

**TOWN OF LINCOLN, RHODE ISLAND**  
**BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2009**



TOWN OF LINCOLN, RHODE ISLAND

YEAR ENDED JUNE 30, 2009

CONTENTS

	Page
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-14
Basic financial statements:	
Government-wide financial statements:	
Statement of net assets	15
Statement of activities	16
Fund financial statements:	
Balance sheet – governmental funds	17
Reconciliation of governmental funds balance sheet to statement of net assets	18
Statement of revenues, expenditures and changes in fund balances – governmental funds	19
Reconciliation of governmental funds statement of revenues, expenditures and changes in fund balances to statement of activities	20
Statement of net assets – enterprise funds	21
Statement of revenues, expenses and changes in net assets – enterprise funds	22
Statement of cash flows – enterprise funds	23-24
Statement of fiduciary net assets – fiduciary funds	25
Statement of changes in fiduciary net assets – fiduciary funds	26
Notes to basic financial statements	27-67

TOWN OF LINCOLN, RHODE ISLAND

YEAR ENDED JUNE 30, 2009

CONTENTS (CONTINUED)

	Page
Required supplementary information to financial statements:	
Budgetary comparison schedules for the general fund and school unrestricted fund	68-71
Schedules of funding progress for pension plans	72
Other supplementary information:	
Tax collector's annual report	73-74



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Certified Public Accountants / Business Consultants

## **Independent Auditors' Report**

The Honorable Members of the Town Council  
Town of Lincoln, Rhode Island  
Lincoln, Rhode Island

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Lincoln, Rhode Island (the Town) as of and for the year ended June 30, 2009, which collectively comprise the Town's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Lincoln, Rhode Island as of June 30, 2009, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States.

In accordance with Government Auditing Standards, we have also issued our report dated February 12, 2010 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

**Independent Auditors' Report (Continued)**

The Honorable Members of the Town Council  
Town of Lincoln, Rhode Island

Management's Discussion and Analysis on pages 3 through 14, and the budgetary comparison schedules and supplementary pension information on pages 68 through 72 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The supplementary tax collector's annual report on pages 73 and 74 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Leffkowitz, Jan. Jankel, Charney & DeGonzal. C.*

February 12, 2010

## **TOWN OF LINCOLN, RHODE ISLAND**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Management of the Town of Lincoln (the Town) provides this Management's Discussion and Analysis of the Town's Annual Financial Report for the readers of the Town's financial statements. This narrative overview and analysis of the financial statements of the Town is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the Town's audited basic financial statements and supplementary information which follow.

#### **FINANCIAL HIGHLIGHTS**

At the end of the current fiscal year, the unreserved fund balance for the General Fund was \$5,598,853, or 8% of fiscal year 2009 budgeted expenditures and transfers to other funds. This is an increase of \$415,114 from the prior year unreserved General Fund balance.

The Town's General Fund had an operating surplus of \$538,828 which, when combined with the transfer of the previously reserved fund balances for Capital Improvements (\$1,076,340) and Open Space (\$1,239,765) as defined in the Town Charter, results in an excess of expenditures and other financing uses over revenues and other financing sources of \$1,777,277. The School Unrestricted Fund operations resulted in an operating surplus of \$416,019 after transfer of \$503,239 to the School Capital Reserve Fund.

The Town's General Fund ended fiscal year 2009 with a budgetary operating deficit of (\$951,411) after the unbudgeted transfers to the Open Space and Capital Reserve Funds. The School Department ended the year with a budgetary operating surplus of \$991,238.

The Town's budgetary deficit was partially due to tax revenues and State aid being lower than budgeted, offset by spending controls put in place when the State proposed aid cuts as part of its supplemental budget process. Higher than expected revenues were from video lottery terminal commissions, meals and hotel tax, and rescue billings transfers. Expenditure reductions imposed by the town administration as a response to the reduction of state aid more than compensated for the diminished revenues. Several municipal resolutions were not fully expended and savings associated with health care plan changes are reflected as a designated component of the Town's unreserved General Fund balance.

The School Department budgetary surplus of \$991,238 resulted in part from an additional appropriation at the annual Financial Town Meeting of \$517,248, which the School Committee chose to set aside for future budgets.

The Town's total debt increased by \$1,088,141, principally from the issuance of a \$5,000,000 capital improvement bond.

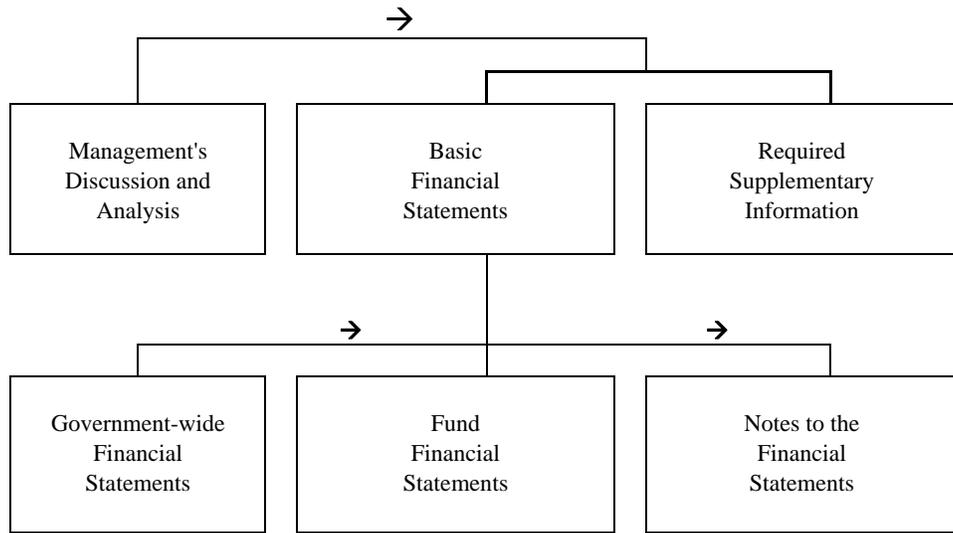
## OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Town's annual audit report. 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 the tax collector's annual report.

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Town's overall financial 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 funds* statements tell how general government services like public safety were financed in the short term, as well as what remains for future spending.
  - ✓ *Proprietary funds* statements offer short and long-term financial information about the activities the government operates like businesses, such as the water system.
  - ✓ *Fiduciary funds* 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. Figure A-1 shows how the required parts of this annual report are arranged and relate to one another.

**Figure A-1  
Required Components of the  
Town of Lincoln's Basic Financial Report**



**Summary  
Information**

**Detail  
Information**

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

Figure A- 2

**Major Features of the Town of Lincoln’s Government-Wide and Fund Financial Statements**

	<b>Government- Wide Statements</b>	<b>Fund Statements</b>		
		<b>Governmental Funds</b>	<b>Proprietary Funds</b>	<b>Fiduciary Funds</b>
Scope	Entire Town government (except fiduciary funds)	The activities of the Town that are not proprietary or fiduciary, such as police and education.	Activities the Town operates similar to private businesses such as the water system.	Instances in which the Town is the trustee or agent for someone else’s resources.
Required financial statements	Statement of Net Assets; Statement of Activities	Balance Sheet; Statement of Revenues, Expenditures and Changes in Fund Balances	Statement of Net Assets; Statement of Revenues, Expenses and Changes in Net Assets; Statement of Cash Flows	Statement of Fiduciary Net Assets; Statement of Changes in Fiduciary Net Assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of assets/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or debt included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term. The Town’s funds do not currently contain capital assets, although they may.
Type of inflow/ outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid.

## Government-wide 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 assets includes all of the government's assets and liabilities. 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 assets* and how they have changed. Net assets – the difference between the Town's assets and liabilities – is one way to measure the Town's financial health, or position.

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

The government-wide financial statements of the Town, which can be found on pages 15 and 16 of this report, are divided into two categories:

- *Governmental activities* – Most of the Town's basic services are included here, such as education, police, sewer, library, public works and general administration. Property taxes, charges for services and state funding finance most of these activities.
- *Business-type activities* – The Town charges fees to customers to cover the costs of certain services it provides. The Town's water system is included here.

## Fund Financial Statements

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

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

***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 government 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.

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

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

The basic governmental fund financial statements can be found on pages 17-20 of this report.

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

The basic proprietary funds financial statements can be found on pages 21-24 of this report.

***Fiduciary funds*** – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town’s own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary funds financial statements can be found on pages 25-26 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.

**Other information** – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Such information includes budgetary comparison schedules, and reconciliations of the statutory fund balance for budgetary purposes and the fund balances for the General Fund and School Unrestricted Funds as presented in the governmental fund financial statements. Required supplementary information follows the notes to the financial statements. In addition, State law requires the presentation of the Tax Collector’s Annual Report, which follows the required supplementary information.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

### Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The Town's combined net assets (government and business-type activities) totaled \$57,848,032 at June 30, 2009.

The largest portion of the Town's net assets (72%) reflects its investment in capital such as land, buildings, equipment, and infrastructure, less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town's investment in 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.

### Town of Lincoln's Net Assets June 30, 2009

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$25,968,566	\$20,241,877	\$3,845,986	\$4,632,348	\$29,814,552	\$24,874,225
Capital assets	71,752,160	70,992,082	19,788,960	19,264,916	91,541,120	90,256,998
Other assets	<u>122,262</u>	<u>248,724</u>	<u>0</u>	<u>0</u>	<u>122,262</u>	<u>248,724</u>
Total assets	<u>97,842,988</u>	<u>91,482,683</u>	<u>23,634,946</u>	<u>23,897,264</u>	<u>121,477,934</u>	<u>115,379,947</u>
Current liabilities	13,106,349	11,630,869	689,145	957,827	13,795,494	12,588,696
Noncurrent liabilities	<u>47,841,881</u>	<u>45,259,388</u>	<u>1,992,527</u>	<u>2,187,639</u>	<u>49,834,408</u>	<u>47,447,027</u>
Total liabilities	<u>60,948,230</u>	<u>56,890,257</u>	<u>2,681,672</u>	<u>3,145,466</u>	<u>63,629,902</u>	<u>60,035,723</u>
Invested in capital assets, net of related debt	23,943,766	24,150,788	17,951,361	17,198,916	41,895,127	41,349,704
Restricted	10,159,091	2,429,163	0	0	10,159,091	2,429,163
Unrestricted	<u>2,791,901</u>	<u>8,012,475</u>	<u>3,001,913</u>	<u>3,552,882</u>	<u>5,793,814</u>	<u>11,565,357</u>
Total net assets	<u>\$36,894,758</u>	<u>\$34,592,426</u>	<u>\$20,953,274</u>	<u>\$20,751,798</u>	<u>\$57,848,032</u>	<u>\$55,344,224</u>

Current liabilities include \$1,300,000 for claims and judgments expected to be settled within one year, as discussed in Note 11 to the basic financial statements.

An additional portion of the Town's net assets (17.6%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets 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 assets.

At the end of the current fiscal year, the Town is able to report positive balances in all three categories of net assets, both for the government as a whole and for its separate governmental and business-type activities.

## Changes in Net Assets

The government's net assets increased by \$2,749,203 during the current fiscal year.

