschool Section 619	84.173A	2725-13502-801	7,800
<i>Total Special Education Cluster</i>			<u>389,874</u>
Title I	84.010A	2725-11702-801	160,166
Title II - Professional Development	84.367A	2725-16402-801	38,982
<i>Total US Department of Education</i>			<u>589,022</u>
<i>US Department of Agriculture</i>			
<i>Pass-through RI Department of Education:</i>			
<i>Child Nutrition Cluster:</i>			
National School Lunch Program			
Cash assistance	10.555	N/A	141,026
Non-cash assistance (commodities)	10.555	N/A	31,045
School Breakfast Program	10.553	N/A	18,738
<i>Total Child Nutrition Cluster</i>			<u>190,809</u>
<i>Total US Department of Agriculture</i>			<u>190,809</u>
<i>US Department of Health and Human Services</i>			
<i>Pass-through Woonsocket Prevention Coalition:</i>			
Substance Abuse Block Grant - Substance Abuse Task Force	93.959	N/A	10,093
<i>Total US Department of Health and Human Services</i>			<u>10,093</u>
<i>US Department of Transportation</i>			
<i>Pass-through RI Department of Transportation:</i>			
<i>Highway Safety Cluster:</i>			
State and Community Highway Safety Grant	20.600	N/A	445
<i>Total Highway Safety Cluster</i>			<u>445</u>
<i>Total US Department of Transportation</i>			<u>445</u>

(Continued)

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
Schedule of Expenditures of Federal Awards (Continued)
For the Fiscal year Ended June 30, 2018

<i>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Total Federal Expenditures</i>
<i>US Department of Homeland Security</i>			
<i>Pass-through RI Emergency Management Agency:</i>			
Emergency Management Performance Grant	97.042	EMPG 2016	6,911
State Homeland Security Grant	97.067	SSHP2015 CERT	4,504
<i>Total US Department of Homeland Security</i>			<u>11,415</u>
<i>US Department of Housing and Urban Development</i>			
<i>Pass-through RI Division of Planning, Office of Housing and Community Development:</i>			
Community Development Block Grant	14.228	N/A	25,075
<i>Total US Department Housing and Urban Development</i>			<u>25,075</u>
<i>US Department of Justice</i>			
<i>Direct Program:</i>			
Equitable Sharing Program	16.922	N/A	3,747
<i>Pass-through RI Public Safety Grant Administration Office:</i>			
Byrne/JAG Program	16.738	GR-15036	1,202
Byrne/JAG Program	16.738	GR-16070	6,310
			<u>7,512</u>
<i>Total US Department of Justice</i>			<u>11,259</u>
<i>Total Expenditures of Federal Awards</i>			<u><u>\$ 838,118</u></u>

TOWN OF NORTH SMITHFIELD, RHODE ISLAND

Notes to Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended June 30, 2018

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of the Town of North Smithfield, Rhode Island under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Town of North Smithfield, Rhode Island, it is not intended to and does not present the financial position, changes in financial position, or cash flows of the Town of North Smithfield, Rhode Island.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3 – INDIRECT COST RATE

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