

THE TOWN OF NORTH SMITHFIELD, RHODE ISLAND

**BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2009**

TOWN OF NORTH SMITHFIELD

YEAR ENDED JUNE 30, 2009

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TOWN OF NORTH SMITHFIELD

YEAR ENDED JUNE 30, 2009

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(CONCLUDED)

INDEPENDENT AUDITOR'S REPORT

To the Honorable Town Council
Town of North Smithfield, Rhode Island

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of North Smithfield, Rhode Island, as of and for the year ended June 30, 2009, which collectively comprise the Town's basic financial statements as listed in the foregoing 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 did not audit the financial statements of the North Smithfield School Department, which represents 30 percent and 18 percent, respectively, of the assets and revenues of the governmental activities, 16 percent of the revenues of the business-type activities, 100 percent of the assets and revenues of the School unrestricted fund and 90 percent of the assets of the agency funds. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinions, insofar as they relate to the amounts included for the North Smithfield School Department is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

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

The Management's Discussion and Analysis, Schedule of Funding Progress, and Budgetary Comparison Schedule on pages 3 through 8 and 46 through 49 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. 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 of North Smithfield, Rhode Island's basic financial statements. The Combining and Individual Fund Financial Statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Combining and Individual Fund Financial Statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Braver PC". The signature is written in black ink and is positioned above the typed text.

Providence, Rhode Island
December 31, 2009

Management's Discussion and Analysis

As management of the Town of North Smithfield, we offer readers of the Town of North Smithfield's financial statements this narrative overview and analysis of the financial activities of the Town of North Smithfield for the fiscal year ended June 30, 2009. We encourage readers to consider the information presented in this narrative in conjunction with additional information that we have provided herein.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town of North Smithfield's basic financial statements. These basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. The Town of North Smithfield adopted the provisions of Governmental Accounting Standards Board Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions* and Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements Management's Discussion and Analysis - for State and Local Governments* as of July 1, 2002.

Government-wide financial statements. The two government-wide financial statements are designed to provide readers with a broad overview of the Town of North Smithfield's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Town of North Smithfield's assets and liabilities, with the difference between the two reported as net assets. The Statement of Net Assets and the Statement of Activities, report information about the Town as a whole and about its activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

One way to measure the Town's financial health, or financial position is the Town's net assets - the difference between assets and liabilities. Over time, increases or decreases in the Town's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Town's property tax base and the condition of the Town's roads, to assess the overall health of the Town.

In the Statement of Net Assets and the Statement of Activities, we divide the Town into two kinds of activities:

Governmental activities - Most of the Town's basic services are reported here, including the police, fire, general administration, schools, streets, parks, and recreation. Property taxes, and state and federal grants finance most of these activities.

Business-type activities - The Town charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Town's Water, Sewer, and School Lunch activities are reported here.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in future fiscal periods (e.g., uncollected taxes and earned but unused vacation and sick leave).

Both of the government-wide financial statements distinguish functions of the Town of North Smithfield that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town of North Smithfield include general government, education, public safety, public works, parks and recreation. The business-type activities of the Town of North Smithfield include the jointly-managed transfer station operation.

The government-wide financial statements include only the activities of the Town of North Smithfield.

The government-wide financial statements can be found on pages 9 and 10 of this report.

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 of North Smithfield, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town of North Smithfield can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The Town of North Smithfield maintains 20 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General Fund, the School Unrestricted Fund and Capital Projects Fund, which are considered to be major funds. Data from the remaining 17 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of "combining statements" later in this report.

The basic governmental fund financial statements can be found on pages 11 and 12 of this report.

Proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town of North Smithfield uses enterprise funds to account for its sewer, water and school lunch operations.

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 statement because the resources of those funds are not available to support the Town of North Smithfield's programs. The fiduciary funds maintained by the Town of North Smithfield include one private-purpose trust and agency funds.

The basic fiduciary fund financial statements can be found on pages 17 and 18 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 can be found beginning on page 19 of this report.

Other information. In addition to the basic financial statements and accompanying notes, *required supplementary information* presents a budgetary comparison schedule for the General Fund to demonstrate compliance with the budget.

The combining statements referred to earlier in connection with nonmajor governmental funds and other information related to the individual funds are presented immediately following the required supplementary information.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town of North Smithfield, assets exceeded liabilities by \$33,321,195 at the close of 2009.

	Governmental Activities	Business Activities	Total
Beginning net assets (as restated)	\$22,469,425	10,286,754	\$32,756,179
Increase (decrease)	<u>387,497</u>	<u>177,519</u>	<u>565,016</u>
Ending net assets	<u>\$22,856,922</u>	<u>\$10,464,273</u>	<u>\$33,321,195</u>

The foregoing reflects an increase of 1.7% for governmental activities and an increase of 1.7% for business-type activities, when compared to June 30, 2008 amounts.

	Governmental Activities		Business-type Activities		Total		Percentage Change 2008-09
	2008	2009	2008	2009	2008	2009	
Current and other assets	\$ 13,101,766	\$ 7,611,516	\$ 5,358,853	\$ 6,039,698	\$ 18,460,619	\$ 13,651,214	-26.05%
Capital Assets	53,586,224	55,388,661	14,173,489	16,339,476	67,759,713	71,728,137	5.86%
Total Assets	66,687,990	63,000,177	19,532,342	22,379,174	86,220,332	85,379,351	
Long-term debt	37,962,424	38,003,695	5,595,717	8,322,738	43,558,141	46,326,433	6.36%
Other liabilities	5,661,141	2,139,560	3,649,871	3,592,163	9,311,012	5,731,723	-38.44%
Total Liabilities	43,623,565	40,143,255	9,245,588	11,914,901	52,869,153	52,058,156	
Net Assets							
Invested in capital assets	16,596,533	18,357,699	8,577,772	8,016,738	25,174,305	26,374,437	4.77%
Restricted for specific programs	3,916,068	1,779,285	-	-	3,916,068	1,779,285	-54.56%
Restricted for permanent trusts	35,480	75,448	-	-	35,480	75,448	112.65%
Unrestricted	2,516,344	2,644,490	1,708,982	2,447,535	4,225,326	5,092,025	20.51%
Total net assets	\$ 23,064,425	\$ 22,856,922	\$ 10,286,754	\$ 10,464,273	\$ 33,351,179	\$ 33,321,195	

	2008		2009		2008		2009		Percentage Change 2007-08
Revenues:									
Program revenues -									
Charges for services	672,827	480,587	2,216,953	2,428,963	2,889,780	2,909,550		0.68%	
Operating grants	6,259,619	5,999,931	90,045	106,845	6,349,664	6,106,776		-3.83%	
Capital grants	76,433	88,136	-	-	76,433	88,136		15.31%	
General revenues -									
Property taxes	21,547,840	24,447,011	-	-	21,547,840	24,447,011		13.45%	
Motor vehicle excise in lieu of tax	2,036,436	2,121,675	-	-	2,036,436	2,121,675		4.19%	
Grants	1,157,851	1,477,885	-	-	1,157,851	1,477,885		27.64%	
Investment earnings	516,569	58,715	34,196	34,740	550,765	93,455		-83.03%	
Proceeds from long term debt	-	-	-	-	-	-		-	
Miscellaneous	1,111,184	1,351,052	415,694	275,996	1,526,878	1,627,048		6.56%	
Loss on abandonment of water project	-	-	-	-	-	-		-	
Transfer to primary government	-	-	-	-	-	-		-	
Total revenues	\$ 33,378,759	\$ 36,024,992	\$ 2,758,888	\$ 2,846,544	\$ 36,135,647	\$ 38,871,536			

Expenditures:								
General Government	1,509,059	1,383,931	-	-	1,509,059	1,383,931		-8.29%
Public services	617,382	650,727	-	-	617,382	650,727		5.40%
Financial administration	727,493	736,334	-	-	727,493	736,334		1.22%
Public safety	5,244,082	5,168,221	-	-	5,244,082	5,168,221		-1.45%
Public works	2,136,553	2,075,969	-	-	2,136,553	2,075,969		-2.84%
School lunch fund	-	-	377,676	484,828	377,676	484,828		28.37%
Water fund	-	-	479,759	433,579	479,759	433,579		-9.63%
Sewer fund	-	-	1,656,222	1,825,618	1,656,222	1,825,618		10.23%
Education	21,621,159	23,034,338	-	-	21,621,159	23,034,338		6.54%
Debt service	564,146	1,711,950	-	-	564,146	1,711,950		203.46%
Capital and special appropriations	349,074	138,310	-	-	349,074	138,310		-60.38%
Other expenditures	714,016	662,715	-	-	714,016	662,715		-7.18%
Total expenditures	\$ 33,482,944	\$ 35,562,495	\$ 2,513,657	\$ 2,744,025	\$ 35,998,601	\$ 38,306,520		

Transfers (75,000) \$ 75,000

Increase/decrease in net assets	\$ (104,185)	\$ 387,497	\$ 243,231	\$ 177,519	\$ 139,048	\$ 565,016
Net assets, beginning of year, as restated	23,168,610	22,469,425	10,043,523	10,286,754	33,212,133	32,756,179
Net assets, end of year	\$ 23,064,425	\$ 22,856,922	\$ 10,286,754	\$ 10,464,273	\$ 33,351,179	\$ 33,321,195

Governmental Activities

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

All other governmental revenues are reported as general. It is important to note that all taxes are classified as general revenue even if restricted for a specific purpose.

Business-type Activities

In reviewing the departmental net (expense)/revenue, the Water, Sewer and School Lunch activities generated a net gain of \$177,519 which corresponds to the increase in this fund's net assets.

Financial Analysis of the Government's Funds

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

Governmental funds. The focus of the Town of North Smithfield'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 of North Smithfield'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 of North Smithfield's governmental funds reported combined ending balances of \$5,389,323.

The General Fund and School Unrestricted Fund are the chief operating funds of the Town of North Smithfield. As of June 30, 2009, the total fund balance of the general fund was \$3,031,815 of which \$2,809,181 was unreserved. This unreserved fund balance represents approximately 23 percent of total general fund expenditures. Of this total fund balance, \$222,634 was designated or restricted.

As of June 30, 2009 the fund balance of the School Unrestricted Fund was \$568,999 of which \$66,224 was unreserved and undesignated, and \$502,775 was reserved. This unreserved fund balance represents approximately 0.3 percent of total school unrestricted expenditures.

General Fund Budgetary Highlights

The Town's budget must rely heavily on the property tax to finance the Town's General Fund activities. Actual revenues were \$83,275 lower than budgeted revenues for the fiscal year. Property taxes were \$14,016 or .06 % lower than budgeted. Expenditures were below appropriations in total by \$383,534.

Capital Asset and Debt Administration

Capital Assets

At the end of June 30, 2009, the Town had \$55.4 million invested in governmental-activity capital assets (cost basis and net of depreciation) including police and fire equipment, buildings, park facilities, and general sundry assets.

Debt

At year-end, the Town's General Fund had \$37 million in outstanding bond principal and \$18 million of bonded interest. The business-type funds had \$6 million of bonded principal with \$2.1 million of interest.

Economic Factors and Next Year's Budgets and Rates

The budget for the year 2009-2010 is \$34,193,129 an increase of \$211,125. Education, at \$21,091,090 is an increase of \$4 or 0.0%. The municipal budget therefore represents spending of \$13,102,039.