### Town of Lincoln's Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenue:						
Program revenue:						
Charges for services	\$3,262,116	\$2,858,058	\$3,761,566	\$3,140,447	\$7,023,682	\$5,998,505
General revenue:						
Property taxes	48,939,253	46,377,296			48,939,253	46,377,296
State aid and fed'l grants	21,906,389	23,066,119	328,264	325,017	22,234,653	23,391,136
Capital grants	1,259,384			281,743	1,259,384	281,743
Other revenue	491,432	1,153,516	(63,844)	849,394	427,588	2,002,910
Total revenue	<u>75,858,574</u>	<u>73,454,989</u>	<u>4,025,986</u>	<u>4,596,601</u>	<u>79,884,560</u>	<u>78,051,590</u>
Expenses:						
General government	2,235,798	1,535,418			2,235,798	1,535,418
Financial administration	864,011	1,149,639			864,011	1,149,639
Public safety	7,704,003	6,302,446			7,704,003	6,302,446
Public service	6,582,398	6,827,948			6,582,398	6,827,948
Public library	1,171,258	962,998			1,171,258	962,998
Interest on long-term debt	2,089,551	2,140,781			2,089,551	2,140,781
School	52,502,953	51,152,263			52,502,953	51,152,263
School lunch			782,682	839,325	782,682	839,325
Water			3,202,703	2,911,738	3,202,703	2,911,738
Total expenses	<u>73,149,972</u>	<u>70,071,493</u>	<u>3,985,385</u>	<u>3,751,063</u>	<u>77,135,357</u>	<u>73,822,556</u>
Increase in net assets	<u>2,708,602</u>	<u>3,383,496</u>	<u>40,601</u>	<u>845,538</u>	<u>2,749,203</u>	<u>4,229,034</u>
Net assets – beginning of year	34,592,426	30,338,242	20,751,798	19,906,260	55,344,224	50,244,502
Prior period adjustment	(406,270)	870,688	160,875	0	(245,395)	870,688
Net assets – beginning of year as restated	<u>34,186,156</u>	<u>31,208,930</u>	<u>20,912,673</u>	<u>19,906,260</u>	<u>55,098,829</u>	<u>51,115,190</u>
<b>Net assets – end of year</b>	<b><u>\$36,894,758</u></b>	<b><u>\$34,592,426</u></b>	<b><u>\$20,953,274</u></b>	<b><u>\$20,751,798</u></b>	<b><u>\$57,848,032</u></b>	<b><u>\$55,344,224</u></b>

**Governmental activities.** Governmental activities increased the Town's net assets by \$2,708,602, accounting for 98% of the total growth in the Town's net assets.

**Business-type activities.** Business-type activities increased the Town's net assets by \$40,601, accounting for 2% of the total growth in the Town's net assets.

## 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, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of June 30, 2009, the Town's governmental funds reported combined ending fund balances of \$16,545,420, an increase of \$5,605,894 in comparison with the prior year. Of the increase in fund balance, \$4,458,145 relates to the borrowing of the authorized \$5,000,000 Public Building Bonds, net of expenditures. The unreserved fund balance of \$16,475,901, or 99% of the total fund balance, is available for spending at the Town's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed.

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$5,598,853; however, \$1,955,387 has been designated principally for payment of future claims and judgments, and health insurance claims. As a measure of General Fund liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 8% of total General Fund budgeted expenditures. If the Open Space and Capital Reserve Fund balances, established and maintained in accordance with a provision in the Town Charter, were added to the unreserved fund balance, this percentage would increase to 9.1%.

The Town's General Fund balance decreased by \$1,777,277 during the current fiscal year as a result of revenues exceeding expenditures offset by the transfers to the School Unrestricted Fund of \$47,695,122, other nonmajor funds of \$888,837 and the Open Space and Capital Reserve Funds of \$1,239,765 and \$1,070,340, respectively.

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

Unrestricted net assets of the proprietary funds at June 30, 2009 totaled \$3,001,913, with the Water Fund making up \$2,772,433 of the total. The Water Fund had an increase in net assets of \$33,342 and the School Lunch Fund, of \$7,259. Other factors concerning the finances of these funds have already been addressed in the discussion of the Town's business-type activities.

## **General Fund Budgetary Highlights**

The Financial Town meeting held in May 2008 approved an operating budget of \$71,316,526, including other financing sources of \$400,000. Subsequently, additions to the budget for the costs of snow removal, purchase of a property for the Family Literacy Center and a sewer connection for a school building were authorized.

Revenue items materially over budget included the Video Lottery Terminal Commissions, \$482,087 (Town ordinance requires the transfer of this revenue in excess of budget into a Town Capital Projects Fund); meals & hotels taxes, \$259,143; interest on delinquent taxes \$84,780; and transfers from rescue billing, \$223,195. General Property Tax revenues were under budget by \$418,503 principally due to abatements; State general revenue-sharing was reduced in a State supplementary budget, resulting in a shortfall for the Town of \$424,044; school operations aid from the State was reduced by \$604,878 during the same State supplemental budget process; investment earnings were well below expectations due to the rapid market changes, finishing the year below budget by \$301,000; and inspection fees were below budget by \$96,882.

There were significant positive expenditure variances due to the necessity to anticipate and respond to the State budget cuts. Each department was required to restrict spending to essential items and defer purchases to the extent possible. The most significant of the variances were as follows: deferrals of capital spending of \$42,000; technology services and project costs of \$65,273; unfilled staff positions and overtime spending of approximately \$360,000, principally in the public service category; reduced health care costs due to the Town joining a new insurance group; and \$58,122 in savings associated with lower than anticipated gasoline prices. The insurance group in which the Town now participates was able to negotiate significantly lower administrative fees, resulting in a positive variance of \$551,618 (of which \$434,117 represents a designation of unreserved fund balance).

## **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, 2009 amounted to \$91,541,120 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery & equipment, infrastructure and construction in progress. The net increase in the Town's investment in capital assets for the current year was \$1,284,122 (1% increase for governmental activities and 2.7% increase for business-type activities).

## Town of Lincoln's Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land & land improvements	\$37,395,598	\$35,431,778	\$177,452	\$177,452	\$ 37,573,050	\$35,609,230
Buildings & improvements	50,029,458	49,666,499	844,288	844,288	50,873,746	50,510,787
Vehicles	3,330,406	3,435,633	375,765	373,873	3,706,171	3,809,506
Machinery & equipment	4,581,212	4,313,733	160,124	117,284	4,741,336	4,431,017
Mains, valves, pumps, etc.			25,409,526	24,634,667	25,409,526	24,634,667
Construction in progress	114,125	249,149	0	0	114,125	249,149
Less accumulated depreciation	<u>(23,698,639)</u>	<u>(22,104,710)</u>	<u>(7,178,195)</u>	<u>(6,882,648)</u>	<u>(30,876,834)</u>	<u>(28,987,358)</u>
<b>Total</b>	<b><u>\$71,752,160</u></b>	<b><u>\$70,992,082</u></b>	<b><u>\$19,788,960</u></b>	<b><u>\$19,264,916</u></b>	<b><u>\$91,541,120</u></b>	<b><u>\$90,256,998</u></b>

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

**Long-term debt.** At the end of the fiscal year, the Town had total bonded debt outstanding of \$47,575,000. General obligation bonds are backed by the full faith and credit of the Town, including the Town's power to levy additional taxes to ensure repayment of the debt. All general obligation debt currently outstanding was approved by a vote of the citizens.

The Town had an open authorization for a \$5 million Public Buildings Bond which was issued July 1, 2008.

The Town has an Aa3 rating from Moody's Investors Service and an AA- rating from Fitch Investors Service.

State statute limits the amount of bonds a governmental entity can issue to 3% of its total assessed valuation. The current debt limitation for the Town is \$102,036,291.

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

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

The latest published unemployment rate as of December 2009 for the Town is 10.7 percent. This compares favorably to the State's average unemployment rate of 12.9 percent and is slightly above the national rate of 10.0 percent. Per capita and median family incomes remain some of the highest in the State and favorable nationally.

	<b>Per Capita</b>	<b>Median Family</b>
Lincoln	\$26,779	\$61,257
Rhode Island	\$21,688	\$52,781
United States	\$21,587	\$50,046

At the Annual Town Financial Meeting in May 2009, the voters approved a budget for fiscal year 2010 of \$69,985,669. This budget is 2.55% lower than the fiscal year 2009 budget. The Town's municipal departments decrease was 1.78%; the School Department decrease was 2.28% and Debt Service and the Education Resolutions decrease was 6.53%.

## **Requests for Information**

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the Town's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to the Finance Director, 100 Old River Road, Lincoln, Rhode Island 02865.

TOWN OF LINCOLN, RHODE ISLAND

STATEMENT OF NET ASSETS

JUNE 30, 2009

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 18,638,756	\$ 816,962	\$ 19,455,718
Investments		1,450,760	1,450,760
Accounts receivable, less allowances for doubtful accounts totaling \$353,957:			
Property taxes	2,221,017		2,221,017
Federal and state government	4,065,553	103,358	4,168,911
Assessments and user fees	207,362	1,249,061	1,456,423
Other	946,066	8,966	955,032
Prepaid expenses	-	10,724	10,724
Inventory		95,967	95,967
Internal balances	(110,188)	110,188	-
Deferred charges	122,262		122,262
Capital assets not being depreciated	15,287,598	177,452	15,465,050
Capital assets being depreciated, net	56,464,562	19,611,508	76,076,070
 Total assets	 <u>97,842,988</u>	 <u>23,634,946</u>	 <u>121,477,934</u>
 <b>LIABILITIES:</b>			
Accounts payable and accrued expenses	7,476,199	611,145	8,087,344
Long-term obligations:			
Due within one year	5,630,150	78,000	5,708,150
Due in more than one year	47,841,881	1,992,527	49,834,408
 Total liabilities	 <u>60,948,230</u>	 <u>2,681,672</u>	 <u>63,629,902</u>
 <b>NET ASSETS:</b>			
Invested in capital assets, net of related debt	23,943,766	17,951,361	41,895,127
Restricted for:			
Education	2,126,975		2,126,975
Capital projects	7,910,958		7,910,958
Community development	121,158		121,158
Unrestricted	2,791,901	3,001,913	5,793,814
 Total net assets	 <u>\$ 36,894,758</u>	 <u>\$ 20,953,274</u>	 <u>\$ 57,848,032</u>

See notes to basic financial statements

TOWN OF LINCOLN, RHODE ISLAND

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2009

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental activities:</b>							
General government	\$ 2,235,798	\$ 1,127,808	\$ -	\$ -	\$ (1,107,990)		\$ (1,107,990)
Financial administration	864,011	68,158	-	-	(795,853)		(795,853)
Public library	1,171,258	13,441	174,946	-	(982,871)		(982,871)
Public safety	7,704,003	1,479,131	134,635	-	(6,090,237)		(6,090,237)
Public services	6,582,398	423,500	118,670	58,586	(5,981,642)		(5,981,642)
Education	52,502,953	150,078	11,301,812	1,200,798	(39,850,265)		(39,850,265)
Interest on long-term debt	2,089,551				(2,089,551)		(2,089,551)
Total governmental activities	<u>73,149,972</u>	<u>3,262,116</u>	<u>11,730,063</u>	<u>1,259,384</u>	<u>(56,898,409)</u>		<u>(56,898,409)</u>
<b>Business-type activities:</b>							
Water fund	3,202,703	3,299,889		-		97,186	97,186
School Lunch fund	782,682	461,677	328,264			7,259	7,259
Total business-type activities	<u>3,985,385</u>	<u>3,761,566</u>	<u>328,264</u>	<u>-</u>		<u>104,445</u>	<u>104,445</u>
Total	<u>\$ 77,135,357</u>	<u>\$ 7,023,682</u>	<u>\$ 12,058,327</u>	<u>\$ 1,259,384</u>	<u>(56,898,409)</u>	<u>104,445</u>	<u>(56,793,964)</u>
General revenues:							
Property taxes					48,939,253		48,939,253
Grants and contributions not restricted to specific programs					10,176,326		10,176,326
Investment earnings (losses)					491,432	(63,844)	427,588
Total general revenues					<u>59,607,011</u>	<u>(63,844)</u>	<u>59,543,167</u>
Change in net assets					<u>2,708,602</u>	<u>40,601</u>	<u>2,749,203</u>
Net assets, beginning of year:							
As previously reported					34,592,426	20,751,798	55,344,224
Prior period adjustments and reclassification					(406,270)	160,875	(245,395)
As restated					<u>34,186,156</u>	<u>20,912,673</u>	<u>55,098,829</u>
Net assets, end of year					<u>\$ 36,894,758</u>	<u>\$ 20,953,274</u>	<u>\$ 57,848,032</u>

See notes to basic financial statements.