For the fiscal year 2008-2009, the tax rate was broken down into two tiers residential and commercial, \$13.24 and \$16.72, respectively. The breakdown consists of 31.31% for municipal and 68.69% for education. The tax rate for 2009-2010 is \$13.98 for residential and \$17.69 for commercial. The breakdown consists of 31.31% for municipal and 68.69% for education

Contacting the Town's Financial Management

These financial statements are designed to provide all interested stakeholders with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Finance Director, Town Hall, 1 Main Street, Slatersville, Rhode Island 02876.

Cheryl Ficarra
Finance Director

TOWN OF NORTH SMITHFIELD**Statement of Net Assets
June 30, 2009**

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 6,603,872	\$ 3,220,048	\$ 9,823,920
Accounts receivable, net	777,720	143,243	920,963
Assessments receivable (current)	-	498,441	498,441
Other receivables	74,952	-	74,952
Due from federal and state governments	455,894	58,440	514,334
Internal balances	(300,922)	300,922	-
Total Current Assets	7,611,516	4,221,094	11,832,610
Noncurrent			
Capital assets (non-depreciable)	40,001,458	54,567	40,056,025
Capital assets (net of depreciation)	15,387,203	16,284,909	31,672,112
Assessments receivable (noncurrent)	-	1,818,604	1,818,604
Total Non-Current Assets	55,388,661	18,158,080	73,546,741
TOTAL ASSETS	63,000,177	22,379,174	85,379,351
LIABILITIES			
Current Liabilities:			
Accounts payable	990,169	132,869	1,123,038
Accrued interest payable	334,277	606,830	941,107
Accrued expenses	604,035	-	604,035
Deferred revenue	8,547	37,448	45,995
Claims payable	85,000	-	85,000
Short term debt	-	2,372,369	2,372,369
Current portion of long-term debt	2,296,982	719,435	3,016,417
Total Current Liabilities	4,319,010	3,868,951	8,187,961
Noncurrent Liabilities:			
Deferred revenue	202,532	2,815,016	3,017,548
Long-term liabilities (net)	35,621,713	5,230,934	40,852,647
TOTAL LIABILITIES	40,143,255	11,914,901	52,058,156
NET ASSETS			
Invested in capital assets, net of related debt	18,783,986	10,389,107	29,173,093
Restricted for specific programs	1,779,285	-	1,779,285
Restricted for permanent trusts:			
Expendable	75,448	-	75,448
Unrestricted	2,218,203	75,166	2,293,369
TOTAL NET ASSETS	\$ 22,856,922	\$ 10,464,273	\$ 33,321,195

See Notes to Financial Statements

TOWN OF NORTH SMITHFIELD

**Statement of Activities
For the 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
Governmental activities:							
General government	\$ 1,383,931	\$ 343,647	\$ 51,537		\$ (988,747)		\$ (988,747)
Financial administration	736,334				(736,334)		(736,334)
Public safety	5,168,221	136,940	42,026		(4,989,255)		(4,989,255)
Public works	2,075,969				(2,075,969)		(2,075,969)
Public services	650,727		22,456		(628,271)		(628,271)
Education	23,034,338		5,883,912		(17,150,426)		(17,150,426)
Other expenses	662,715				(662,715)		(662,715)
Interest on long term debt	1,711,950				(1,711,950)		(1,711,950)
Capital and special appropriations	138,310			\$ 88,136	(50,174)		(50,174)
Total governmental activities	35,562,495	480,587	5,999,931	88,136	(28,993,841)	-	(28,993,841)
Business-type activity:							
School lunch fund	\$ 484,828	\$ 302,144	\$ 106,845			\$ (75,839)	\$ (75,839)
Water fund	433,579	408,528				(25,051)	(25,051)
Sewer fund	1,825,618	1,718,291				(107,327)	(107,327)
Total business type activity	2,744,025	2,428,963	106,845	-	-	(208,217)	(208,217)
Totals	\$ 38,306,520	\$ 2,909,550	\$ 6,106,776	\$ 88,136	(28,993,841)	(208,217)	(29,202,058)
General revenues:							
Property taxes					24,447,011	-	24,447,011
Motor vehicle excise in lieu of tax					2,121,675	-	2,121,675
Grants and contributions not restricted to specific programs					1,477,885	-	1,477,885
Investment earnings					58,715	34,740	93,455
Miscellaneous					1,351,052	275,996	1,627,048
Transfers					(75,000)	75,000	-
Total general revenues					29,381,338	385,736	29,767,074
Change in net Assets					387,497	177,519	565,016
Net Assets - beginning (as restated)					22,469,425	10,286,754	32,756,179
Net Assets - ending					\$ 22,856,922	\$ 10,464,273	\$ 33,321,195

See Notes to Financial Statements

TOWN OF NORTH SMITHFIELD**Balance Sheet
Governmental Funds
June 30, 2009**

	General Fund	School Unrestricted Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:					
Cash and cash equivalents	\$ 3,395,408	\$ 1,381,792	\$ 1,029,124	\$ 797,548	\$ 6,603,872
Accounts receivable, net	777,720				777,720
Due from federal and state governments		150,576		305,318	455,894
Other receivables	62,530			12,422	74,952
Due from other funds	310,685	677,492	103,580	451,753	1,543,510
TOTAL ASSETS	\$ 4,546,343	\$ 2,209,860	\$ 1,132,704	\$ 1,567,041	\$ 9,455,948
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 31,836	\$ 809,649	\$ 23,850	\$ 124,834	\$ 990,169
Accrued expenses	87,400	514,452		2,183	604,035
Due to other funds	795,393	316,760	162,657	569,622	1,844,432
Deferred revenue	599,899			28,090	627,989
TOTAL LIABILITIES	1,514,528	1,640,861	186,507	724,729	4,066,625
FUND BALANCES:					
Reserved for:					
Property taxes to be appropriated in subsequent year	222,634				222,634
Encumbrances	-	502,775			502,775
Unreserved:					
Designated for:					
Other expenditures	451,954				451,954
Undesignated, reported in:					
General fund	2,357,227				2,357,227
Special revenue funds		66,224		766,101	832,325
Capital project fund			946,197	763	946,960
Permanent trust funds				75,448	75,448
TOTAL FUND BALANCES	3,031,815	568,999	946,197	842,312	5,389,323
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,546,343	\$ 2,209,860	\$ 1,132,704	\$ 1,567,041	

Amounts reported for governmental activities in the statement of net assets differ because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	55,388,661
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	(38,003,695)
Deferred revenues (net of an allowance for uncollectibles) are recorded in the funds, but are not deferred under the measurement focus employed in the Statement of Net Assets	555,086
Deferred revenue on sale of easement is recorded in the Statement of Net Assets but is not deferred in the funds	(138,176)
Accrued interest on long-term liabilities have been included in the governmental activities in the Statement of Net Assets	(334,277)
Net Assets of governmental activities	\$ 22,856,922

See Notes to Financial Statements

TOWN OF NORTH SMITHFIELD

**Statement of Revenues, Other financing sources
Expenditures, Other financing uses and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2009**

	General Fund	School Unrestricted Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
General property taxes	\$ 24,354,222				\$ 24,354,222
Motor vehicle excise in lieu of tax	2,121,675				2,121,675
Licenses, fines and fees	480,587				480,587
Interest and investment income	11,190		\$ 43,432	\$ 4,093	58,715
Intergovernmental	1,477,885	\$ 4,653,147	88,136	1,346,784	7,565,952
Other revenues	366,542	192,709		783,254	1,342,505
Total revenues	28,812,101	4,845,856	131,568	2,134,131	35,923,656
Expenditures					
<i>Current:</i>					
General government	1,126,352				1,126,352
Financial administration	736,334				736,334
Public safety	4,890,812				4,890,812
Public works	1,739,595				1,739,595
Public services				140,574	140,574
Education		21,482,078		1,486,264	22,978,342
Other expenditures	421,198			241,519	662,715
<i>Debt Service:</i>					
Principal, interest and other costs	3,540,474		29,659		3,570,133
Costs of issuance					-
<i>Capital:</i>					
Capital and special appropriations		157,837	2,856,727	107,407	3,121,971
Total expenditures	12,454,763	21,639,915	2,886,386	1,985,764	38,966,828
Excess of revenues over/under expenditures before transfers	16,357,338	(16,794,059)	(2,754,818)	148,367	(3,043,172)
Other financing sources/uses					
Transfers in	515,000	16,888,553		60,000	17,463,553
Transfers out	(16,945,395)	(299,000)		(294,158)	(17,538,553)
Bond proceeds			700,000		700,000
Capital lease proceeds			258,000		258,000
Net other sources/uses	(16,430,395)	16,589,553	958,000	(234,158)	881,000
Net change in fund balance	(73,057)	(204,506)	(1,798,818)	(85,791)	(2,162,172)
Fund balance - beginning of the year	3,104,872	773,505	2,745,015	928,103	7,551,495
Fund balance - end of the year	\$ 3,031,815	\$ 568,999	\$ 946,197	\$ 842,312	\$ 5,389,323

TOWN OF NORTH SMITHFIELD***Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds (B-2) to the Statement of Activities (A-2)
For the year ended June 30, 2009***

Net change in fund balances - total governmental funds (B-2)	\$ (2,162,172)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period	1,802,437
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences.	43,729
Revenues in the statement of activities for sale of easement is amortized over the life of the easement but reported in full in the governmental funds	8,547
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds	92,789
Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds	<u>602,167</u>
Change in Net Assets of Governmental Activities in the Statement of Activities (A-2)	<u>\$ 387,497</u>

 See Notes to Financial Statements

TOWN OF NORTH SMITHFIELD

**Statement of Net Assets
Proprietary Funds
June 30, 2009**

	Business-type Activities Enterprise Funds			Total
	Water Fund	Sewer Fund	School Lunch Fund	
ASSETS				
<i>Current assets:</i>				
Cash and cash equivalents	\$ 914	\$ 3,219,134		\$ 3,220,048
Accounts receivable	78,847	64,396		143,243
Due from other funds		341,769	\$ 23,726	365,495
Due from other governmental units		48,310	10,130	58,440
Assessments receivable (current)		498,441		498,441
Total current assets	79,761	4,172,050	33,856	4,285,667
Capital assets (net)	2,759,106	13,569,467	10,903	16,339,476
<i>Other assets:</i>				
Assessments receivable (noncurrent)		1,818,604		1,818,604
Total other assets	-	1,818,604	-	1,818,604
TOTAL ASSETS	2,838,867	19,560,121	44,759	22,443,747
LIABILITIES				
<i>Current liabilities:</i>				
Accounts payable	2,257	114,646	15,966	132,869
Accrued expenses	53,689	549,663	3,478	606,830
Deferred revenue	25,000	12,448		37,448
Due to other funds	64,573			64,573
Short term debt		2,372,369		2,372,369
Current portion of long term debt	107,993	611,442		719,435
Total current liabilities	253,512	3,660,568	19,444	3,933,524
<i>Non-current liabilities:</i>				
Deferred revenue	380,293	2,434,723		2,815,016
Long term debt	1,956,199	3,274,735		5,230,934
Total long-term debt	2,336,492	5,709,458	-	8,045,950
TOTAL LIABILITIES	2,590,004	9,370,026	19,444	11,979,474
NET ASSETS				
Invested in capital assets, net of related debt	694,914	9,683,290	10,903	10,389,107
Unrestricted (deficit)	(446,051)	506,805	14,412	75,166
TOTAL NET ASSETS	\$ 248,863	\$ 10,190,095	\$ 25,315	\$ 10,464,273