TOWN OF LINCOLN, RHODE ISLAND  
BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2009

	General Fund	School Unrestricted Fund	Public Building Bond Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 12,257,829	\$ 80,138	\$ 5,056,246	\$ 1,244,543	\$ 18,638,756
Investments					-
Accounts receivable, less allowance for doubtful accounts of \$348,957:					
Property taxes	2,221,017				2,221,017
Sewer use fees and assessments	207,362				207,362
Federal and state governments	2,498,166	122,499		1,444,888	4,065,553
Other	278,035	15,019		653,012	946,066
Due from other funds	1,294,877	6,835,654		4,211,602	12,342,133
Total assets	\$ 18,757,286	\$ 7,053,310	\$ 5,056,246	\$ 7,554,045	\$ 38,420,887
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable and accrued expenses	\$ 1,604,368	\$ 4,830,014	\$ 7,500	\$ 223,789	6,665,671
Due to other funds	9,507,191	260,643	590,601	2,093,886	12,452,321
Deferred revenue	1,977,355			780,120	2,757,475
Total liabilities	13,088,914	5,090,657	598,101	3,097,795	21,875,467
<b>Fund balances:</b>					
Reserved for encumbrances	69,519				69,519
Unreserved, reported in:					
General Fund	5,598,853				5,598,853
Special revenue funds		1,962,653		1,003,437	2,966,090
Capital project funds			4,458,145	3,452,813	7,910,958
Total fund balances	5,668,372	1,962,653	4,458,145	4,456,250	16,545,420
Total liabilities and fund balances	\$ 18,757,286	\$ 7,053,310	\$ 5,056,246	\$ 7,554,045	\$ 38,420,887

See notes to basic financial statements.

TOWN OF LINCOLN, RHODE ISLAND

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO STATEMENT OF NET ASSETS

JUNE 30, 2009

Total fund balances for governmental funds		\$	16,545,420
Assets used in governmental activities which are not financial resources and, therefore, are not reported in the funds:			
Capital assets, net	\$	71,752,160	
Deferred charges		<u>122,262</u>	71,874,422
Some taxes and grants will be collected after year end, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as deferred revenue in the funds.			2,757,475
Liabilities not due and payable in the current period which therefore are not reported in the funds:			
Bonds payable		(47,559,001)	
Capital leases		(371,655)	
Claims and judgments		(1,300,000)	
Other postemployment benefits (OPEB), net		(999,676)	
Compensated absences payable		(3,241,699)	
Accrued interest		<u>(810,528)</u>	<u>(54,282,559)</u>
Net assets of governmental activities			<u>\$ 36,894,758</u>

See notes to basic financial statements.

TOWN OF LINCOLN, RHODE ISLAND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2009

	General Fund	School Unrestricted Fund	Public Building Bond Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Taxes	\$ 48,847,022				\$ 48,847,022
Intergovernmental	18,975,857			\$ 1,556,425	20,532,282
Local revenues	2,382,164	\$ 36,992		944,598	3,363,754
Interest and investment income	433,778		\$ 43,615	14,039	491,432
State contribution to teachers' pension plan		2,384,710			2,384,710
<b>Total revenues</b>	<b>70,638,821</b>	<b>2,421,702</b>	<b>43,615</b>	<b>2,515,062</b>	<b>75,619,200</b>
<b>Expenditures:</b>					
<b>Current:</b>					
General government	850,059				850,059
Financial administration	694,650				694,650
Public library	1,009,084				1,009,084
Public safety	5,066,827			186,477	5,253,304
Public services	5,109,956			305,019	5,414,975
Municipal resolutions	26,738				26,738
Grants and contributions	64,500				64,500
Other expenditures	3,013,083				3,013,083
Education		49,197,566		1,382,143	50,579,709
<b>Debt service:</b>					
Principal	4,267,314				4,267,314
Interest	2,066,388				2,066,388
Bond issuance costs	19,707				19,707
Capital outlay	481,866		240,922	1,388,819	2,111,607
<b>Total expenditures</b>	<b>22,670,171</b>	<b>49,197,566</b>	<b>240,922</b>	<b>3,262,458</b>	<b>75,371,117</b>
Excess (deficiency) of revenues over expenditures	47,968,650	(46,775,864)	(197,307)	(747,396)	248,083
<b>Other financing sources (uses):</b>					
Transfers from other funds	802,958	47,695,122		3,702,181	52,200,261
Transfers to other funds	(50,894,064)	(503,239)		(802,958)	(52,200,261)
Bonds issued			5,000,000		5,000,000
Premium on bonds sold			12,632		12,632
Capital lease proceeds	345,178				345,178
<b>Total other financing sources (uses)</b>	<b>(49,745,928)</b>	<b>47,191,883</b>	<b>5,012,632</b>	<b>2,899,223</b>	<b>5,357,810</b>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(1,777,277)	416,019	4,815,325	2,151,827	5,605,894
<b>Fund balance, beginning of year:</b>					
As previously reported	7,633,621	914,714	(357,180)	2,786,343	10,977,498
Prior period adjustments and reclassification	(187,972)	631,920		(481,920)	(37,972)
As restated	7,445,649	1,546,634	(357,180)	2,304,423	10,939,526
<b>Fund balance, end of year</b>	<b>\$ 5,668,372</b>	<b>\$ 1,962,653</b>	<b>\$ 4,458,145</b>	<b>\$ 4,456,250</b>	<b>\$ 16,545,420</b>

See notes to basic financial statements.

TOWN OF LINCOLN, RHODE ISLAND

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES TO STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2009

Net change in fund balances for governmental funds		\$ 5,605,894
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities these costs are allocated over the life of the related debt and reported as depreciation expense.</p>		
Capital outlays, including amounts charged to current expenditures	\$ 2,828,853	
Depreciation expense	<u>(2,068,775)</u>	760,078
<p>Governmental funds report bond issuance costs as expenditures. However, in the statement of activities these costs are allocated over the life of the related debt and reported as amortization expense.</p>		
Bond issuance costs	19,707	
Amortization expense	<u>(13,928)</u>	5,779
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.		239,374
<p>The issuance of long-term debt (including premiums or discounts) provides current resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment and refunding of bonds and notes use current financial resources, but decrease long-term liabilities in the statement of net assets. Bond premiums and refunding charges are deferred and amortized as part of future interest expense.</p>		
Principal repayment on long-term debt	4,267,314	
Issuance of general obligation bonds	(5,000,000)	
Premium on general obligation bonds issued	(12,632)	
Issuance of capital lease	(345,178)	
Amortization of:		
Deferred charge on refunding	(79,348)	
Bond premiums	<u>76,479</u>	(1,093,365)
<p>Some liabilities not requiring the use of current financial resources in governmental funds are not accrued in the governmental funds but are accrued on the statement of net assets:</p>		
Claims and judgments	(1,300,000)	
Other postemployment benefits (OPEB), net	(999,676)	
Accrued compensated absences	<u>(489,188)</u>	(2,788,864)
Accrued interest reported in the statement of activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in governmental funds		<u>(20,294)</u>
Change in net assets of governmental activities:		<u>\$ 2,708,602</u>

See notes to basic financial statements.

TOWN OF LINCOLN, RHODE ISLAND

STATEMENT OF NET ASSETS - ENTERPRISE FUNDS

JUNE 30, 2009

	Water Fund	School Lunch Fund	Total
<b>ASSETS:</b>			
Current assets:			
Cash and cash equivalents	\$ 742,906	\$ 74,056	\$ 816,962
Investments	1,450,760		1,450,760
Accounts receivable, less allowance for doubtful accounts of \$5,000:			
Water usage fees	1,249,061		1,249,061
Due from other governmental units	-	103,358	103,358
Other		8,966	8,966
Due from other funds		112,818	112,818
Prepaid expenses	10,724		10,724
Inventory	95,967		95,967
 Total current assets	 3,549,418	 299,198	 3,848,616
Noncurrent assets:			
Capital assets not being depreciated	177,452		177,452
Capital assets being depreciated, net	19,611,508		19,611,508
 Total assets	 23,338,378	 299,198	 23,637,576
<b>LIABILITIES:</b>			
Current liabilities:			
Accounts payable and accrued expenses	541,427	69,718	611,145
Due to other funds	2,630		2,630
Current portion of long-term obligations	78,000		78,000
 Total current liabilities	 622,057	 69,718	 691,775
Noncurrent liabilities, long-term obligations, net of current portion	1,992,527		1,992,527
 Total liabilities	 2,614,584	 69,718	 2,684,302
<b>NET ASSETS:</b>			
Invested in capital assets, net of related debt	17,951,361		17,951,361
Unrestricted	2,772,433	229,480	3,001,913
 Total net assets	 \$ 20,723,794	 \$ 229,480	 \$ 20,953,274

See notes to basic financial statements.

TOWN OF LINCOLN, RHODE ISLAND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS -  
ENTERPRISE FUNDS

YEAR ENDED JUNE 30, 2009

	Water Fund	School Lunch Fund	Total
Operating revenues:			
Assessments and user fees	\$ 2,411,842		\$ 2,411,842
Intergovernmental		\$ 328,264	328,264
Other revenues	888,047	461,677	1,349,724
Total operating revenues	<u>3,299,889</u>	<u>789,941</u>	<u>4,089,830</u>
Operating expenses:			
Maintenance and servicing	1,945,532		1,945,532
Cafeteria operations		782,682	782,682
Administration	769,966		769,966
Depreciation	393,552		393,552
Total operating expenses	<u>3,109,050</u>	<u>782,682</u>	<u>3,891,732</u>
Operating income	<u>190,839</u>	<u>7,259</u>	<u>198,098</u>
Nonoperating expenses:			
Investment losses, net	(63,844)	-	(63,844)
Interest expense	(93,653)		(93,653)
Total nonoperating expenses	<u>(157,497)</u>	<u>-</u>	<u>(157,497)</u>
Change in net assets	<u>33,342</u>	<u>7,259</u>	<u>40,601</u>
Net assets, beginning of year:			
As previously reported	20,529,577	222,221	20,751,798
Prior period adjustments	160,875		160,875
As restated	<u>20,690,452</u>	<u>222,221</u>	<u>20,912,673</u>
Net assets, end year	<u>\$ 20,723,794</u>	<u>\$ 229,480</u>	<u>\$ 20,953,274</u>

See notes to basic financial statements.

TOWN OF LINCOLN, RHODE ISLAND

STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS

YEAR ENDED JUNE 30, 2009

	Water Fund	School Lunch Fund	Total
Cash flows from operating activities:			
Cash received from customers	\$ 2,452,086	\$ 452,711	\$ 2,904,797
Cash received from other sources	888,047	292,292	1,180,339
Cash paid to and for employees	(975,081)		(975,081)
Cash paid to suppliers	(1,704,075)	(800,080)	(2,504,155)
	<u>660,977</u>	<u>(55,077)</u>	<u>605,900</u>
Cash provided by (used in) non-capital financing activities, interfund borrowings	<u>(2,327)</u>	<u>51,262</u>	<u>48,935</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(848,819)	-	(848,819)
Principal paid on loans	(74,000)		(74,000)
Interest paid on loans	(72,223)		(72,223)
	<u>(995,042)</u>	<u>-</u>	<u>(995,042)</u>
Cash flows from investing activities:			
Purchases of investments	(35,173)	-	(35,173)
Proceeds of sales of investments	56,560		56,560
Interest and dividends on investments	25,269		25,269
	<u>46,656</u>	<u>-</u>	<u>46,656</u>
Net decrease in cash and cash equivalents	(289,736)	(3,815)	(293,551)
Cash and cash equivalents, beginning of year	<u>1,032,642</u>	<u>77,871</u>	<u>1,110,513</u>
Cash and cash equivalents, end of year	<u>\$ 742,906</u>	<u>\$ 74,056</u>	<u>\$ 816,962</u>

(continued)

TOWN OF LINCOLN, RHODE ISLAND

STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS (CONTINUED)

YEAR ENDED JUNE 30, 2009

	<u>Water Fund</u>	<u>School Lunch Fund</u>	<u>Total</u>
Reconciliation of operating income to net cash provided by (used in) operating activities:			
Operating income	\$ 190,839	\$ 7,259	\$ 198,098
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:			
Depreciation	393,552		393,552
Increase in:			
Accounts receivable		(44,938)	(44,938)
Prepaid expenses	(3,051)		(3,051)
Accounts payable and accrued expenses	37,837		37,837
Decrease in:			
Accounts receivable	40,244		40,244
Inventory	1,556		1,556
Accounts payable and accrued expenses		(17,398)	(17,398)
Net cash provided by (used in) operating activities	<u>\$ 660,977</u>	<u>\$ (55,077)</u>	<u>\$ 605,900</u>

See notes to basic financial statements.

TOWN OF LINCOLN, RHODE ISLAND  
STATEMENT OF FIDUCIARY NET ASSETS-  
FIDUCIARY FUNDS

JUNE 30, 2009

	Pension Trust Fund	Private Purpose Trust Funds	Agency Funds
<b>ASSETS:</b>			
Cash and cash equivalents		\$ 33,888	\$ 374,678
Investments	\$ 12,714,319		
Receivables	203,691		237,700
	12,918,010	33,888	\$ 612,378
<b>LIABILITIES:</b>			
Other payables	1,129	257	
Deposits held in custody for others			\$ 612,378
	1,129	257	\$ 612,378
<b>NET ASSETS:</b>			
Held in trust for pension benefits and other purposes	\$ 12,916,881	\$ 33,631	

See notes to basic financial statements.

TOWN OF LINCOLN, RHODE ISLAND

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS -  
FIDUCIARY FUNDS

YEAR ENDED JUNE 30, 2009

	Pension Trust Fund	Private Purpose Trust Fund
	<u>                    </u>	<u>                    </u>
Additions to net assets:		
Contributions:		
Employer	\$ 386,977	
Plan members	<u>311,874</u>	
	698,851	
Interest income	<u>                    </u>	\$ 326
Total additions	<u>698,851</u>	<u>326</u>
Deductions from net assets:		
Investment loss, net:		
Interest income	(301,013)	
Net depreciation in fair value of investments	<u>2,843,149</u>	
	2,542,136	
Benefits	1,205,006	
Administrative expense	114,128	
Miscellaneous	<u>-</u>	<u>255</u>
Total deductions	<u>3,861,270</u>	<u>255</u>
Change in net assets	<u>(3,162,419)</u>	<u>71</u>
Net assets, beginning of year:		
As previously reported	15,874,303	33,560
Prior period adjustments	<u>204,997</u>	<u>                    </u>
As restated	<u>16,079,300</u>	<u>33,560</u>
Net assets, end of year	<u>\$ 12,916,881</u>	<u>\$ 33,631</u>

See notes to basic financial statements.

TOWN OF LINCOLN, RHODE ISLAND  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2009

1. Summary of significant accounting policies:

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

*Financial reporting entity:*

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

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

In evaluating the inclusion of other separate and distinct legal entities as component units within its financial reporting structure, the Town applied the criteria prescribed by Governmental Accounting Standards Board (GASB) Statement No. 14, as amended by GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units." A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable or for which the nature and significance of its relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The Town has identified no component units through the application of GASB Statement No. 14 criteria.

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2009

1. Summary of significant accounting policies (continued):

*Basis of presentation:*

*Government-wide financial statements:*

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

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

*Fund financial statements:*

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

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

All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2009

1. Summary of significant accounting policies (continued):

*Basis of presentation (continued):*

*Fund financial statements (continued):*

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

*Governmental funds:*

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

*General Fund:*

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

*Special revenue funds:*

Special revenue funds are used to account for the proceeds of specific revenue sources that are legally or administratively restricted to expenditures for specific purposes. The Town's major special revenue fund is the School Unrestricted Fund, part of the School Department, which provides primary education to the Town's children.

*Capital projects funds:*

Capital projects funds are used to account for resources restricted for the acquisition or construction of specific capital projects or items. For the fiscal year ended June 30, 2009, the Town's Public Building Bond Fund is a major capital projects fund.

*Permanent funds:*

Permanent funds account for assets held by the Town where the principal portion of this fund type must remain intact, but the earnings may be used to achieve the objectives of the fund. The Town has no permanent funds.

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2009

1. Summary of significant accounting policies (continued):

*Basis of presentation (continued):*

*Fund financial statements (continued):*

*Proprietary funds:*

Proprietary funds are used to account for business-like activities provided to the general public (enterprise funds) or within the government (internal service funds). These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. Of the Town's two enterprise funds, the Water Fund is a major fund. The Town has no internal service funds.

*Fiduciary funds:*

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

*Pension trusts:*

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

*Private purpose trust:*

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

*Agency:*

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

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2009

1. Summary of significant accounting policies (continued):

*Basis of presentation (continued):*

*Measurement focus and basis of accounting:*

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

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

Those revenues susceptible to accrual are property taxes, special assessments, intergovernmental revenues, interest and charges for services. Fines, licenses and permit revenues are not susceptible to accrual because generally they are not measurable until received in cash and thus are recognized when received.

Recognition of grant revenues is based on the susceptibility of accrual as determined by the legal and contractual requirements established by each grantor. For grants not restrictive as to specific purposes and revocable only for failure to comply with general prescribed requirements, revenues are recognized when actually received. Where expenditure is the prime factor in determining eligibility, grant revenue is recognized as allowable expenditures are made provided they are collected during the year or within 60 days subsequent to year-end. Prior to expenditure, proceeds are recorded as deferred revenues.

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2009

1. Summary of significant accounting policies (continued):

*Basis of presentation (continued):*

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and enterprise fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

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

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

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

*Property taxes:*

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

Rhode Island general laws restrict the Town's ability to increase its total tax levy by more than 5% over that of the preceding year for 2009. The rate decreases by 0.25% annually to 4% in 2013.

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2009

1. Summary of significant accounting policies (continued):

*Intergovernmental revenues:*

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

*Use of estimates:*

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States 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 basic financial statements. Estimates also affect the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

*Cash and cash equivalents:*

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

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

*Investments:*

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

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2009

1. Summary of significant accounting policies (continued):

*Interfund transactions:*

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

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

Advances between funds, if any, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

*Capital assets:*

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

Capitalizable fixed assets are defined by the Town as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2009

1. Summary of significant accounting policies (continued):

*Capital assets (continued):*

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

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

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

*Bond issuance costs:*

Bond issuance costs for government-wide operations and enterprise funds are deferred and amortized over the term of the bonds using the straight-line method. In governmental funds, bond issuance costs are recognized in the current period.

*Compensated absences:*

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

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

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2009

1. Summary of significant accounting policies (continued):

*Long-term obligations:*

In the government-wide and enterprise fund financial statements, long-term debt and other long-term obligations (including compensated absences and accrued claims and judgments) are reported as liabilities in the statement of net assets.

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

*Fund equity:*

*Government-wide and enterprise fund financial statements:*

*Net assets:*

The Town's net assets have been segregated into the following three components in accordance with GASB Statement No. 34:

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

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

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

*Governmental fund financial statements:*

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Reserves represent those portions of fund equity not appropriable for expenditures or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2009

2. Fund balances:

As of June 30, 2009, unreserved fund balance designations are as follows:

	<u>General Fund</u>
Claims and judgments	\$ 1,300,000
Health insurance	434,117
Comprehensive plan	12,733
Management performance audit	175,585
Parks plans	25,000
Salary survey	<u>7,952</u>
Total	<u>\$ 1,955,387</u>

The following individual funds had deficit fund equity as of June 30, 2009:

Nonmajor governmental funds:

JANCI Fine Arts Fund	\$ (5,906)
Open Space Acquisition Fund	(220,508)
Pumping Station Fund	(36,122)

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

3. Deposits and investments:

*Cash and cash equivalents (deposits):*

At June 30, 2009, the carrying amount of the Town's deposits, including \$15,897,333 of cash equivalents, was \$19,864,284 and the bank balance was \$20,883,339, of which \$11,769,218 was uninsured and collateralized with securities held by the pledging financial institution, but not in the Town's name.

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2009

3. Deposits and investments (continued):

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

At June 30, 2009, deposits are categorized as follows:

	Insured/ collateralized in Town's name	Rating	Maturities	Total bank balance	Carrying amount
Deposits:					
Demand deposits	\$ 2,381,488	N/A	N/A	\$ 4,986,006	\$ 3,966,951
Money market	<u>6,732,633</u>	N/A	N/A	<u>15,897,333</u>	<u>15,897,333</u>
	<u>\$ 9,114,121</u>			<u>\$ 20,883,339</u>	<u>\$ 19,864,284</u>

*Investments:*

Investments other than Pension Trust Fund:

	Carrying amount	Maturities	Rating
Corporate bonds	\$ 102,059	2010 – 2012	AA+
Corporate bonds	103,341	2011	AA
Corporate bonds	157,557	2017 – 2018	A+
Corporate bonds	166,947	2013	A
Mutual funds, U.S.			
Government securities	<u>920,856</u>	Not applicable	Not rated
Total investments	<u>\$ 1,450,760</u>		

Pension Trust Fund investments:

	Carrying amount
Mutual funds	\$ 7,884,092
Group annuity	<u>4,830,227</u>
Total investments	<u>\$ 12,714,319</u>

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2009

3. Deposits and investments (continued):

*Interest rate risk:*

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market value interest rates.