TOWN OF NORTH SMITHFIELD

**Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Fund
For the year ended June 30, 2009**

	Business-type Activities Enterprise Funds			Total
	Water Fund	Sewer Fund	School Lunch Fund	
Operating Revenues:				
User fees and assessments	\$ 408,528	\$ 1,718,291		\$ 2,126,819
Intergovernmental			\$ 106,845	106,845
Other			302,144	302,144
Total operating revenues	408,528	1,718,291	408,989	2,535,808
Operating Expenses:				
Personnel services	23,423	105,063	201,972	330,458
Maintenance and servicing	199,244	46,083	11,375	256,702
Operating supplies	333	96,999	268,481	365,813
Fixed and general charges	25,910	741,282		767,192
Depreciation	76,845	686,966	3,000	766,811
Total operating Expenses	325,755	1,676,393	484,828	2,486,976
Income (loss) from operations	82,773	41,898	(75,839)	48,832
Non-operating revenues (expenses):				
Improvement/connection fees	20,000	-		20,000
Interest and miscellaneous income	87,837	202,899		290,736
Interest expense	(107,824)	(149,225)		(257,049)
Total non-operating revenues (expenses)	13	53,674	-	53,687
Transfer in			75,000	75,000
Change in net assets	82,786	95,572	(839)	177,519
Net assets - beginning of the year	166,077	10,094,523	26,154	10,286,754
Net assets - end of the year	\$ 248,863	\$ 10,190,095	\$ 25,315	\$ 10,464,273

See Notes To Financial Statements

TOWN OF NORTH SMITHFIELD

Statement of Cash Flows
Proprietary Fund
For the year ended June 30, 2009

	Business-type Activities Enterprise Funds			
	Water Fund	Sewer Fund	School Lunch Fund	Total
Cash flows from operating activities:				
Cash received from customers	\$ 429,272	\$ 1,655,230	\$ 302,144	\$ 2,386,646
Intergovernmental			89,467	89,467
Cash paid to employees	(23,423)	(105,063)	(201,972)	(330,458)
Cash payments to suppliers for goods and services	(304,807)	(692,683)	(264,639)	(1,262,129)
Net cash provided (used) by operating activities	101,042	857,484	(75,000)	883,526
Cash flows from noncapital financing activities:				
Increase (decrease) in due to other funds	5,944			5,944
Intergovernmental	-	18,167	75,000	93,167
Miscellaneous income	106,465	169,529		275,994
Net cash provided by non-capital financing activities	112,409	187,696	75,000	375,105
Cash flows from capital-related financing activities:				
Acquisition and construction of capital assets		(2,932,798)		(2,932,798)
Issuance of debt		3,372,369		3,372,369
Principal paid on bonds and loans	(106,138)	(539,210)		(645,348)
Interest paid on bonds and loans	(107,824)	(149,225)		(257,049)
Net cash used for capital-related financing activities	(213,962)	(248,864)	-	(3,835,195)
Cash flows from investing activities:				
Interest and dividends on investments	1,372	33,370		34,742
Net cash provided by investing activities	1,372	33,370	-	34,742
Net increase in cash	861	829,686	-	830,547
Cash, beginning of the year	53	2,389,448	-	2,389,501
Cash, end of the year	\$ 914	\$ 3,219,134	\$ -	\$ 3,220,048
Reconciliation of net income to net cash provided by operating activities:				
Income (loss) from operations	\$ 82,773	\$ 41,898	\$ (75,839)	\$ 48,832
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation and amortization	76,845	686,966	3,000	766,811
Changes in assets and liabilities:				
Decrease (increase) in accounts receivable	45,744	(51,268)		(5,524)
Decrease (Increase) in due from other funds		(272,534)	(11,619)	(284,153)
Decrease in assessments receivable		421,027		421,027
Increase in due from other governmental units			(5,759)	(5,759)
Decrease in deferred revenue	(25,000)	(432,820)		(457,820)
Increase in accrued expenses	460	503,512	3,478	507,450
Increase (decrease) in accounts payable	(79,780)	(39,297)	11,739	(107,338)
Total adjustments	18,269	815,586	839	834,694
Net cash provided (used) by operating activities	\$ 101,042	\$ 857,484	\$ (75,000)	\$ 883,526

See Notes to Financial Statements

TOWN OF NORTH SMITHFIELD**Statement of Net Assets
Fiduciary Funds
June 30, 2009**

	Private Purpose Trust Buxton Family Association	Agency Funds
<u>ASSETS</u>		
Cash	\$ 789	\$ 211,941
Other receivable		13,539
TOTAL ASSETS	<u>789</u>	<u>225,480</u>
<u>LIABILITIES</u>	<u>-</u>	<u>\$ 225,480</u>
<u>NET ASSETS</u>		
Held in Trust for private purposes	<u>\$ 789</u>	<u>\$ -</u>

See Notes to Financial Statements

TOWN OF NORTH SMITHFIELD**Statement of Changes in Net Assets
Fiduciary Funds
For the year ended June 30, 2009**

	Private Purpose Trust Buxton Family Association
	<u> </u>
ADDITIONS:	
Investment income	\$ 3
CHANGE IN NET ASSETS	<u> </u> 3
Net ASSETS - BEGINNING	786
Net ASSETS - ENDING	<u><u> </u></u> \$ 789

 See Notes to Financial Statements

TOWN OF NORTH SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of North Smithfield, Rhode Island was incorporated under the provisions of Chapter 728 of the Public Laws of Rhode Island.

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

The Town complies with generally accepted accounting principles (GAAP). Generally accepted accounting principles (GAAP) includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The Town has elected not to follow subsequent private-sector guidance. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this note.

As a general rule the effect of Inter-fund activity has been eliminated from the government-wide financial statements.

Reporting Entity

In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement No. 14. Under GASB Statement No. 14, the financial reporting entity includes both the primary government and all of its component units. The discretely presented component unit is reported in a separate column in the combined financial statements to emphasize it is legally separate from the Town. Component units are legally separate entities that meet any one of the following three tests:

Test 1 - The primary government appoints the voting majority of the board of the potential component unit and:

- * is able to impose its will on the potential component unit and/or
- * is in a relationship of financial benefit or burden with the potential component unit;

Test 2 - The potential component unit is fiscally dependent upon the primary government; or

Test 3 - The financial statements would be misleading if data from the potential component unit were not included.

(CONTINUED)

TOWN OF NORTH SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reporting Entity (Continued)

The following entities were considered for classification as component units for fiscal year 2009:

- * North Smithfield School Department
- * North Smithfield Volunteer Fire and Rescue Service

Although the North Smithfield School Department met certain criteria of the tests listed above, it is not deemed to have separate legal status apart from the Town. As a result, the financial data of the North Smithfield School Department has been included as a major special revenue fund within the Town's financial statements.

The North Smithfield Volunteer Fire and Rescue Service did not meet the above three tests and was determined not to be a component unit of the Town.

Recently Issued Accounting Standards

The Town has implemented GASB Statement No. 49 – Accounting and Financial Reporting of Pollution Remediation Obligations, effective for the Town's fiscal year ending June 30, 2009. The implementation of this pronouncement did not have an impact on the Town's financial statements.

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

- ✓ GASB Statement No. 51 – Accounting and Financial Reporting for Intangible Assets, effective for the Town's fiscal year ending June 30, 2010.
- ✓ GASB Statement No. 54 – Fund Balance Reporting and Governmental Fund Type Definitions, effective for the Town's fiscal year ending June 30, 2011
- ✓ GASB Statement No. 53 – Accounting and Financial Reporting for Derivative Instruments, effective for the Town's fiscal year ending June 30, 2010.

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

(CONTINUED)

TOWN OF NORTH SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
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 reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. 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.

The funds of the financial reporting entity are described below:

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 certain purposes.

Capital Project Funds

Capital Project Funds are used to account for resources restricted for the acquisition or construction of specific capital projects or items.

(CONTINUED)

TOWN OF NORTH SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements (Continued)

Permanent Funds

The Permanent Funds account for assets held by the Town pursuant to trust agreements. The principal portion of this fund type must remain intact, but the earnings may be used to achieve the objectives of the fund.

Proprietary Funds

Proprietary funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. Operating revenues of the Proprietary Funds consist of customer/taxpayer charges for uses and services and certain other miscellaneous revenue. The sewer fund, water fund and school lunch funds of the Town are the three proprietary funds.

Fiduciary Funds (Not included in government wide statements)

Agency Funds

Agency funds account for assets held by the Town in a purely custodial capacity. The reporting entity includes seven agency funds. Since agency funds are custodial in nature (i.e. assets equal liabilities), they do not involve the measurement of results of operations. The agency funds are as follows:

- Harkness Road Escrow
- Subdivision bond account
- Police uniforms
- Junior/Senior High School Fund
- Halliwell School Fund
- Athletic account
- Elementary School Fund

Private-purpose Trust Funds

Private-purpose trust funds are used to account for resources legally held in trust for use by parties outside of the Town, and can not be used at the Town's discretion or to support the Town's general operations. The private purpose trust fund of North Smithfield is the Buxton Family Association.

Major and Non-Major Funds

The funds are further classified as major or non-major as follows:

<u>Fund</u>	<u>Brief Description</u>
Major:	
General:	See above for description
Capital Projects:	Capital project fund
Proprietary Funds:	See above for description

(CONTINUED)

TOWN OF NORTH SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Major and Non-Major Funds (Continued)

Non-Major:

Special Revenue Funds:

School restricted, Governor's Justice Commission, Substance Abuse Donations, Substance Abuse Prevention Council, Parks & Recreation, Miscellaneous Revenue, Project D.A.R.E., Business Revolving Loan, CDBG, Police Forfeiture, Miscellaneous Police & Fire, EMS, Debt Reserve

Capital Project Funds:

School renovations

Permanent Funds:

Record Retention, Harkness Road, Subdivision Bond, Michael F.Lovett Scholarship, J. Harold Monroe, Jr. Scholarship

Measurement Focus

On the government-wide Statement of Net Assets and the Statement of Activities both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- (a) All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period. The Town considers property taxes as available if they are collected within 60 days after year end.
- (b) The proprietary funds utilize "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of net income, financial position and cash flows. All assets and liabilities (whether current or non-current) associated with their activities are reported. Fund equity is classified as net assets.
- (c) Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

(CONTINUED)

TOWN OF NORTH SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (continued)

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All proprietary funds, agency funds, and private purpose trust funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the proprietary fund's principal operation. The principal operating revenues of the sewer enterprise fund are charges for sewer use and assessments. The principal operating revenues of the water enterprise fund are water user fees. Operating expenses for the enterprise funds include the costs of providing the services, including administration and depreciation on capital assets. All other revenue and expense items not meeting these criteria are reported as non-operating revenues and expenses.