The Town does not have a formal investment policy, except for its Pension Trust Fund, and does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit risk:*

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

*Concentration of credit risk:*

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

*Custodial credit risk:*

Custodial credit risk for investments is the risk that in the event of failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town's investments in Federal National Mortgage Association notes and bonds, corporate bonds and variable rate preferred stock are held in the Town's name by the counterparty.

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2009

3. Deposits and investments (continued):

*Foreign currency risk:*

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The Town does not have a formal policy for foreign currency risk. The Pension Trust Fund's common collective trust investment includes an international value fund totaling \$1,506,753 fund as of June 30, 2009.

4. Interfund transactions:

Interfund receivables and payables at June 30, 2009 are as follows:

Receivable Fund	Payable Fund	Amount
Due to/from:		
Governmental funds:		
General Fund	Governmental funds:	
	Public Building Bond Fund	\$ 590,601
	Nonmajor funds	701,646
	Enterprise fund, Water	2,630
		1,294,877
School Unrestricted Fund	Governmental funds:	
	General Fund	5,443,414
	Nonmajor funds	1,392,240
		6,835,654

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2009

4. Interfund transactions (continued):

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Due to/from (continued):		
Governmental funds (continued):		
Nonmajor governmental funds	Governmental funds: General Fund	\$ 4,063,777
	School Unrestricted Fund	<u>147,825</u>
		<u>4,211,602</u>
Enterprise funds, School Lunch Fund	Governmental funds, School Unrestricted Fund	<u>112,818</u>
		<u>\$ 12,454,951</u>

Operating transfers between funds for the year ended June 30, 2009 were as follows:

<u>Transfer to Fund</u>	<u>Transfer from Fund</u>	<u>Amount</u>
Governmental funds: General Fund	Governmental funds, nonmajor funds	\$ 802,958
School Unrestricted Fund	Governmental Funds, General Fund	<u>47,695,122</u>
Nonmajor governmental funds: Open Space Reserve Fund	Governmental funds: General Fund	1,239,765
Capital Projects Reserve Fund		1,076,340
Other		<u>882,837</u>
		3,198,942
School Capital Reserve Fund	School Unrestricted Fund	<u>503,239</u>
		<u>3,702,181</u>
		<u>\$ 52,200,261</u>

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2009

5. Capital assets:

Capital asset activity for the year ended June 30, 2009 was as follows:

	Beginning balances	Increases	Decreases	Ending balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 14,370,043	\$ 803,430		\$ 15,173,473
Construction in progress	249,149	90,125	\$ (225,149)	114,125
Total capital assets not being depreciated	<u>14,619,192</u>	<u>893,555</u>	<u>(225,149)</u>	<u>15,287,598</u>
Capital assets being depreciated:				
Land improvements and infrastructure	21,061,735	1,160,390		22,222,125
Buildings and improvements	49,666,499	362,959		50,029,458
Machinery and equipment	4,313,733	289,787	(22,308)	4,581,212
Motor vehicles	3,435,633	386,877	(492,104)	3,330,406
Total capital assets being depreciated	<u>78,477,600</u>	<u>2,200,013</u>	<u>(514,412)</u>	<u>80,163,201</u>
Less accumulated depreciation for:				
Land improvements and infrastructure	(8,706,958)	(481,374)		(9,188,332)
Buildings and improvements	(8,745,470)	(994,381)		(9,739,851)
Machinery and equipment	(2,648,964)	(309,101)	22,308	(2,935,757)
Motor vehicles	(2,003,318)	(283,919)	452,538	(1,834,699)
Total accumulated depreciation	<u>(22,104,710)</u>	<u>(2,068,775)</u>	<u>474,846</u>	<u>(23,698,639)</u>
Total capital assets being depreciated, net	<u>56,372,890</u>	<u>131,238</u>	<u>(39,566)</u>	<u>56,464,562</u>
Governmental activities capital assets, net	<u>\$ 70,992,082</u>	<u>\$ 1,024,793</u>	<u>\$ (264,715)</u>	<u>\$ 71,752,160</u>

Depreciation for governmental activities was charged to functions as follows:

General government	\$ 211,014
Public safety	250,736
Public service	527,745
Library	621
Education	1,078,659
	<u>\$ 2,068,775</u>

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2009

5. Capital assets (continued):

	Beginning balances	Increases	Decreases	Ending balances
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 177,452	\$ -	\$ -	\$ 177,452
Construction in progress	-			-
Total capital assets not being depreciated	<u>177,452</u>	<u>-</u>	<u>-</u>	<u>177,452</u>
Capital assets being depreciated:				
Buildings and improvements	844,288			844,288
Infrastructure	24,634,667	860,747	(85,888)	25,409,526
Machinery and equipment	117,284	54,957	(12,117)	160,124
Vehicles	373,873	1,892		375,765
Total capital assets being depreciated	<u>25,970,112</u>	<u>917,596</u>	<u>(98,005)</u>	<u>26,789,703</u>
Less accumulated depreciation for:				
Buildings and improvements	(422,573)	(14,071)		(436,644)
Infrastructure	(6,141,641)	(347,394)	85,888	(6,403,147)
Machinery and equipment	(83,348)	(9,268)	12,117	(80,499)
Vehicles	(235,086)	(22,819)		(257,905)
Total accumulated depreciation	<u>(6,882,648)</u>	<u>(393,552)</u>	<u>98,005</u>	<u>(7,178,195)</u>
Total capital assets being depreciated, net	<u>19,087,464</u>	<u>524,044</u>	<u>-</u>	<u>19,611,508</u>
Business-type activities capital assets, net	<u>\$ 19,264,916</u>	<u>\$ 524,044</u>	<u>\$ -</u>	<u>\$ 19,788,960</u>
Depreciation for business-type activities was charged to functions as follows:				
Water Fund			<u>\$ 393,552</u>	

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2009

6. Long-term obligations:

*General obligation bonds:*

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

Rhode Island general laws cap the amount of each municipality's general obligation bonds that may be outstanding to 3% of its assessed property values. Exceptions apply to bonds financed from nontax revenues and special exemptions are granted for other purposes as well. The assessed value of the Town's properties at December 31, 2008 was \$3,401,209,687, limiting the amount of nonexcepted general obligation bonds outstanding to \$102,036,291. At June 30, 2009, bonds outstanding totaled \$47,575,000.

General obligation bonds are direct obligations and pledge the full faith and credit of the Town. General obligation bonds are as follows:

Purpose	Amount of original issue	Date issued	Interest rate	Maturity date	Balance, July 1, 2008	New issues	Retired	Balance, June 30, 2009
General obligation bonds:								
Refunding and open space	\$ 3,800,000	02/15/02	3.00-4.00%	04/15/12	\$ 1,510,000		\$ 385,000	\$ 1,125,000
Refunding	18,770,000	07/01/03	2.00-5.00%	08/01/16	8,405,000		2,395,000	6,010,000
School construction and renovation	35,000,000	08/01/06	4.25-5.00%	08/01/26	33,895,000		1,155,000	32,740,000
Open space	3,000,000	06/15/07	4.13-5.50%	06/15/27	2,850,000		150,000	2,700,000
Improvements to municipal buildings	<u>5,000,000</u>	07/01/08	3.75-4.75%	07/01/28	-	<u>\$ 5,000,000</u>		<u>5,000,000</u>
Total general obligation bonds	<u>\$ 65,570,000</u>				<u>\$ 46,660,000</u>	<u>\$ 5,000,000</u>	<u>\$ 4,085,000</u>	<u>\$ 47,575,000</u>

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2009

6. Long-term obligations (continued):

*General obligation bonds (continued):*

At June 30, 2009, annual debt service requirements to maturity for general obligation bonds are as follows:

Year ending June 30,	Principal	Interest	Total
2010	\$ 3,840,000	\$ 1,987,664	\$ 5,827,664
2011	3,180,000	1,842,407	5,022,407
2012	2,625,000	1,720,206	4,345,206
2013	2,305,000	1,614,270	3,919,270
2014	2,350,000	1,520,800	3,870,800
2015-2019	11,750,000	6,075,990	17,825,990
2020-2024	12,380,000	3,477,171	15,857,171
2025-2029	9,145,000	684,976	9,829,976
	<u>\$ 47,575,000</u>	<u>\$ 18,923,484</u>	<u>\$ 66,498,484</u>

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2009

6. Long-term obligations (continued):

*Loans payable:*

Loans payable are as follows:

Purpose	Amount of original issue	Date issued	Interest rate	Maturity date	Balance, July 1, 2008	New issues	Retired	Balance, June 30, 2009
Enterprise fund, Water:								
Rhode Island Clean Water Finance Agency:								
Water system improvements	\$ 300,000	04/19/04	3.50%	09/01/24	\$ 266,000	\$ -	\$ 12,000	\$ 254,000
Water system improvements	1,800,000	03/01/07	3.03-3.40%	09/01/27	1,800,000		62,000	1,738,000
	<u>\$ 2,100,000</u>				2,066,000	<u>\$ -</u>	<u>\$ 74,000</u>	1,992,000
Less undrawn loan proceeds held by the State					(223,177)			(154,401)
					1,842,823			1,837,599
Less current portion					(74,000)			(78,000)
					<u>\$ 1,768,823</u>			<u>\$ 1,759,599</u>

At June 30, 2009, the Water Fund has \$154,401 due from the State for undrawn loan proceeds available for water construction projects.

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2009

6. Long-term obligations (continued):

*Loans payable (continued):*

At June 30, 2009, scheduled annual debt service requirements for the loans payable (excluding interest adjustments for the undrawn balance) are as follows:

Business-type activities:

Year ending June 30,	Principal	Interest	Total
2010	\$ 78,000	\$ 76,056	\$ 154,056
2011	80,000	73,187	153,187
2012	82,000	70,380	152,380
2013	85,000	67,477	152,477
2014	88,000	64,484	152,484
2015-2019	492,000	272,883	764,883
2020-2024	593,000	175,780	768,780
2025-2029	494,000	62,079	556,079
	<u>\$ 1,992,000</u>	<u>\$ 862,326</u>	<u>\$ 2,854,326</u>

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2009

6. Long-term obligations (continued):

*Capital lease obligations:*

The Town has financed the acquisition of certain equipment through lease-purchase agreements. Equipment financed under capital leases has been acquired for the General Fund and recorded in the governmental activities as capital assets. Governmental activities fixed assets under capital lease of \$676,367 are recorded net of \$83,803 of accumulated depreciation at June 30, 2009. Interest expense for the year ended June 30, 2009 of \$11,325 is reported within the governmental activities, interest on long-term debt on the statement of activities.

Capital lease obligations outstanding at June 30, 2009 are as follows:

Purpose	Amount of original issue	Date issued	Interest rate	Maturity date	Balance, July 1, 2008, as restated	New issues	Retired	Balance, June 30, 2009
Capital leases:								
Governmental activities:								
Rescue vehicle	\$ 179,511	10/18/06	5.34%	07/15/09	\$ 110,410		\$ 53,764	\$ 56,646
Sewer jet	151,678	07/27/07	5.25%	07/27/09	98,381		47,870	50,511
Street sweeper	140,178	01/05/09	4.72%	01/05/13	-	\$ 140,178	30,680	109,498
Recycle truck	205,000	05/20/09	4.46%	05/20/13	-	205,000	50,000	155,000
	<u>\$ 676,367</u>				<u>\$ 208,791</u>	<u>\$ 345,178</u>	<u>\$ 182,314</u>	<u>\$ 371,655</u>

At June 30, 2009, annual debt service requirements to maturity for capital lease obligations are as follows:

Capital leases:

Governmental activities:

Year ending June 30,	Principal	Interest	Total
2010	\$ 169,019	\$ 17,885	\$ 186,904
2011	64,584	9,961	74,545
2012	67,534	6,311	73,845
2013	70,518	3,227	73,745
	<u>\$ 371,655</u>	<u>\$ 37,384</u>	<u>\$ 409,039</u>

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2009

6. Long-term obligations (continued):

Changes in the long-term obligations of governmental activities during the year ended June 30, 2009 were as follows:

	Balance, July 1, 2008	Additions	Retirements	Balance, June 30, 2009	Due within one year
Bonds payable:					
General obligation bonds	\$ 46,660,000	\$ 5,000,000	\$ 4,085,000	\$ 47,575,000	\$ 3,840,000
Deferred amounts:					
For issuance premiums	682,628	12,632	76,479	618,781	76,479
On refunding	(714,128)		(79,348)	(634,780)	(79,348)
Total bonds payable	46,628,500	5,012,632	4,082,131	47,559,001	3,837,131
Capital leases	208,791	345,178	182,314	371,655	169,019
Claims and judgments	-	1,300,000		1,300,000	1,300,000
Other postemployment benefits (OPEB), net	-	999,676		999,676	
Accrued compensated absences	2,752,511	489,188		3,241,699	324,000
Total long-term obligations	<u>\$ 49,589,802</u>	<u>\$ 8,146,674</u>	<u>\$ 4,264,445</u>	<u>\$ 53,472,031</u>	<u>\$ 5,630,150</u>

Claims and judgments, compensated absences and OPEB liabilities will be liquidated in the General and School Department governmental funds.

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2009

6. Long-term obligations (continued):

Changes in the long-term obligations of business-type activities during the year ended June 30, 2009 were as follows:

	Balance, July 1, 2008	Additions	Retirements	Balance, June 30, 2009	Due within one year
Loans payable	\$ 2,066,000		\$ 74,000	\$ 1,992,000	
Less undrawn loan proceeds held by the State	(223,177)	\$ 68,776		(154,401)	
Loan payable, net	1,842,823	68,776	74,000	1,837,599	\$ 78,000
Accrued compensated absences	195,639	37,289		232,928	
	<u>\$ 2,038,462</u>	<u>\$ 106,065</u>	<u>\$ 74,000</u>	<u>\$ 2,070,527</u>	<u>\$ 78,000</u>

Defeasance of debt:

On July 1, 2003, the Town issued \$18,770,000 in general obligation bonds with an average interest rate of 3.83% to refund in advance \$6,980,000 in 1996 bonds and \$11,360,000 in 1993 bonds. The net proceeds were used to purchase U.S. Government securities which were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1996 bonds and the redemption of the 1993 bonds. Accordingly, the trust account assets and the liability for defeased bonds are not included in the Town's financial statements. On June 30, 2009, \$5,255,000 of bonds outstanding are considered defeased.

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2009

7. Accounts payable and accrued expenses:

	<u>Vendors</u>	<u>Other governments</u>	<u>Employees</u>	<u>Accrued interest</u>	<u>Total</u>
Governmental activities:					
General Fund	\$ 558,582	\$ 646,667	\$ 399,119		\$ 1,604,368
School Unrestricted Fund	849,232	212,532	3,768,250		4,830,014
Public Building Bond Fund	7,500				7,500
Nonmajor funds	49,519		174,270		223,789
Reconciliation of balances in fund financial statements to government-wide financial statements				\$ 810,528	810,528
	<u>\$ 1,464,833</u>	<u>\$ 859,199</u>	<u>\$ 4,341,639</u>	<u>\$ 810,528</u>	<u>\$ 7,476,199</u>
Business-type activities:					
Water Fund	\$ 358,119	\$ 161,878	\$ -	\$ 21,430	\$ 541,427
School Lunch Fund	69,718				69,718
	<u>\$ 427,837</u>	<u>\$ 161,878</u>	<u>\$ -</u>	<u>\$ 21,430</u>	<u>\$ 611,145</u>

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2009

8. Pension plans:

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

Town Plan

*Plan description:*

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

As of January 1, 2008, the date of the latest actuarial valuation, employee membership data for the Plan is as follows:

Active participants	115
Retired employees	81
Terminated with vesting	7
Inactive employees	<u>3</u>
Total	<u><u>206</u></u>

*Benefit provisions:*

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

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

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2009

8. Pension plans (continued):

Town Plan (continued)

*Benefit provisions (continued):*

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

Average monthly salary equals 1/36th of the total salaries of the three most highly compensated consecutive years during the final ten years of employment. Salary includes base compensation plus holiday and longevity pay, but not overtime. Payments commence on the first day of the month following the date of an employee's retirement.

- Participants who terminate employment before completing 10 years of service are refunded their employee contributions with annual interest credited at 5% after 1997 and 3 ½% before 1997. Participants who terminate employment after completing 10 years of service have the option of either a refund of their employee contribution or a monthly benefit, as described above, at the normal retirement date.
- The beneficiary of a participant who dies prior to retirement receives the participant's accumulated contributions. In lieu of this benefit, the surviving spouse can elect to receive a benefit equal to 50% of the participant's benefit accrued to the date of death, payable at the participant's normal retirement date.
- For participants other than police and firefighters, the normal form of benefit is a monthly life annuity. For the police and firefighters, the normal form of benefit is a monthly joint and 67 ½% survivor annuity. Optional forms of monthly benefits are available and are determined to be actuarially equivalent to the normal form of benefit.

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2009

8. Pension plans (continued):

Town Plan (continued)

*Benefit provisions (continued):*

- Police department employees who retire after June 30, 2004 receive an automatic 3% annual compounded Cost of Living Adjustment (COLA) to their monthly pension benefit.
- Recent changes to the benefit provisions include the addition of a COLA provision for police and an increase in the benefit accrual rates for Saylesville Firefighters from 2% to 2 ½% per year for the first 20 years of credited service.

*Funding policy and contributions:*

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

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

The Town is required to contribute an amount determined in accordance with the actuarial valuation. Administrative costs are paid from plan assets.

*Actuarial method and significant assumptions:*

The annual required contribution (ARC) was determined as part of the January 1, 2008 actuarial valuation using the Entry Age Normal Cost Method. Under this method, the normal cost is the amount calculated to be the level percentage of pay necessary to fund the prospective benefits from each employee's entry age to retirement age. The actuarial accrued liability, which is redetermined for each active participant as of each valuation date, represents the theoretical accumulation of all prior years' normal costs for the present participants as if the Town Plan had always been in effect. The unfunded actuarial accrued liability represents the excess of the actuarial accrued liability over the Plan's assets, which are valued using quoted market prices.

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2009

8. Pension plans (continued):

Town Plan (continued)

*Actuarial method and significant assumptions (continued):*

Retirement probability:

Retirement probability is assumed to be 100% for each of the members at the earlier of the age or years of service indicated as follows:

	<u>Age</u>	<u>Years of service</u>
Police	47	20
School	63	10
Lonsdale Fire	50	20
Saylesville Fire	55	10
All others	63	10

Mortality – the Unisex Pension Mortality Table for 1984

Disability – none assumed

Withdrawal rate:

Males – ranges from a high of 10% at age 25 to a low of 0% at age 55

Females – ranges from a high of 15% at age 25 to a low of 0% at age 60

Salary increase – 3% per year

Interest rate – 8%

The actuarially determined employer contribution requirement for the Town Plan of \$386,977 was determined in accordance with the above assumptions and was based on an actuarial valuation as of January 1, 2008. The contribution consists of normal cost plus estimated expenses and one year of interest at 8%. Total contributions to the Town Plan in fiscal 2009 amounted to \$698,851, of which \$386,977 and \$311,874 were made by the Town and the plan participants, respectively. Contributions made by the Town and plan participants represented 8.4% and 6.8%, respectively, of covered payroll for the year.

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2009

8. Pension plans (continued):

Town Plan (continued)

*Actuarial method and significant assumptions (continued):*

The following table summarizes the annual pension costs and actual contributions over the preceding three years. There was no net pension obligation during the three-year period.

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Annual pension cost	\$ 386,977	\$ 358,880	\$ 348,818
Contributions made	\$ 386,977	\$ 358,880	\$ 348,818
Percent of annual pension cost contributed	<u>100%</u>	<u>100%</u>	<u>100%</u>

*Funded status and funding progress:*

As of January 1, 2008, the most recent actuarial valuation date, the Town Plan was 89.6% funded. The actuarial accrued liability for benefits was \$19,139,010 and the actuarial value of assets was \$17,152,451, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,986,559. Covered payroll under the Town Plan for fiscal 2009 was \$4,617,858. The UAAL was 43% of covered payroll.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multilayer trend information about whether the actuarial values of Town Plan assets are increasing or decreasing over time relative to accrued actuarial liabilities for benefits.

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2009

8. Pension plans (continued):

Union Plan

*Plan description:*

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

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

*Contributions required and contributions made:*

The Town's required contribution is negotiated with the local union. The Town's contribution was based upon \$1.20 per hour for Town Hall employees; \$1.12 per hour for Library employees; \$1.41 per hour for Public Works employees; and \$9.6 per day for Water employees participating in the Union Plan for the period July 1, 2008 to June 30, 2009. Participating employees are not required to contribute. The Town's required contribution for the year ended June 30, 2009 was \$225,350, as follows: Town Hall employees \$67,245; Public Works employees \$109,314; Library employees \$21,229 and Water employees \$27,562.

*Trend information:*

<u>Fiscal year</u>	<u>Annual required contribution</u>	<u>Percent contributed</u>
2007	\$ 227,959	100%
2008	\$ 231,488	100%
2009	\$ 225,350	100%

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2009

8. Pension plans (continued):

Teachers' Plan

*Plan description:*

The Teachers' Plan covers all School Department personnel certified by the Rhode Island Department of Education who are or have been engaged in teaching as a principal occupation. The Teachers' Plan is a statutory, mandatory, statewide, cost-sharing multiple employer public employee retirement system administered by the State. Financial statements for the Teachers' Plan are issued separately and may be obtained from the Employees' Retirement System, 40 Fountain Street, Providence, RI 02903. Total covered payroll under the Teachers' Plan during 2009 was \$24,313,445, including \$846,974 of federally reimbursed payroll.