Assets, Liabilities, and Fund Equity

Cash

Cash and cash equivalents are carried at cost. Cash equivalents are all highly liquid investments with a maturity of three months or less when purchased. Substantially, all of the Town's cash and cash equivalents are held in public deposit institutions, except for \$1,250 in unsecured petty cash. Pursuant to Section 35-10-1 of the Rhode Island General Laws, as of October 1, 1991, public deposit institutions are required to insure accounts which hold public funds in excess of the \$250,000 which is guaranteed by FDIC. Cash in excess of current requirements is invested in short-term treasury securities or as disclosed as part of the Town's investments.

Investments

The Town invests in various types of investments, which are stated at fair value. There are no investments reported at amortized cost. For purposes of the statements of cash flows, all highly liquid investments with a maturity of three months or less when purchased (e.g., short-term certificates of deposit) are considered to be cash equivalents. State statutes authorize the Town to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds and repurchase agreements.

(CONTINUED)

TOWN OF NORTH SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Fund Equity (Continued)

Accounts Receivable

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. The allowance for uncollectible accounts receivable amounted to \$100,000 at June 30, 2009. Major receivable balances for the governmental activities include property taxes. Business-type activities report service fees as its major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as property taxes and grants and other similar intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

Advances to Other Funds

Noncurrent portions of long-term interfund loan receivables are reported as advances and are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available resources and, therefore, are not available for appropriation.

Accounts Payable

Payable balances consist primarily of payables to vendors.

Property Taxes

Property tax revenues are recorded in accordance with the modified accrual basis of accounting. The Town's property tax is levied each June 30, for its next fiscal year on the assessed values listed as of the prior December 31, for all real property, tangible property, and motor vehicles located in the Town. Taxes are payable quarterly on August 15, October 15, January 15, and April 15.

(CONTINUED)

TOWN OF NORTH SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Fund Equity (Continued)

Property, Plant and Equipment

The accounting treatment over property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements

In the government-wide financial statements, long-lived 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 fixed assets, which are recorded at their estimated fair value at the date of donation. Estimated historical cost was used to value the majority of the assets acquired prior to June 30, 1993.

Capital assets are defined by the Town as assets with an initial, individual cost of \$7,500 or more and an estimated useful life in excess of two years.

Infrastructure assets, (such as sidewalks, curbs, drainage systems, and road improvements) have been capitalized and reported within the financial statements.

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 range of estimated useful lives by type of asset is as follows:

Buildings and land improvements	20-50 years
Motor vehicles	5 - 20 years
Equipment and Heavy machinery	5 - 20 years
Office equipment	5 - 10 years
Sewer mains and laterals	30 - 65 years
Water lines and projects	30 - 65 years
Other assets	5 - 10 years
Infrastructure	25 - 40 years

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for in the same manner as in the government-wide statements.

Deferred Revenues

Deferred revenue represents funds received in advance of being owed or receivables which will be collected and included in revenues of future fiscal years. In the General Fund, deferred revenues relate to property tax receivables which are assessed on December 31.

(CONTINUED)

TOWN OF NORTH SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Fund Equity (Continued)

Interfund Transactions

Interfund activity within and among the funds of the Town have been classified and reported as follows:

- Reciprocal interfund activities:
 - Interfund loans are reported as interfund receivables in the lending fund and interfund payables in borrower funds.
 - Interfund services are reported as revenues in the seller fund and as expenditures or expenses in the purchasing fund.

- Non-reciprocal interfund activities:
 - Interfund transfers are reported in governmental funds as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers. In proprietary funds, transfers are reported after nonoperating revenues and expenses.
 - Interfund reimbursements are repayments from the fund responsible for particular expenditures or expenses to other funds that initially paid for them. Reimbursements are not displayed separately within the financial statements.

Interfund transfers from the general fund totaled \$16,945,395 for the year, representing \$16,885,395 for the general fund's transfer to the school department and \$60,000 to the debt reserve fund. Interfund transfers to the general fund were \$515,000, representing \$224,000 from the school unrestricted fund and \$291,000 from the EMS fund.

Equity Classifications

Government-Wide Statements

Equity is classified as net assets and displayed in three components:

- (a) Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

- (b) Restricted net assets - Consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.

(CONTINUED)

TOWN OF NORTH SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity Classifications (Continued)

- (c) Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

Fund 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. Proprietary fund equity is classified the same as in the government-wide statements.

Compensated Absences

Unused vacation leave is paid upon an employee's termination. Sick leave not taken is paid to employees upon termination. The amount recorded is based on union contracts at the current rate of pay. For governmental activities, the general fund is used to record this liability if it is expected to be liquidated with expendable available resources. Vested or accumulated vacation and sick leave of the Proprietary Fund is recorded as an expense and liability in that fund as the benefits accrue to employees.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Actual results could differ from those estimates.

Prior period adjustment

Net assets reported on the Government Wide statements at June 30, 2008 has been restated to reflect a correction of an error in the reporting of the accrued interest liability. As a result, accrued interest liability at June 30, 2008 has been increased by \$595,000.

The following comprise the restatement resulting from the correction on an error in the amount reported at June 30, 2008

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<i>Net assets end of year, as originally reported</i>	\$23,064,425	\$10,286,754	\$33,351,179
Understatement of accrued interest liability	<u>(595,000)</u>	<u>-</u>	<u>(595,000)</u>
<i>Net assets end of year, as restated</i>	<u>\$22,469,425</u>	<u>\$10,286,754</u>	<u>\$32,756,179</u>

(CONTINUED)

TOWN OF NORTH SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reconciliation of Government-wide and Fund Financial Statements

The governmental fund balance sheet includes reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$38,003,695 difference are as follows:

Bonds payable	\$35,449,333
Compensated absences	750,758
Net OPEB liability	478,262
Claims payable.....	85,000
Capital leases payable	<u>1,240,342</u>
Total.....	<u>\$38,003,695</u>

Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance and the Government-wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense.” The details of this \$1,802,437 difference are as follows:

Capital outlays (net of disposals).....	\$2,983,661
Depreciation expense.....	<u>(1,181,224)</u>
Net adjustment.....	<u>\$ 1,802,437</u>

Another element of that reconciliation states that “the issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.” The details of this \$43,729 difference are as follows:

Debt issued.....	\$(956,000)
Increase in other long term liabilities.....	(256,287)
Principal repayments.....	<u>1,256,016</u>
Net adjustment.....	<u>\$ 43,729</u>

Another element of that reconciliation states that, “Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds.” The details of this \$92,789 difference are as follows:

Deferred revenue - beginning	\$(462,297)
Deferred revenue – ending	<u>555,086</u>
Net difference.....	<u>\$ 92,789</u>

(CONTINUED)

TOWN OF NORTH SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

2. BUDGETARY AND LEGAL COMPLIANCE

Budgetary Data

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

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of funds, are recorded in order to preserve that portion of the applicable appropriation is employed in the General Fund Budget. Open encumbrances are reported as reservations of fund balances. Encumbrances do not constitute expenditures or liabilities.

Excess of Expenditures Over Appropriations

For the year ended June 30, 2009, expenditures exceeded budget at the department level as follows:

<u>Department</u>	<u>Excess</u>
Town solicitor.....	\$64,964
Board canvassers.....	3,761
Town Hall.....	948
Scouters Hall.....	670
Street lights.....	6,321
Medical retirements and other employee benefits.....	72,584

3. DEPOSITS AND INVESTMENTS

(a) Deposits

The Town maintains deposits at local financial institutions. At year end, the carrying amount of such deposits was \$10,036,650, while the bank balance was \$11,459,310, of which \$5,342,067 was covered by federal depository insurance. Of the remaining balance, \$4,156,716 was collateralized and \$1,960,527 was uncollateralized.

(b) Interest Rate Risk/Concentration of credit risk

The Town has no investments subject to interest rate risk or concentration of credit risk as of June 30, 2009.

(CONTINUED)

TOWN OF NORTH SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

3. DEPOSITS AND INVESTMENTS (Continued)

(c) Custodial Credit Risk-Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The town does not have a deposit policy for custodial credit risk.

(d) Investments

The Town has implemented the provisions of GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments are for External Investment Pools," which requires that investments be reported at fair value. Fair values are established by quoted market values. Unrealized gains and losses from changes in fair value are recognized as investment income.

4. INTERFUND BALANCES

Interfund receivable and payable are as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 310,685	\$ 795,393
School Unrestricted Fund	677,492	316,760
Capital Projects Fund	103,580	162,657
Non-Major Governmental Funds:		
School Restricted Fund.....	366,176	212,349
Substance Abuse Donations Fund.....	6,310	3,895
Substance Abuse Prevention Council Fund.....	3,895	5,233
Park and Recreation Fund.....	-	11,365
Miscellaneous Revenue Fund.....	-	36,067
Business Revolving Loan Fund.....	263	-
Community Development Block Grant.....	-	6,828
Police Forfeiture Fund.....	20	-
Miscellaneous Police & Fire Funds.....	8,835	-
Emergency Medical Services.....	-	291,000
Debt Reserve Fund.....	-	2,885
Record Retention Fund.....	66,254	-
Non-Major Governmental funds	<u>451,753</u>	<u>569,622</u>
Sewer Fund	<u>341,769</u>	-
Water Fund	-	<u>64,573</u>
School Lunch Fund	<u>23,726</u>	-
TOTALS	<u>\$1,909,005</u>	<u>\$1,909,005</u>

(CONTINUED)

TOWN OF NORTH SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

5. FIXED ASSETS

Activity for governmental activity capital assets is summarized below:

	<u>Balances</u> <u>07/01/08</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances</u> <u>06/30/09</u>
<u>Governmental activity fixed assets</u>				
Land (not being depreciated)	\$ 7,941,141			\$ 7,941,141
Construction in progress (not depreciated)	29,543,997	\$2,516,320		32,060,317
Land improvements	1,379,404			1,379,404
Construction	22,442,930	19,430		22,462,360
Infrastructure	24,252,478	159,384		24,411,862
Machinery and equipment.....	4,483,959	221,203		4,705,162
Vehicles.....	3,971,304	67,324	\$ (83,000)	3,955,628
<i>Total cost</i>	<u>94,015,213</u>	<u>2,983,661</u>	<u>(83,000)</u>	<u>96,915,874</u>
Less: accumulated depreciation				
Land improvements	(1,133,748)	(60,133)		(1,193,881)
Construction	(10,996,833)	(403,224)		(11,400,057)
Infrastructure	(22,092,920)	(243,452)		(22,336,372)
Machinery and equipment.....	(3,019,991)	(298,240)		(3,318,231)
Vehicles.....	(3,185,497)	(176,175)	(83,000)	(3,278,672)
<i>Total accumulated depreciation</i>	<u>(40,428,989)</u>	<u>(1,181,224)</u>	<u>(83,000)</u>	<u>(41,527,213)</u>
<i>Net fixed assets</i>	<u>\$53,586,224</u>	<u>\$1,802,437</u>	<u>\$ -</u>	<u>\$55,388,661</u>

(CONTINUED)

TOWN OF NORTH SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

5. FIXED ASSETS (Continued)

Activity for the Proprietary Funds capital assets is summarized below:

	<u>Balances</u> <u>07/01/08</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances</u> <u>06/30/09</u>
Construction in progress (non-depreciable) \$	405,592	\$ 2,932,798		\$ 3,338,390
Land improvements	29,657			29,657
Construction	2,331,276			2,331,276
Infrastructure	6,817,347			6,817,347
Machinery and equipment.....	18,495,601			18,495,601
Vehicles.....	49,607			49,607
Total cost	<u>28,129,080</u>	<u>2,932,798</u>		<u>31,061,878</u>
 Less: accumulated depreciation				
Land improvements	(13,516)			(13,516)
Construction	(422,068)	(46,625)		(468,693)
Infrastructure	(4,592,605)	(102,968)		(4,695,573)
Machinery and equipment.....	(8,880,140)	(614,876)		(9,495,016)
Vehicles.....	(47,262)	(2,342)		(49,604)
Total accumulated depreciation	<u>(13,955,591)</u>	<u>(766,811)</u>		<u>(14,722,402)</u>
 Net fixed assets	<u>\$14,173,489</u>	<u>\$2,165,987</u>		<u>\$16,339,476</u>

Depreciation expense was charged to the following functions/programs of the Town:

Governmental activities:

General government.....	\$ 66,162
Public safety.....	215,457
Public services	50,737
Public works	338,715
Education	510,153
Total	<u>\$1,181,224</u>

Business-type activities:

Sewer.....	\$ 686,966
Water	76,845
School lunch.....	3,000
Total	<u>\$ 766,811</u>

6. DEFERRED REVENUES

General Fund deferred revenues relate to revenue that is measurable but not available. General Fund deferred revenues are summarized as follows:

Property taxes receivable, net.....	\$777,720
Other	44,813
Less: current year 60 day accrual	<u>(222,634)</u>
Total deferred revenue	<u>\$599,899</u>

(CONTINUED)

TOWN OF NORTH SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

7. LONG-TERM OBLIGATIONS

Schedule of long-term debt by purpose is as follows:

General long-term debt

	<u>Amount</u>	<u>Percent</u>
School bonds	\$33,375,000	89%
General obligation bonds	2,030,000	5%
Sewer bond	44,333	
Capital budget project	1,240,342	3%
Compensated absences	750,758	2%
OPEB Liability	478,262	1%
Claims payable	85,000	
Total	<u>\$38,003,695</u>	<u>100%</u>

Proprietary funds

Water bonds	\$ 2,064,192	35%
Sewer bonds	3,886,177	65%
Total	<u>\$ 5,950,369</u>	<u>100%</u>

(CONTINUED)

TOWN OF NORTH SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
June 30, 2009**

7. LONG-TERM OBLIGATIONS (Continued)

At June 30, 2009, the Town's long-term debt outstanding is comprised of the following individual issues:

	<u>Date of Issue</u>	<u>Maturity Date</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Outstanding June 30, 2008</u>	<u>Additions</u>	<u>Retirements</u>	<u>Outstanding June 30, 2009</u>	<u>Current Portion</u>
Long-term debt									
General obligation bonds payable									
New elementary school.....	12/15/96	09/01/09	\$ 4,015,000	4.25% to 5.3%	\$550,000		\$ 275,000	\$ 275,000	\$ 275,000
NSES School Bond.....	10/15/01	10/15/21	4,000,000	3.00% - 5.00%	2,800,000		200,000	2,600,000	200,000
School bonds.....	05/14/08	04/01/29	30,000,000	2.50% - 5.50%	30,000,000		200,000	29,800,000	1,040,000
General obligation bonds.....	07/01/07	07/01/27	2,100,000	4.125%-5.50%	2,100,000		70,000	2,030,000	110,000
School general obligation bonds.....	12/15/08	6/30/29	700,000	5%	0	700,000		700,000	35,000
Sewer bond.....	04/23/80	04/23/10	814,610	5%	93,500		49,167	44,333	44,333
Total general obligation bonds payable.....			41,629,610		35,543,500	700,000	794,167	35,449,333	1,704,333
Capital leases payable									
Capital budget project.....	08/30/04	08/30/09	1,178,000	1.75% to 3.25%	470,000		235,000	235,000	235,000
Capital budget project.....	11/18/05	11/18/10	445,000	3.55%	231,191		88,891	142,300	92,047
Capital budget project.....	12/21/07	12/21/12	745,000	3.85%	745,000		137,958	607,042	143,271
Capital budget project.....	11/25/08	11/25/13	256,000	3.97%	0	256,000		256,000	47,256
Total capital leases payable.....			2,624,000		1,446,191	256,000	461,849	1,240,342	517,574
Compensated absences.....					733,602	17,156		750,758	75,075
Claims payable.....					85,000			85,000	85,000
Net OPEB liability (Note 11).....					239,131	239,131		478,262	0
Total long-term debt.....			\$44,253,610		\$38,047,424	\$1,212,287	\$1,256,016	\$38,003,695	\$2,381,982

(CONTINUED)

TOWN OF NORTH SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
June 30, 2009**

7. LONG-TERM OBLIGATIONS (Continued)

Bonds outstanding (Continued)

	<u>Date of Issue</u>	<u>Maturity Date</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Outstanding June 30, 2008</u>	<u>Additions</u>	<u>Retirements</u>	<u>Outstanding June 30, 2009</u>	<u>Current Portion</u>
Enterprise Funds									
General obligation bonds payable									
Water:									
Water bond	12/19/79	12/19/09	\$ 150,000	5%	\$ 17,000		\$ 8,936	\$ 8,064	\$ 8,063
Water bond	05/11/82	05/11/22	50,000	5%	28,775		1,534	27,241	1,546
Water bond	05/16/95	05/16/00	500,000	6%	325,930		19,077	306,853	20,608
Water bond	08/26/99	08/26/39	790,900	5%	726,354		9,975	716,379	10,160
Shell oil bond	09/16/97	09/16/22	500,000	5.5%	372,271		16,615	355,656	17,615
Water bond	10/15/01	10/15/21	<u>1,010,000</u>	3.00% - 5.00%	<u>700,000</u>		<u>50,000</u>	<u>650,000</u>	<u>50,000</u>
Total water fund			<u>3,000,900</u>		<u>2,170,330</u>		<u>106,138</u>	<u>2,064,192</u>	<u>107,993</u>
Sewer:									
Sewer bond	04/23/80	04/23/10	1,685,390	5%	203,282		98,333	104,949	104,949
Sewer General Obligation Bond	12/15/08	6/30/29	1,000,000	5%	0	1,000,000	0	1,000,000	50,000
Mendon Road Project #1 bond ...	12/18/90	12/18/20	303,000	7.25%	204,158		10,218	193,940	10,809
Clean Water sewer project #1 loan	03/12/92	09/01/11	2,900,000	3.6759%	788,000		188,000	600,000	194,000
Mendon Road Project #2 bond ...	04/07/92	04/07/20	60,000	6.625%	39,946		2,028	37,918	2,184
Clean Water sewer project #2 loan	03/10/93	09/01/15	<u>4,500,000</u>	3.11073%	<u>2,190,000</u>		<u>240,630</u>	<u>1,949,370</u>	<u>249,501</u>
Total sewer fund			<u>10,448,390</u>		<u>3,425,386</u>	<u>1,000,000</u>	<u>539,209</u>	<u>3,886,177</u>	<u>611,443</u>
 Total enterprise funds			 <u>\$13,449,290</u>		 <u>\$5,595,716</u>	 <u>\$1,000,000</u>	 <u>\$645,347</u>	 <u>\$5,950,369</u>	 <u>\$719,435</u>

(CONTINUED)

TOWN OF NORTH SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

7. LONG-TERM OBLIGATIONS (Continued)

Bonds Outstanding (Continued)

During the fiscal year ended June 30, 2009, the Town incurred and paid the following interest expense:

	<u>Incurred</u>	<u>Paid</u>
Water	\$107,824	\$107,824
Sewer	149,225	119,638
General fund	<u>2,279,240</u>	<u>2,286,407</u>
Total	<u>\$2,536,289</u>	<u>\$2,513,869</u>

At June 30, 2009, the Town was in compliance with Rhode Island General Law 45-12-2 which places a 3% cap on the ratio of the Town's maximum aggregate indebtedness to taxable property.

Capital Leases

The Town has entered into lease agreements as lessee for financing the acquisition of vehicles and equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>
Asset:	
Equipment and vehicles	\$2,302,214
Less: accumulated depreciation	<u>(1,757,034)</u>
Total	<u>\$ 545,180</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2009 were as follows:

Year Ending June 30:

	<u>General Long-term Debt</u>
2009	\$ 565,393
2010	277,394
2011	223,757
2012	223,755
2013	<u>57,112</u>
Total minimum lease payments	1,347,411
Less: amount representing interest	<u>107,069</u>
Present value of minimum lease payments	<u>\$1,240,342</u>

(CONTINUED)

TOWN OF NORTH SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

7. LONG-TERM OBLIGATIONS (Continued)

Debt Service Requirements

Annual principal and interest requirements on general obligation bonds and capital leases for the year ending June 30, 2009 are as follows:

Year-ending, June 30	<u>General Long-Term Debt</u>			<u>Enterprise Funds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$2,221,907	\$1,665,319	\$3,887,226	\$719,435	\$285,268	\$1,004,703
2011	1,648,173	1,564,100	3,212,273	625,392	228,802	854,194
2012	1,660,600	1,484,612	3,145,212	644,582	203,683	848,265
2013	1,718,576	1,406,127	3,124,703	452,513	181,445	633,958
2014	1,610,419	1,335,188	2,945,607	466,942	161,007	627,949
2015	1,615,000	1,257,908	2,872,908	482,139	141,110	623,249
2016	1,670,000	1,185,346	2,855,346	498,238	120,569	618,807
2017	1,730,000	1,109,391	2,839,391	194,148	105,049	299,197
2018	1,795,000	1,045,453	2,840,453	199,745	94,533	294,278
2019	2,520,000	940,437	3,460,437	355,682	80,981	436,663
2020 - 2024	9,405,000	3,426,948	12,831,948	564,405	264,813	829,218
2025 - 2029	9,095,000	1,081,192	10,176,192	366,707	146,704	513,411
Thereafter				380,441	124,068	504,509
Total	<u>\$36,689,675</u>	<u>\$17,502,021</u>	<u>\$54,191,696</u>	<u>\$5,950,369</u>	<u>\$2,138,032</u>	<u>\$8,088,401</u>

(CONTINUED)

TOWN OF NORTH SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

8. SHORT TERM DEBT

During the year ended June 30, 2009, the Town financed certain sewer construction with short term borrowings through the Rhode Island Clean Water Finance Agency. The amount outstanding on these borrowings as of June 30, 2009 total \$2,372,369. This amount is presented on the Town's proprietary funds' statements of net assets. These borrowings bear interest at 1.54% per annum and expect to be repaid during the fiscal year ending June 30, 2010 with funds from the issuance of sewer bonds.

9. FUND EQUITY BALANCES

Reserves/Designated Fund Balances

The Town of North Smithfield records several types of reserves. The reserves indicate that a portion of fund equity is segregated for a specific use. In addition, a portion of the unreserved fund equity is designated for specific purposes.