Participants' rights to pension benefits become fully vested after 10 years of service. Participants are eligible to retire after 10 years of service if they have attained age 60, or after 28 years of service regardless of age. Benefits are equal to 1.7% of final average salary for each of the first 10 years of service, 1.9% for each of the next 10 years, 3% for each of the next 14 years thereafter, and 2% for the 35<sup>th</sup> year, resulting in a maximum benefit of 80% of final average salary. Final average salary is computed using the highest three consecutive years of base earnings. Retirees' benefits are subject to a 3% compounded annual cost of living increase, commencing on the January 1<sup>st</sup> following the third anniversary of an employee's retirement.

The Teachers' Plan also provides pre-retirement benefits under the Retirement Formula for nonoccupational disabilities after 5 years of service, and at 67% of salary for occupational disabilities regardless of service. Surviving spouses are also eligible for both pre- and post-retirement death benefits with minimum amounts established under varying circumstances.

*Funding policy:*

Rhode Island general laws set the contribution rates of participating employees at 9.5% of salary. Annual required contributions by both employers and the State on behalf of those employees are determined by actuaries and assessed as a percentage of participants' payroll. The required contributions include (a) normal costs; (b) payments to amortize the unfunded frozen actuarial accrued liability as of June 30, 1999 over 30 years; and (c) interest on the unfunded frozen actuarial liability. Normal cost is determined using the entry age normal cost method with frozen initial liability. The Town participates in the optional Teachers Survivor Benefits Fund whereby the employer and the employee each contribute 1% of the first \$9,600 of each participating employee's salary for survival benefits.

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2009

8. Pension plans (continued):

Teachers' Plan (continued)

*Funding policy (continued):*

As prescribed by Rhode Island general law, the State pays the entire portion of the annual required contribution attributable to the costs of contributions deferred by the State in prior years, plus 40% of contributions assessed to employers on payroll not reimbursable through federal programs. For fiscal year 2009, the Town's actuarially required contributions were 11.89% of participant salary (20.07% for federally reimbursed salary). This resulted in a contribution rate paid by the State on behalf of Town teachers of 10.17% (\$2,384,710). The Town's required and actual contributions to the Teachers' Plan for fiscal years 2009, 2008 and 2007 were \$2,788,083, \$3,220,866, and \$2,722,745, respectively.

Municipal Plan

*Plan description:*

The Municipal Plan is an agent multiple employer public employee retirement system administered by the State. Financial statements for the Municipal Plan are issued separately and may be obtained from the Employees' Retirement System, 40 Fountain Street, Providence, RI 02903. For fiscal year 2009, payroll for employees covered under the Municipal Plan totaled \$1,673,171.

Participants' rights to pension benefits become fully vested after 10 years of service. They are also eligible to retire after 10 years of service if they have attained age 58 (age 55 for police and fire) or after 30 years of service (20 years for police and fire) regardless of age. Benefits are equal to 2% of final average salary for each year of service for municipal employees, and 2.5% of final average salary for each year of service for fire and police, with a maximum benefit of 75% of final average salary. Final average salary is computed using the highest three consecutive years of base earnings, exclusive of overtime. Retiree benefits are adjusted annually by 3%, not compounded, to allow for cost-of-living increases under an optional benefit provision adopted by the Town.

The Municipal Plan also provides pre-retirement benefits under the Retirement Formula for nonoccupational disabilities after five years of service, and at 67% of salary for occupational disabilities regardless of service. Surviving spouses are also eligible for both pre- and post-retirement death benefits with minimum amounts established under varying circumstances.

As of June 30, 2009, 33 active employees were members of the Municipal Plan.

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2009

8. Pension plans (continued):

Municipal Plan (continued)

*Funding policy:*

Rhode Island general laws set contributions of participating employees at 6% (8% for police) of salary. An additional 1% of salary is assessed to employees under the optional cost-of-living provision. Annual required contributions are actuarially determined for each separate employer and are assessed to each as a percentage of their participating employees' payroll. The annual required contribution covers normal costs and, where applicable, a payment to amortize the unfunded actuarial accrued liability as of July 1, 1988 over a closed period of 25 years (or over 25 from date joined if after July 1, 1988). Normal cost is determined using the entry age normal cost method. Unlike in the Teachers' Plan, the State makes no contributions to the Municipal Plan on behalf of the Town nor does it assume any liability for funding pension benefits for the Town's participants.

*Annual pension costs and net pension obligations:*

The following table summarizes annual pension costs and actual contributions for the Municipal Plan for the past three years. There was no net pension obligation during the three-year period.

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Annual pension costs	\$ 308,505	\$ 289,375	\$ 235,240
Actual contributions:			
Employee	\$ 115,261	\$ 115,253	\$ 110,288
Employer	\$ 193,244	\$ 174,122	\$ 124,952
Percent of annual pension costs contributed	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2009

8. Pension plans (continued):

Municipal Plan (continued)

*Funded status and funding progress:*

As of June 30, 2008, the date of the most recent actuarial valuation available, the funded status of the Municipal Plan was as follows:

	General Employee Unit	Police and Fire Unit
	-----	-----
Actuarial value of assets	\$ 1,338,095	\$ 1,935,178
Actuarial accrued liability (AAL)	\$ 1,542,400	\$ 2,764,237
Unfunded AAL	\$ 204,305	\$ 829,059
Funded ratio	86.8%	70.0%
Covered payroll	\$ 1,016,081	\$ 738,021
Unfunded AAL as a percentage of covered payroll	20.1%	112.3%

The schedule of funding progress, presented as required supplementary information following the notes to the basic financial statements, presents multilayer trend information about whether the actuarial values of Municipal Plan assets are increasing or decreasing over time relative to accrued actuarial liabilities for benefits.

*Actuarial methods and significant assumptions:*

The State uses the entry age normal actuarial cost method to determine both the actuarial accrued liabilities and annual required contributions to each member of the Municipal Plan. Pension assets are valued at their fair value as established by quotations from applicable national securities exchanges. Valuations of accrued liabilities, pension assets, and annual required contributions for the Municipal Plan are performed annually as of June 30. Significant actuarial assumptions used in the June 30, 2008 valuation are summarized as follows:

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2009

8. Pension plans (continued):

Municipal Plan (continued)

*Actuarial methods and significant assumptions (continued):*

Asset appreciation	8.25% annually
Salary increases	4.25% annually
Cost-of-living adjustments	4.25%, not compounded
Retirement probability	100% at age 70 or upon eligibility
Mortality:	
Healthy members	1994 Group Annuity Mortality Tables
Disabled members	PBGC Table set to age 65 (age 55 for police and fire employees)
Disability:	
General employees	Probabilities per 1,000 ranging from .09% at age 25 to 9.87% at age 60
Police and fire	Probabilities per 1,000 ranging from .43% at age 25 to 3.03% at age 50

9. Other postemployment benefits:

In addition to pension benefits, the Town Police and School Departments provide, under the provisions of various union contracts and other employment agreements, postemployment health insurance benefits to eligible retirees for a specified maximum number of years. Eligibility is determined based on years of service, employee age, and other available healthcare coverage. The Town and School Department fund these benefits on a pay-as-you-go basis. Participants do not contribute to the Plan. During the year ended June 30, 2009, expenditures for postemployment benefits totaled \$907,686; 141 participants received such benefits. The Town's postemployment benefit plan does not issue a stand-alone financial report.

The Town engaged an actuary to prepare an actuarial valuation of its postemployment benefits plan as of June 30, 2009. The purpose of the valuation was to analyze the current funded position of the Town's postemployment benefits program, determine the level of contributions necessary to assure sound funding, and provide reporting and disclosure information for financial statements, governmental agencies and other interested parties.

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2009

9. Other postemployment benefits (continued):

Effective July 1, 2008, the Town adopted GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other than Pensions," which is being applied on a prospective basis. The Town's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined, in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year. The following table shows the components of the annual OPEB cost, the amounts actually contributed to the plan, and changes in the Town's net OPEB obligation for the year ended June 30, 2009:

Annual required contribution and OPEB cost	\$ 1,907,362
Contributions	<u>907,686</u>
Increase in Net OPEB obligation	999,676
Net OPEB obligation, beginning of year	<u>- 0 -</u>
Net OPEB obligation, end of year	<u><u>\$ 999,676</u></u>
Percent of ARC contributed in current year	47.6%

The funded status and progress of the plan as of June 30, 2009 are as follows:

Actuarial accrued liability (AAL)	\$ 23,939,601
Actuarial value of plan assets	<u>- 0 -</u>
Unfunded actuarial accrued liability (UAAL)	<u><u>\$ 23,909,601</u></u>
Funded ratio (actuarial value of plan assets (AAL))	0%
Annual covered payroll (active plan members)	\$ 9,243,026
UAAL as a percentage of covered payroll	259%

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2009

9. Other postemployment benefits (continued):

The actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the ARC are subject to continual revision as actual results are compared with past expectations. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations. The ARC was calculated based on the projected unit credit, level percent of payroll actuarial cost method. The assumptions included a 4.5% investment rate of return and an annual healthcare cost trend rate of 10% initially, reduced by decrements to an ultimate rate of 4.5% after ten years.

In fiscal 2010, the Town plans to establish and remit funds to an Other Postemployment Benefits (OPEB) Trust, which was authorized by the Rhode Island General Assembly on June 26, 2008. By doing so, the Town will be required, and expects, to implement the provisions of GASB Statement No. 43, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans."

10. Risk management:

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

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; injuries to employees; and natural disasters. As a result, the Town participates in a nonprofit, public entity risk pool (Rhode Island Interlocal Risk Management Trust, Inc.) (Trust) which provides coverage for property/liability and workers' compensation claims. Upon joining the Trust, the Town signed a participation agreement which outlines the rights and responsibilities of both the Trust and the Town. The agreement states that for premiums paid by the Town, the Trust will assume financial responsibility for the Town's losses up to the maximum amount of insurance purchased, minus the Town's deductible amounts. The Trust provides this insurance coverage through a pooled, self-insurance mechanism which includes reinsurance purchased by the Trust to protect against large, catastrophic claims above the losses the Trust retains internally for payment from the pooled contributions of its members. Under the participation agreement, the Town is insured for a maximum of \$2,000,000 per occurrence. Settled claims resulting from these risks have not exceeded the Trust coverage in any of the past three fiscal years. There were no significant reductions in insurance coverage during the year ended June 30, 2009.

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2009

11. Commitment and contingencies:

*Rhode Island Municipal Insurance Corporation:*

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

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

Each member is solely responsible for separately and directly contracting with the qualified healthcare provider/third party administrator chosen by RIMIC and for paying any and all healthcare related claims directly to the provider. In addition, each member is responsible for determining the types and levels of self-insured healthcare benefits offered, as well as the amount of stop-loss insurance deemed appropriate. The Town purchases stop-loss insurance to covers claims in excess of \$150,000. At June 30, 2009, the incurred but not reported claims, as determined by RIMIC's health benefit advisors based on prior history, were estimated to approximate \$248,000 and are included in accounts payable and accrued expenses of the General Fund (\$52,000) and School Unrestricted Fund (\$196,000), respectively. The RIMIC agreement provides for an annual independent audit of its financial statements; however, financial statements are not presently available.

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

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2009

11. Commitment and contingencies (continued):

*Claims and judgments:*

The following matters have been asserted:

- A taxpayer has asserted that property damage was caused by the Town's alleged negligence in drainage repairs performed during 2000 and 2005. Based on a geotechnical engineering report, the Town has made a settlement offer of \$63,800. The plaintiff rejected this settlement and made a counter offer of \$616,474, which amount was rejected by the Town.
- During 2004, the Town condemned property for the construction of the Lincoln Middle School. The plaintiff filed suit alleging that the amount paid by the Town for the property was insufficient.
- A taxpayer has filed appeals of the property tax assessments on real and tangible personal property. Although discovery is ongoing, management has provided for the probable settlement of this matter.

In connection with the above matters, management has recorded a liability of \$1,300,000 in the government-wide financial statements.

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

*Other contingencies:*

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Town expects such amounts, if any, to be immaterial. Total federal financial assistance received by the Town approximated \$2,379,000 for the year ended June 30, 2009.

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2009

12. Prior period adjustments:

Net assets at June 30, 2008 have been restated to correct errors in account balances. The effects of these adjustments on the changes in net assets for the year ended June 30, 2008 have not been determined. The details of the prior period adjustments and impact on net assets are as follows:

Statement of net assets – governmental activities:	
Net assets at June 30, 2008, as originally stated	\$ 34,592,426
Government funds – see below	(37,972)
Accrued interest receivable	(833,114)
Other receivables	460,812
Capital lease payable	4,004
	<hr/>
Net assets at June 30, 2008, as restated	<u>\$ 34,186,156</u>
Statement of net assets – business-type activities:	
Net assets at June 30, 2008, as originally stated	\$ 20,751,798
Deferred revenue written off	160,875
	<hr/>
Net assets at June 30, 2008, as restated	<u>\$ 20,912,673</u>
Statement of revenues, expenditures and changes in fund balances – governmental funds:	
Fund balance, as originally stated	\$ 10,977,498
General Fund - Adjustment required to the General Fund's due to the School Unrestricted Fund to bring amounts into balance	(187,972)
Nonmajor funds - Transfer from School Unrestricted Fund (major) to the School Capital Reserve Fund (nonmajor) was recorded as an expenditure, not a transfer, in the prior year	150,000
	<hr/>
Fund balance at June 30, 2008, as restated	<u>\$ 10,939,526</u>
Statement of changes in fiduciary net assets, pension trust funds:	
Net assets at June 30, 2008, as originally stated	\$ 15,874,303
Overstatement of accounts payable	204,997
	<hr/>
Net assets at June 30, 2008, as restated	<u>\$ 16,079,300</u>

In addition, \$631,920 previously reported in a School restricted nonmajor fund has been reclassified to the School Unrestricted Fund in accordance with state law.

TOWN OF LINCOLN, RHODE ISLAND

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

YEAR ENDED JUNE 30, 2009

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Revenues:</b>				
Taxes	\$ 49,265,525	\$ 49,265,525	\$ 48,847,022	\$ (418,503)
Intergovernmental	19,064,101	19,064,101	18,975,857	(88,244)
Local revenues	1,936,900	1,936,900	2,382,535	445,635
Interest and investment income	650,000	650,000	433,778	(216,222)
<b>Total revenues</b>	<u>70,916,526</u>	<u>70,916,526</u>	<u>70,639,193</u>	<u>(277,333)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	863,637	924,698	850,869	73,829
Financial administration	770,172	783,341	651,857	131,484
Public library	994,441	1,007,683	993,777	13,906
Public safety	4,681,066	4,711,283	5,069,429	(358,146)
Public services	5,705,328	5,882,353	5,077,874	804,479
Municipal resolutions	-	26,738	26,738	-
Grants and contributions	64,500	64,500	64,500	-
Other expenditures	3,886,693	3,662,605	3,012,784	649,821
<b>Debt service:</b>				
Principal	4,085,000	4,085,000	4,267,314	(182,314)
Interest	1,950,689	2,055,063	2,066,388	(11,325)
Bond issuance costs	15,000	15,000	19,707	(4,707)
Capital outlay	-	136,688	481,866	(345,178)
<b>Total expenditures</b>	<u>23,016,526</u>	<u>23,354,952</u>	<u>22,583,102</u>	<u>771,850</u>
Excess of revenues over expenditures, budgetary basis	<u>47,900,000</u>	<u>47,561,574</u>	<u>48,056,091</u>	<u>494,517</u>
<b>Other financing sources (uses):</b>				
Transfers from other funds	400,000	400,000	802,958	402,958
Transfers to other funds	(48,300,000)	(48,700,000)	(50,894,064)	(2,194,064)
Capital lease proceeds	-	-	345,178	345,178
Reappropriated fund balance	-	738,426	738,426	-
<b>Total other financing uses</b>	<u>(47,900,000)</u>	<u>(47,561,574)</u>	<u>(49,007,502)</u>	<u>(1,445,928)</u>
Excess of expenditures and other financing uses over revenues and other financing sources, budgetary basis	<u>\$ -</u>	<u>\$ -</u>	<u>(951,411)</u>	<u>\$ (951,411)</u>
Adjustments of budgetary basis to U.S. GAAP basis			<u>(825,866)</u>	
Excess of expenditures and other financing uses over revenues and other financing sources, budgetary basis			<u>(1,777,277)</u>	
<b>Fund balance, beginning of year:</b>				
As previously reported			7,633,621	
Prior period adjustment			<u>(187,972)</u>	
As restated			<u>7,445,649</u>	
Fund balance, end of year			<u>\$ 5,668,372</u>	

TOWN OF LINCOLN, RHODE ISLAND

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE - SCHOOL UNRESTRICTED FUND

YEAR ENDED JUNE 30, 2009

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Revenues:</b>				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Local revenues	-	-	36,992	36,992
<b>Total revenues</b>	<b>-</b>	<b>-</b>	<b>36,992</b>	<b>36,992</b>
<b>Expenditures:</b>				
<b>Current:</b>				
Salaries	28,197,719	28,197,719	28,948,043	(750,324)
Employee benefits	10,596,484	10,596,484	9,410,296	1,186,188
Purchased services	6,254,359	6,254,359	6,003,248	251,111
Supplies and materials	2,341,442	2,341,442	1,964,106	377,336
Other	605,240	605,240	82,681	522,559
Capital expenditures	304,756	304,756	332,502	(27,746)
<b>Total expenditures</b>	<b>48,300,000</b>	<b>48,300,000</b>	<b>46,740,876</b>	<b>1,559,124</b>
Excess of expenditures over revenues, budgetary basis	(48,300,000)	(48,300,000)	(46,703,884)	1,596,116
<b>Other financing sources (uses):</b>				
Transfer from other funds	48,300,000	48,300,000	47,695,122	(604,878)
Transfer to other funds	(503,239)	(503,239)	(503,239)	
Reappropriated fund balance	503,239	503,239	503,239	-
<b>Total other financing sources (uses)</b>	<b>48,300,000</b>	<b>48,300,000</b>	<b>47,695,122</b>	<b>(604,878)</b>
Excess of revenues and other financing sources over expenditures, budgetary basis	\$ -	\$ -	991,238	\$ 991,238
Adjustments of budgetary basis to U.S. GAAP basis			(575,219)	
Excess of revenues and other financing sources over expenditures and other financing uses, U.S. GAAP basis			416,019	
<b>Fund balance, beginning of year:</b>				
As originally reported			914,714	
Reclassify Medicaid fund to the school unrestricted fund			631,920	
As restated			1,546,634	
<b>Fund balance, end of year</b>			<b>\$ 1,962,653</b>	

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY COMPARISON

YEAR ENDED JUNE 30, 2009

Budget preparation and budgetary basis of accounting:

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

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

Adjustments from the budgetary basis to the U.S. GAAP basis of accounting are as follows:

	General Fund	School Unrestricted Fund
	<u>                    </u>	<u>                    </u>
Reappropriated fund equity	\$ (738,426)	\$ (503,239)
Change in reserve for encumbrances	<u>(87,440)</u>	<u>(71,980)</u>
Total adjustments	<u>\$ (825,866)</u>	<u>\$ (575,219)</u>

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –  
BUDGETARY COMPARISON (CONTINUED)

YEAR ENDED JUNE 30, 2009

**Budget compliance:**

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

TOWN OF LINCOLN, RHODE ISLAND  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULES OF FUNDING PROGRESS

YEAR ENDED JUNE 30, 2009

Actuarial valuation date	Actuarial value of assets	Actuarial liability (AAL)	Unfunded AAL (UAAL)	Funded ratio	Covered payroll	UAAL as a % of covered payroll
<i>TOWN PENSION PLAN</i>						
January 1, 2005	\$ 15,268,685	\$ 16,557,826	\$ 1,289,141	92.2%	\$ 3,501,567	36.8%
January 1, 2006	15,730,030	17,296,311	1,566,281	90.9%	3,744,435	41.8%
January 1, 2007	17,178,720	18,458,150	1,279,430	93.1%	4,128,827	31.0%
January 1, 2008	17,152,451	19,139,010	1,986,559	89.6%	4,617,858	43.0%
<i>MUNICIPAL PENSION PLAN</i>						
<i>General employee unit:</i>						
June 30, 2006	\$ 961,571	\$ 1,270,573	\$ 309,002	75.7%	\$ 953,810	32.4%
June 30, 2007	1,139,172	1,333,269	194,097	85.4%	889,984	21.8%
June 30, 2008	1,338,095	1,542,400	204,305	86.8%	1,016,081	20.1%
<i>Police and fire unit:</i>						
June 30, 2006	1,427,188	2,010,201	583,013	71.0%	656,778	88.8%
June 30, 2007	1,687,967	2,154,798	466,831	78.3%	678,188	68.8%
June 30, 2008	1,935,178	2,764,237	829,059	70.0%	738,021	112.3%

TOWN OF LINCOLN, RHODE ISLAND

TAX COLLECTOR'S ANNUAL REPORT

YEAR ENDED JUNE 30, 2009

Real estate and personal property taxes receivable:

<u>Year</u>	<u>Balance July 1, 2008</u>	<u>Current year assessment</u>	<u>Additions</u>	<u>Abatements/ adjustments</u>	<u>Amount to be collected</u>	<u>Collections</u>	<u>Balance June 30, 2009</u>
2008		\$ 49,267,068	\$ 200,379	\$ (197,495)	\$ 49,269,952	\$ 47,451,041	\$ 1,818,911
2007	\$ 1,328,527		19,681	(59,488)	1,288,720	1,245,453	43,267
2006	311,303		27,660	(61,182)	277,781	90,393	187,388
2005	153,698		51,204	(60,386)	144,516	72,908	71,608
2004	128,217			(12,066)	116,151	15,886	100,265
2003	95,552			(4,549)	91,003	4,694	86,309
2002	32,479			2,043	34,522	3,038	31,484
2001	46,456			2,366	48,822	1,956	46,866
2000	49,810			(1,298)	48,512	2,931	45,581
1999	57,788			(2,451)	55,337	2,034	53,303
1998 and prior	87,502			(983)	86,519	1,527	84,992
<b>Total</b>	<b>\$ 2,291,332</b>	<b>\$ 49,267,068</b>	<b>\$ 298,924</b>	<b>\$ (395,489)</b>	<b>\$ 51,461,835</b>	<b>\$ 48,891,861</b>	<b>2,569,974</b>
						Less allowance for doubtful accounts	(348,957)
							<u>\$ 2,221,017</u>