	<u>General Fund</u>	<u>Trust Funds</u>	<u>School Unrestricted Fund</u>
Reserved:			
Reserved for property taxes to be appropriated in a subsequent year	\$222,634		
Reserved for encumbrances	0		\$502,775
Reserved for nonexpendable bequests		\$ 75,448	
Total Reserved	<u>\$222,634</u>	<u>\$ 75,448</u>	<u>\$502,775</u>

9. DEFINED BENEFIT PENSION PLANS

(a) Municipal Employees' Retirement System of the State of Rhode Island

Plan Description

The Town's defined benefit pension plan, Municipal Employee's Retirement System of the State of Rhode Island (MERS), provides retirement and disability benefits, annual cost-of-living adjustments, death and disability benefits to plan members and beneficiaries. MERS is an agent multiple-employer Public Employee Retirement System that acts as a common investment agent for participants. The Municipal Employee's Retirement System of the State of Rhode Island issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the State of Rhode Island Employee Retirement Board, 40 Fountain Street, Providence, RI 02903, or by accessing their website at www.ersri.org.

Funding Policy

MERS members are required to contribute 7.0% of their annual covered salary. The Town is required to contribute at an actuarially determined rate; the current rate is 2.69% of annual covered payroll. The contribution requirements of plan members and the Town are established and may be amended by State Statute.

(CONTINUED)

TOWN OF NORTH SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

9. DEFINED BENEFIT PENSION PLANS (Continued)

(a) Municipal Employees' Retirement System of the State of Rhode Island (Continued)

Funded Status of Plan

The required supplementary information which follows the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Listed below are the details of the funding progress of the General Municipal Employee's Pension Plan with a valuation date of June 30, 2008, which is the most recent report available from the State who administers this plan.

Funded Status of Plan (Continued)

Actuarial Value of Assets	\$13,716,901
Actuarial Accrued Liability	\$10,980,041
Unfunded (excess) actuarial accrued Liability	\$(2,736,860)
Funded Ratio	124.9%
Annual Covered Payroll	\$2,983,170
UAAL (excess) as percentage of payroll	(91.7)%

Annual Pension Cost

For 2009, the Town's annual pension cost of \$34,706 for MERS was equal to the Town's required and actual contributions. The required contribution was determined as part of the June 30, 2006 actuarial valuation using the entry age normal cost method with frozen initial liability. Significant actuarial assumptions included (a) a net investment return of 8.25 percent compounded annually, (b) projected salary increases at an annual service related component plus a 3% inflation component compounded annually, (c) 3.0 percent per year cost-of-living adjustments, (d) mortality rates based on the 1994 Uninsured Pensioner Mortality Table and (e) a retirement age of 65 or completion of service requirements, if later. The actuarial value of MERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period. MERS unfunded actuarial accrued liability is being amortized over the remainder of a closed 30-year period from June 30, 2009.

Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/07	\$ 0	100%	\$-0-
6/30/08	\$18,466	100%	\$-0-
6/30/09	\$34,706	100%	\$-0-

(b) Municipal Police Pension Plan

Plan Description

All full-time police members participate in the same Municipal Employee's Retirement System of the State of Rhode Island (described above).

Funding Policy

Covered police employees are required to contribute 9% of their annual covered salary. The Town is required to contribute at an actuarially determined rate the remaining amounts necessary to fund the System; the current rate is 14.9% of annual covered payroll. The contribution requirements of plan members and the Town are established and may be amended by State Statute.

(CONTINUED)

TOWN OF NORTH SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

9. DEFINED BENEFITS PENSION PLANS (Continued)

(b) Municipal Police Pension Plan (Continued)

Annual Pension Cost

For 2009, the Town's annual pension cost of \$167,229 for the Police Pension System was equal to the Town's required and actual contributions. The required contribution was determined as part of the June 30, 2006 actuarial valuation using the entry age normal cost method with frozen initial liability. Significant actuarial assumptions included (a) net investment return of 8.25 percent compounded annually, (b) projected salary increases at an annual service related component plus a 3% inflation component compounded annually, (c) mortality rates based on the 1994 Uninsured Pensioner Mortality Table, and (d) a retirement age of 60, or completion of service requirements, if later. The actuarial value of MERS' assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period. Any MERS unfunded actuarial accrued liability is being amortized using the weighted average method over a 25 year period.

Funded Status of Plan

The required supplementary information which follows the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Listed below are the details of the funding progress of the General Municipal Employee's Pension Plan with a valuation date of June 30, 2008, which is the most recent report available from the State who administers this plan.

Actuarial Value of Assets	\$7,833,344
Actuarial Accrued Liability	\$7,993,420
Unfunded (excess) actuarial accrued Liability	\$160,076
Funded Ratio	98.0%
Annual Covered Payroll	\$1,170,908
UAAL (excess) as percentage of payroll	13.7%

Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/07	\$222,734	100%	\$-0-
6/30/08	\$226,633	100%	\$-0-
6/30/09	\$167,229	100%	\$-0-

(c) Teacher's Pension Plan

Plan Description

All full-time teachers including superintendents, principals, school nurses and certain other school officials ("classified employees") in the North Smithfield School District participate in the Employees Retirement System of the State of Rhode Island (ERSRI), a cost-sharing multiple-employer public employee retirement system. In addition to classified employees, the System covers substantially all employees of the State of Rhode Island. The payroll for employees covered by the System for the year ended June 30, 2009, was \$10,904,146; the total payroll for the Town was approximately \$15,500,000.

(CONTINUED)

TOWN OF NORTH SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

9. DEFINED BENEFIT PENSION PLANS (Continued)

(c) Teacher's Pension Plan (Continued)

The plan issues a stand-alone publicly available financial report that includes financial statements and required supplementary information. A copy of the report can be obtained from the State Employees Retirement Board, 40 Fountain Street, Providence, Rhode Island 02903, or by accessing their website at www.ersri.org.

Plan Description

All full-time classified employees of the North Smithfield School District are eligible to participate in the System. Classified employees who retire at or after age 60 with 10 years of credited service or at any age with 28 years of credited service are entitled to a retirement benefit payable monthly for life. The retirement benefit is a percentage of final average salary per year of credit service with a maximum benefit of 80% of "final average" salary. Final average salary is the three highest consecutive years of earned salary excluding overtime, bonuses, or severance pays. The System also provides death and disability benefits. Benefits are established by State statute. The percent of earnings relating to each year of credited service is as follows:

<u>Years of Credited Service</u>	<u>Percent/Year</u>
1 - 10	1.7%
11 - 20	1.9%
21 - 34	3.0%
35	2.0%

Funding Policy

Rhode Island general laws set the contribution rates for participating State employees at 9.5 % of salary. Annual contributions by both employers and the State on behalf of those employees are determined by actuaries and assessed as percentage of participants' payroll. The School Department was required to contribute 14.21%, 12.30%, and 10.96% for all full-time employees for fiscal years 2009, 2008, and 2007, respectively. The required contributions include (a) normal costs; (b) payments to amortize the unfunded frozen actuarial accrued liability as of July 1, 1989 over 27 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. Both employers and employees contribute 1% of the first \$9,600 of salary for survivor benefits. In addition, the School District is required to contribute .7% for post-retirement health benefits. A variety of significant actuarial assumptions are used and these assumptions are summarized below:

- A. Mortality - 1994 Group Annuity Mortality Table with mortality for disabled persons set equal to the age 65 under the 1971 Group Annuity Mortality Table.
- B. Investment return - 8.25 percent, compounded annually.
- C. Salary increase - Salaries will increase at a rate of 4.50 - 13.25 percent, compounded annually.
- D. Retirement age - Teachers are assumed to retire at the later of age 61 or completion of the service requirements.
- E. Cost of living adjustments - 3.0 percent compounded annually beginning on the January 1st following a participant's third anniversary of retirement.

(CONTINUED)

TOWN OF NORTH SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

9. DEFINED BENEFIT PENSION PLANS (Continued)

(c) Teacher's Pension Plan (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. This resulted in contribution rates paid by the State on behalf of the School Department totaling \$1,062,064 for fiscal year ended June 30, 2009.

The amounts required and contributed to the plan are as follows:

Years Ending June 30,

2009	\$1,224,753
2008	\$1,294,697
2007	\$1,094,952

In accordance with GASB 27, "Accounting for Pensions by State and Local Governmental Employers," the Town has determined that there is and has been no net pension obligation related to the Plan.

10. CONTINGENT LIABILITIES/COMMITMENTS

Under the terms of federal and state grants, periodic compliance audits by the grantors or their representatives are required and, consequently, certain costs may be questioned as not being appropriate, and result in reimbursement to the grantor agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies could not be determined at this time. Town officials believe that such disallowances, if any, would not be material.

The government is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the government's attorneys, the resolution of these matters will not have a materially adverse effect on the financial condition of the government.

The Town is committed under contracts for construction projects approximating \$680,000 at June 30, 2009.

11. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

The "Town of North Smithfield Retiree Welfare Plan" is a single-employer defined benefit postretirement health and dental insurance plan. The Town provides lifetime health care and dental insurance benefits to eligible employees. This plan is offered to all certified teachers, Town employees and public safety employees who meet certain age and service requirements. Benefits were paid to thirty-two employees during 2009. These benefits were funded on a pay as you go basis. For 2009, contributions were approximately \$161,264 for the Town and \$162,019 for the School Department for a total of \$323,283. These benefits are provided as part of the employee's contract.

(CONTINUED)

TOWN OF NORTH SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

11. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Funding Policy

The Town's funding policy provides for actuarially determined periodic contributions to the plans at rates that, increase gradually over time so that sufficient assets will be available to pay benefits when due. For retired school teachers, covered participants must contribute \$562 per year for individual coverage and \$1,400 per year for family coverage. For retired town employees hired after July 1, 2005, covered participants must pay 5% of the gross premiums for Medical and Dental costs, subject to an annual maximum of \$300 for single coverage and \$750 for family coverage. Those town employees hired before July 1, 2005 shall not be required to pay for coverage in retirement if they retire with at least 20 years of service. Retired public safety employees shall pay the co-share in effect as of the date of their retirement and this amount shall not increase during their retirement. Those public safety employees who retired prior to July 1, 2007 shall not be required to pay for coverage in retirement. The annual OPEB cost was determined as part of the July 1, 2007 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included a 4.5% investment rate of return, inflation adjustment of 3.5% per year, and compensation increases of 4.5% per year. Healthcare trend rates range from 11% for medical and 8.5% for dental during fiscal year 2008 to 5% for medical and dental for 2015. The unfunded actuarial accrued liability was determined using the level dollar thirty year open amortization basis. The remaining amortization period was 30 years at June 30, 2009.

The Town adopted GASB 45 prospectively during fiscal year ended June 30, 2008. The available trend information is presented below.

Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2009	\$562,414	57.5%	\$478,262
6/30/2008	\$562,414	57.5%	\$239,131
6/30/2007	N/A	N/A	N/A

The Town's annual OPEB cost and net OPEB obligation for the year ended June 30, 2009 was as follows:

Annual required contribution	\$538,195
Interest on net OPEB obligation.....	24,219
Adjustment to annual required contribution	-0
Annual OPEB cost (expense).....	<u>562,414</u>
Contributions made.....	<u>(323,283)</u>
Increase in net OPEB obligation.....	239,131
Net OPEB obligation-beginning of year	<u>239,131</u>
Net OPEB obligation-end of year.....	<u>\$478,262</u>

Schedule of Funding Progress

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

(CONTINUED)

TOWN OF NORTH SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

11. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Schedule of Funding Progress (Continued)

<u>Actuarial Valuation Date</u>	Actuarial Value of Assets (AVA) (1)	Actuarial Accrued Liability (AAL) (2)	UAAL as a Unfunded AAL (UAAL) (2)-(1) (3)	AVA as a Percent of AAL (1)/(2) (4)	Covered Payroll (5)	Percent of Covered Payroll (3)/(5) (6)
07/01/07	N/A	\$2,800,357	\$2,800,357	N/A	\$1,160,640	241.3%

12. RISK MANAGEMENT

The Town of North Smithfield is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; injuries to employees; and natural disasters. As a result, the Town participates in a non-profit, public entity risk pool (Rhode Island Inter-local Risk Management Trust, Inc.) which provides coverage for property/liability claims and workers' compensation claims. Upon joining the Trust, the Town signed a participation agreement which outlines the rights and responsibilities of both the Trust and the Town. The agreement states that for premiums paid by the Town, the Trust will assume financial responsibility for the Town's losses up to the maximum amount of insurance purchased, minus the Town's deductible amounts. The Trust provides this insurance coverage through a pooled, self-insurance mechanism which includes reinsurance purchased by the Trust to protect against large, catastrophic claims above the losses the Trust retains internally for payment from the pooled contributions of its Members. Under the participation agreement, the Town is insured for general liability for a maximum of \$5,000,000 per occurrence.

(CONCLUDED)

SUPPLEMENTARY INFORMATION

SCHEDULE E-1**Town of North Smithfield**Schedule of funding progress
June 30, 2009

Schedule of funding progress for the Municipal Employees' Retirement System

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	AAL as a percentage Of Covered Payroll ((a-b)/c)
6/30/2006	\$11,763,327	\$9,894,279	\$1,869,048	118.89%	\$2,839,985	65.81%
6/30/2007	\$12,839,829	\$10,532,213	\$2,307,615	121.91%	\$2,919,440	79.04%
6/30/2008	\$13,716,901	\$10,980,041	\$2,736,861	124.93%	\$2,983,170	91.74%

Schedule of funding progress for the Municipal Employees' Retirement System (Police)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	AAL (UAAL) as a percentage Of Covered Payroll ((a-b)/c)
6/30/2006	\$ 6,197,428	\$ 6,786,912	(\$589,484)	91.31%	\$ 1,082,544	-54.45%
6/30/2007	\$ 7,064,639	\$ 7,348,461	(\$283,821)	96.14%	\$ 1,191,456	-23.82%
6/30/2008	\$ 7,833,344	\$ 7,993,420	(\$160,076)	98.00%	\$ 1,170,908	-13.67%

Schedule of funding progress for the OPEB liability

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	AAL (UAAL) as a percentage Of Covered Payroll ((a-b)/c)
7/1/2006	N/A	N/A	N/A	N/A	N/A	N/A
7/1/2007	-	\$ 5,793,469	\$ 5,793,469	0.00%	\$ 12,367,086	46.8%

TOWN OF NORTH SMITHFIELD

GENERAL FUND

**SCHEDULE OF REVENUE AND OTHER FINANCING SOURCES, EXPENDITURES AND OTHER FINANCING USES- BUDGET AND ACTUAL - BUDGETARY BASIS
YEAR ENDED JUNE 30, 2009**

	General Fund				Annually Budgeted Special Revenue Fund		
	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)	School Department		
					Budget	Actual on Budgetary Basis	Variance
Revenues:							
Property taxes	\$ 24,288,176	\$ 24,288,176	24,274,160	\$ (14,016)			
Motor vehicle excise in lieu of tax	1,995,707	1,995,707	2,121,675	125,968			
Intergovernmental and grant revenue	1,720,329	1,720,329	1,701,885	(18,444)	\$ 4,085,691	\$ 3,591,083	\$ (494,608)
Town clerk licenses and fees	410,000	410,000	213,208	(196,792)			
Other departmental fines and fees	501,321	501,321	558,379	57,058			
Interest on investments	70,000	70,000	11,190	(58,810)			
Other revenue	344,781	344,781	366,542	21,761	120,000	192,709	72,709
Utilization of surplus	446,000	446,000	446,000	-			
Total revenues	29,776,314	29,776,314	29,693,039	(83,275)	4,205,691	3,783,792	(421,899)
General Government							
Town council	14,730	14,730	14,667	63			
Administrator's office	170,593	170,593	160,502	10,091			
Probate	4,448	4,448	4,181	267			
Town solicitor	183,717	183,717	248,681	(64,964)			
Board of canvassers	11,749	11,749	15,510	(3,761)			
Town clerk's office	171,784	171,784	166,678	5,106			
Zoning board	10,729	10,729	7,217	3,512			
Personnel Board	1	1	-	1			
Juvenile Hearing Board	3,650	3,650	2,186	1,464			
Regional industrial development	9,201	9,201	5,550	3,651			
Conservation commission	782	782	578	204			
Housing Authority	1	1	-	1			
Town hall	7,500	7,500	8,448	(948)			
Plant operations	13,500	13,500	11,994	1,506			
Planning division	141,946	141,946	123,325	18,621			
Printing and advertising	15,000	15,000	12,059	2,941			
Contingency fund	83,568	83,568	60,000	23,568			
Scouters Hall	4,700	4,700	5,370	(670)			
North Smithfield Public Library	342,100	342,100	339,406	2,694			
Historic District commission	1	1	-	1			
Public Safety Commission	1	1	-	1			
Budget Committee	1	1	-	1			
Total general government	1,189,702	1,189,702	1,186,352	3,350	-	-	-

TOWN OF NORTH SMITHFIELD

GENERAL FUND

**SCHEDULE OF REVENUE AND OTHER FINANCING SOURCES, EXPENDITURES AND OTHER FINANCING USES- BUDGET AND ACTUAL - BUDGETARY BASIS
YEAR ENDED JUNE 30, 2009**

	General Fund				Annually Budgeted Special Revenue Fund		
	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)	School Department		
					Budget	Actual on Budgetary Basis	Variance
Financial administration							
Finance office	266,850	266,850	244,280	22,570			
Tax assessor	125,063	125,063	116,870	8,193			
Tax collection	112,718	112,718	106,909	5,809			
Board of review	1	1	0	1			
Insurance	225,000	225,000	198,107	26,893			
Audits and computer service	102,965	102,965	62,790	40,175			
Total financial administration	832,597	832,597	728,956	103,641	-	-	-
Public Works							
Highway department	905,590	905,590	817,183	88,407			
Parks and recreation	163,463	163,463	150,802	12,661			
Tree warden	4,861	4,861	1,839	3,022			
Street lights	160,000	160,000	166,321	(6,321)			
Rubbish disposal	650,000	650,000	603,450	46,550			
Sealer of weights and measures	1	1	0	1			
Total public works	1,883,915	1,883,915	1,739,595	144,320	-	-	-
Public Safety:							
Police Department	2,410,814	2,410,814	2,336,391	74,423			
North Smithfield fire/rescue service	2,351,092	2,351,092	2,287,904	63,188			
Hydrant rental	50,000	50,000	45,615	4,385			
Animal control	72,238	72,238	67,161	5,077			
Civil defense	4,746	4,746	4,317	429			
Inspection division	159,683	159,683	149,424	10,259			
Total public safety	5,048,573	5,048,573	4,890,812	157,761	-	-	-

TOWN OF NORTH SMITHFIELD

GENERAL FUND

SCHEDULE OF REVENUE AND OTHER FINANCING SOURCES, EXPENDITURES AND OTHER FINANCING USES- BUDGET AND ACTUAL - BUDGETARY BASIS
YEAR ENDED JUNE 30, 2009

	General Fund				Annually Budgeted Special Revenue Fund School Department		
	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)	Budget	Actual on Budgetary Basis	Variance
Debt Service	3,587,212	3,587,212	3,540,474	46,738	-	-	-
Fixed charges							
Medical, retirement and other employee benefits	293,171	293,171	365,755	(72,584)	-	-	-
Grants and contributions	55,749	55,749	55,441	308	-	-	-
Transfers to other funds							
Town contribution to school	16,885,395	16,885,395	16,885,395	-	16,885,395	16,885,395	-
Total expenditures	29,776,314	29,776,314	29,392,780	383,534	21,091,086	20,585,551	505,535
Other financing uses						(295,842)	(295,842)
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	300,259	<u>\$ 300,259</u>	<u>\$ -</u>	(212,206)	<u>\$ (212,206)</u>
Adjustments required under generally accepted accounting principles							
Property tax revenue - sixty day rule			222,634				
Prior years property tax revenue- sixty day rule			(142,572)				
Change in encumbrances			(7,378)			7,700	
Utilization of prior year surplus			(446,000)				
			<u>\$ (73,057)</u>			<u>\$ (204,506)</u>	

TOWN OF NORTH SMITHFIELD
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2009

	School Restricted Fund	School Renovations	Governor's Justice Commission Fund	Substance Abuse Donations Fund	Substance Abuse Prevention Council Fund	Park and Recreation Fund	Miscellaneous Revenue Fund
ASSETS							
Cash and cash equivalents		\$ 763	\$ 5,052	\$ 9,130	\$ 9,969	\$ 7,082	\$ 11,402
Other receivables							12,211
Due from federal and state governments	\$ 257,838						12,480
Due from other funds	366,176			6,310	3,895		
TOTAL ASSETS	\$ 624,014	\$ 763	\$ 5,052	\$ 15,440	\$ 13,864	\$ 7,082	\$ 36,093
LIABILITIES							
Accounts payable	124,827						
Accrued expenses	2,183						
Due to federal and state governments							
Due to other funds	212,349			3,895	5,233	11,365	36,067
Deferred revenue			694	5,146	8,631		
TOTAL LIABILITIES	339,359	-	694	9,041	13,864	11,365	36,067
FUND BALANCE							
Capital Projects		763					
Special Revenue	284,655		4,358	6,399		(4,283)	26
Permanent Trusts							
TOTAL FUND BALANCE	\$ 284,655	\$ 763	\$ 4,358	\$ 6,399	\$ -	\$ (4,283)	\$ 26

TOWN OF NORTH SMITHFIELD
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2009

	Project D.A.R.E. <u>Fund</u>	Business Revolving Loan Fund	CDBG <u>Fund</u>	Police Forfeiture <u>Funds</u>	Miscellaneous Police/Fire <u>Funds</u>	EMS <u>Fund</u>	Debt Reserve <u>Fund</u>
ASSETS							
Cash and cash equivalents	\$ 1,439	\$ 53,980	\$ 8,449			\$ 528,291	\$ 152,797
Other receivables				\$ 211			
Due from federal and state governments			35,000				
Due from other funds		263		20	\$ 8,835		
TOTAL ASSETS	\$ 1,439	\$ 54,243	\$ 43,449	\$ 231	\$ 8,835	\$ 528,291	\$ 152,797
LIABILITIES							
Accounts payable						7	
Accrued expenses							
Due to federal and state governments							
Due to other funds			6,828			291,000	2,885
Deferred revenue			13,619				
TOTAL LIABILITIES	-	-	20,447	-	-	291,007	2,885
FUND BALANCE							
Capital Projects							
Special Revenue	1,439	54,243	23,002	231	8,835	237,284	149,912
Permanent Trusts							
TOTAL FUND BALANCE	\$ 1,439	\$ 54,243	\$ 23,002	\$ 231	\$ 8,835	\$ 237,284	\$ 149,912

TOWN OF NORTH SMITHFIELD
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2009

	<u>Record Retention Fund</u>	<u>Michael F. Lovett Scholarship Account</u>	<u>J. Harold Monroe Jr. Scholarship Account</u>	<u>GRAND TOTALS</u>
ASSETS				
Cash and cash equivalents		\$ 3,088	\$ 6,106	\$ 797,548
Other receivables				12,422
Due from federal and state governments				305,318
Due from other funds	\$ 66,254			451,753
TOTAL ASSETS	\$ 66,254	\$ 3,088	\$ 6,106	\$ 1,567,041
LIABILITIES				
Accounts payable				124,834
Accrued expenses				2,183
Due to federal and state governments				-
Due to other funds				569,622
Deferred revenue				28,090
TOTAL LIABILITIES	-	-	-	724,729
FUND BALANCE				
Capital Projects				763
Special Revenue				766,101
Permanent Trusts	66,254	3,088	6,106	75,448
TOTAL FUND BALANCE	\$ 66,254	\$ 3,088	\$ 6,106	\$ 842,312

TOWN OF NORTH SMITHFIELD
**Combining Statement of Revenues other Financing Sources, Expenditures and other Financing Uses and Changes in Fund Balance
 Non-Major Governmental Funds
 For the Year Ended June 30, 2009**

	School Restricted Fund	School Renovations	Governor's Justice Commission Fund	Substance Abuse Donations Fund	Substance Abuse Prevention Council Fund	Park and Recreation Fund	Miscellaneous Revenue Fund
REVENUES:							
Interest and investment income		\$ 3	\$ 62	\$ 54	\$ 28	\$ 47	\$ 21
Intergovernmental	\$ 1,230,765		42,026		22,456		
Other	273,537			\$ 16,265		26,419	25,370
TOTAL REVENUES	1,504,302	3	42,088	16,319	22,484	26,466	25,391
EXPENDITURES:							
Public services			42,088	16,318	22,484	29,488	
Education	1,496,264						
Capital outlays	82,005						
Other							26,828
TOTAL EXPENDITURES	1,578,269	-	42,088	16,318	22,484	29,488	26,828
Excess of revenue over(under) expenditures before transfers	(73,967)	3	-	1	-	(3,022)	(1,437)
Other financing sources (uses):							
Transfers in							
Transfers out	(3,158)						
Notes proceeds							
Proceeds from capital lease							
Net other financing sources (uses)	(3,158)	-	-	-	-	-	-
Excess of revenues and other sources over (under) expenditures and other uses	(77,125)	3	-	1	-	(3,022)	(1,437)
FUND BALANCE, BEGINNING OF YEAR	361,780	760	4,358	6,398	-	(1,261)	1,463
FUND BALANCE, END OF YEAR	\$ 284,655	\$ 763	\$ 4,358	\$ 6,399	\$ -	\$ (4,283)	\$ 26

TOWN OF NORTH SMITHFIELD**Combining Statement of Revenues other Financing Sources, Expenditures and other Financing Uses and Changes in Fund Balance
Non-Major Governmental Funds
For the Year Ended June 30, 2009**

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	Project D.A.R.E. Fund	Business Revolving Loan Fund	CDBG Fund	Police Forfeiture Funds	Miscellaneous Police/Fire Funds	EMS Fund	Debt Reserve Fund
REVENUES:							
Interest and investment income	\$ 8	\$ 170	\$ 75			\$ 3,234	\$ 371
Intergovernmental			51,537				
Other	-					372,336	
TOTAL REVENUES	8	170	51,612	-	-	375,570	371
EXPENDITURES:							
Public services	1,156						29,040
Education						25,402	
Capital outlays						130,702	
Other		2,999	51,611				
TOTAL EXPENDITURES	1,156	2,999	51,611	-	-	156,104	29,040
Excess of revenue over(under) expenditures before transfers	(1,148)	(2,829)	1	-	-	219,466	(28,669)
Other financing sources (uses):							
Transfers in							60,000
Transfers out						(291,000)	
Notes proceeds							
Proceeds from capital lease							
Net other financing sources (uses)	-	-	-	-	-	(291,000)	60,000
Excess of revenues and other sources over (under) expenditures and other uses	(1,148)	(2,829)	1	-	-	(71,534)	31,331
FUND BALANCE, BEGINNING OF YEAR	2,587	57,072	23,001	231	8,835	308,818	118,581
FUND BALANCE, END OF YEAR	\$ 1,439	\$ 54,243	\$ 23,002	\$ 231	\$ 8,835	\$ 237,284	\$ 149,912

TOWN OF NORTH SMITHFIELD**Combining Statement of Revenues other Financing Sources, Expenditures and other Financing Uses and Changes in Fund Balance****Non-Major Governmental Funds****For the Year Ended June 30, 2009**

F - 2

	Record Retention Fund	Michael F. Lovett Scholarship Account	J. Harold Monroe Jr. Scholarship Account	GRAND TOTALS
REVENUES:				
Interest and investment income		\$ 9	\$ 11	\$ 4,093
Intergovernmental				1,346,784
Other	\$ 60,895	2,897	5,535	783,254
TOTAL REVENUES	60,895	2,906	5,546	2,134,131
EXPENDITURES:				
Public services				140,574
Education				1,496,264
Capital outlays				107,407
Other	25,379	3,000	1,000	241,519
TOTAL EXPENDITURES	25,379	3,000	1,000	1,985,764
Excess of revenue over(under) expenditures before transfers	35,516	(94)	4,546	148,367
Other financing sources (uses):				
Transfers in				60,000
Transfers out				(294,158)
Notes proceeds				
Proceeds from capital lease				-
Net other financing sources (uses)	-	-	-	(234,158)
Excess of revenues and other sources over (under) expenditures and other uses	35,516	(94)	4,546	(85,791)
FUND BALANCE, BEGINNING OF YEAR	30,738	3,182	1,560	928,103
FUND BALANCE, END OF YEAR	\$ 66,254	\$ 3,088	\$ 6,106	\$ 842,312

TOWN OF NORTH SMITHFIELD**Statement of Changes in Assets and Liabilities
Agency Funds
For the year ended June 30, 2009**

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Harkness Road Escrow</u>				
<u>ASSET</u>				
Cash and cash equivalents	\$ 6,642			\$ 6,642
<u>LIABILITY</u>				
Deposits Held in Custody for Others	\$ 6,642			\$ 6,642
<u>Subdivision Bond Account</u>				
<u>ASSET</u>				
Cash and cash equivalents	\$ 15,344	\$ 46		\$ 15,390
<u>LIABILITY</u>				
Deposits Held in Custody for Others	\$ 15,344	\$ 46		\$ 15,390
<u>Police Uniforms</u>				
<u>ASSET</u>				
Cash and cash equivalents	\$ 444	\$ 1		\$ 445
<u>LIABILITY</u>				
Deposits Held in Custody for Others	\$ 444	\$ 1		\$ 445
<u>Junior/Senior High School Fund</u>				
<u>ASSET</u>				
Cash and cash equivalents	\$ 148,062	\$ 323,342	\$ 307,228	\$ 164,176
Other receivables	12,543	13,539	12,543	13,539
	<u>\$ 160,605</u>	<u>\$ 336,881</u>	<u>\$ 319,771</u>	<u>\$ 177,715</u>
<u>LIABILITY</u>				
Deposits Held in Custody for Others	\$ 160,605	\$ 336,881	\$ 319,771	\$ 177,715
<u>Halliwell School Fund</u>				
<u>ASSET</u>				
Cash and cash equivalents	\$ 6,835	\$ 24,120	\$ 23,308	\$ 7,647
<u>LIABILITY</u>				
Deposits Held in Custody for Others	\$ 6,835	\$ 24,120	\$ 23,308	\$ 7,647

TOWN OF NORTH SMITFIELD**Statement of Changes in Assets and Liabilities
Agency Funds
For the year ended June 30, 2009**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<u>Athletic Account</u>				
<u>ASSET</u>				
Cash and cash equivalents	\$ 10,811	\$ 55,755	\$ 62,937	\$ 3,629
<u>LIABILITY</u>				
Deposits Held in Custody for Others	\$ 10,811	\$ 55,755	\$ 62,937	\$ 3,629
<u>Elementary School Fund</u>				
<u>ASSET</u>				
Cash and cash equivalents	\$ 7,463	\$ 36,783	\$ 30,234	\$ 14,012
<u>LIABILITY</u>				
Deposits Held in Custody for Others	\$ 7,463	\$ 36,783	\$ 30,234	\$ 14,012
<u>TOTAL AGENCY FUNDS</u>				
<u>ASSET</u>				
Cash	\$ 195,601	\$ 440,047	\$ 423,707	\$ 211,941
Other receivables	12,543	13,539	12,543	13,539
TOTAL ASSETS	\$ 208,144	\$ 453,586	\$ 436,250	\$ 225,480
<u>LIABILITY</u>				
Deposits Held in Custody for Others	\$ 208,144	\$ 453,586	\$ 436,250	\$ 225,480
TOTAL LIABILITIES	\$ 208,144	\$ 453,586	\$ 436,250	\$ 225,480

TOWN OF NORTH SMITHFIELD

**SCHEDULE OF PROPERTY TAXES RECEIVABLE
YEAR ENDED JUNE 30, 2009**

<u>Year</u>	<u>Balance Uncollected July 1, 2008</u>	<u>2008 Assessment</u>	<u>Additions</u>	<u>Abatements & Adjustments</u>	<u>Amount to be Collected</u>	<u>Current Year Collections</u>	<u>Balance June 30, 2009</u>
2008	\$ -	\$24,190,127	\$ 269,613	\$ 297,255	\$ 24,162,485	\$ 23,680,445	482,040
2007	386,670		2,122	(40,710)	429,502	326,311	103,191
2006	80,948			28,341	52,607	19,256	33,351
2005	86,282			25,549	60,733	8,007	52,726
2004	67,576			25,780	41,796	2,293	39,503
2003	65,468			25,466	40,002	415	39,587
2002	54,487			25,125	29,362	434	28,928
2001	44,473			13,222	31,251	15,040	16,211
2000	41,350				41,350	25,158	16,192
1999	42,122				42,122	21,592	20,530
1998	85,492			(738)	86,230	40,769	45,461
Total	954,868	\$24,190,127	\$ 271,735	\$ 399,290	\$ 25,017,440	\$ 24,139,720	877,720
Less: Allowance for Uncollectible accounts	(350,000)						(100,000)
Net	\$ 604,868						\$ 777,720

Schedule of property valuation assessed as of December 31, 2007:

Real estate	\$ 1,485,244,889
Tangibles	49,867,500
Motor vehicles	105,462,248
Less: exemptions	(30,821,018)
State phase out	(47,934,841)
	<u>\$ 1,561,818,778</u>