

THE TOWN OF NORTH SMITHFIELD, RHODE ISLAND

**BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2010**

TOWN OF NORTH SMITHFIELD

YEAR ENDED JUNE 30, 2010

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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, 2010, 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 23 percent and 16 percent, respectively, of the assets and revenues of the governmental activities, 14 percent of the revenues of the business-type activities, 100 percent of the assets and revenues of the School unrestricted fund and 94 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, based on our audit and the report of the other auditors, 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, 2010, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Newton

Taunton

Concord

The Management's Discussion and Analysis, Schedule of Funding Progress, and Budgetary Comparison Schedule on pages 3 through 8 and 48 through 51 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We and other auditors 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 by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the report of the other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Braver PC". The signature is written in a cursive, flowing style.

Providence, Rhode Island
January 31, 2011

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, 2010. 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 \$34,903,002 at the close of 2010.

	Governmental Activities	Business Activities	Total
Beginning net assets, as restated	\$22,856,922	\$10,464,273	\$33,321,195
Increase	<u>608,984</u>	<u>972,823</u>	<u>1,581,807</u>
Ending net assets	<u>23,456,906</u>	<u>11,437,096</u>	<u>\$34,903,002</u>

The foregoing reflects an increase of 2.66% for governmental activities and an increase of 9.30% for business-type activities, when compared to June 30, 2009 amounts.

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.

	Governmental Activities		Business-type Activities		Total		Percentage Change 2009-10
	2009	2010	2009	2010	2009	2010	
Current and other assets	\$ 7,611,516	\$ 6,918,326	\$ 6,039,698	\$ 10,490,810	\$ 13,651,214	\$ 17,409,136	27.53%
Capital Asssets	55,388,661	54,235,594	16,339,476	17,089,090	71,728,137	71,324,684	-0.56%
Total Assets	63,000,177	61,153,920	22,379,174	27,579,900	85,379,351	88,733,820	3.93%
Long-term debt	38,003,695	36,019,973	8,322,738	10,015,696	46,326,433	46,035,669	-0.63%
Other liabilities	2,139,560	1,668,041	3,592,163	6,126,571	5,731,723	7,794,612	35.99%
Total Liabilities	40,143,255	37,688,014	11,914,901	16,142,267	52,058,156	53,830,281	3.40%
Net Assets							
Invested in capital assets	18,357,699	19,529,641	8,016,738	7,073,394	26,374,437	26,603,035	0.87%
Restricted for specific programs	1,779,285	1,099,716			1,779,285	1,099,716	-38.19%
Restricted for permanent trusts	75,448	70,157			75,448	70,157	-7.01%
Unrestricted	2,644,490	2,766,392	2,447,535	4,363,702	5,092,025	7,130,094	40.02%
Total net assets	\$ 22,856,922	\$ 23,465,906	\$ 10,464,273	\$ 11,437,096	\$ 33,321,195	\$ 34,903,002	4.75%

	2009		2010		2009		2010		Percentage Change 2007-08
Revenues:									
Program revenues -									
Charges for services	480,587	598,683	2,428,963	2,748,099	\$ 2,909,550	\$ 3,346,782		15.03%	
Operating grants	5,999,931	6,201,599	106,845	118,805	6,106,776	6,320,404		3.50%	
Capital grants	88,136	0		0	88,136	0		-100.00%	
General revenues -									
Property taxes	24,447,011	25,484,833			24,447,011	25,484,833		4.25%	
Motor vehicle excise in lieu of tax	2,121,675	1,882,872			2,121,675	1,882,872		-11.26%	
Grants	1,477,885	1,504,771			1,477,885	1,504,771		1.82%	
Investment earnings	58,715	5,529	34,740	34,740	93,455	40,269		-56.91%	
Proceeds from long term debt					0	0			
Miscellaneous	1,351,052	847,167	275,996	775,418	1,627,048	1,622,585		-0.27%	
Loss on abandonment of water project			0		0	0			
Transfer to primary government		(39,628)	0	39,628	0	0			
Total revenues	\$ 36,024,992	\$ 36,485,826	\$ 2,846,544	\$ 3,716,690	\$ 38,871,536	\$ 40,202,516		3.42%	
Expenditures:									
General Government	1,383,931	1,241,435			1,383,931	1,241,435		-10.30%	
Public services	650,727	173,091			650,727	173,091		-73.40%	
Financial administration	736,334	692,692			736,334	692,692		-5.93%	
Public safety	5,168,221	5,485,785			5,168,221	5,485,785		6.14%	
Public works	2,075,969	2,002,662			2,075,969	2,002,662		-3.53%	
School lunch fund			484,828	470,988	484,828	470,988		-2.85%	
Water fund			433,579	414,227	433,579	414,227		-4.46%	
Sewer fund			1,825,618	1,858,652	1,825,618	1,858,652		1.81%	
Education	23,034,338	23,844,410			23,034,338	23,844,410		3.52%	
Debt service	1,711,950	1,599,126			1,711,950	1,599,126		-6.59%	
Capital and special appropriations	138,310	415,971			138,310	415,971		200.75%	
Other expenditures	662,715	421,670			662,715	421,670		-36.37%	
Total expenditures	\$ 35,562,495	\$ 35,876,842	\$ 2,744,025	\$ 2,743,867	\$ 38,306,520	\$ 38,620,709		0.82%	
Transfers	(75,000)		\$ 75,000						
Increase/decrease in net assets	\$ 387,497	\$ 608,984	\$ 177,519	\$ 972,823	\$ 565,016	\$ 1,581,807		179.96%	
Net assets, beginning of year	22,469,425	22,856,922	10,286,754	10,464,273	32,756,179	33,321,195		1.72%	
Net assets, end of year	\$ 22,856,922	\$ 23,465,906	\$ 10,464,273	\$ 11,437,096	\$ 33,321,195	\$ 34,903,002		4.75%	

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 \$972,823 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, 2010, the Town of North Smithfield's governmental funds reported combined ending balances of \$4,916,900.

The General Fund and School Unrestricted Fund are the chief operating funds of the Town of North Smithfield. As of June 30, 2010, the total fund balance of the general fund was \$3,048,598 of which \$2,739,358 was unreserved. This unreserved fund balance represents approximately 7.64 percent of total general fund expenditures. Of this total fund balance, \$309,240 was designated or restricted.

As of June 30, 2010, the fund balance of the School Unrestricted Fund was \$698,429 of which \$0 was unreserved and undesignated, and \$504,641 was reserved for encumbrances & \$193,788 was reserved for other expenditures. The unreserved fund balance of the school department represents 0 percent of the school department's 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 \$344,918 lower than budgeted revenues for the fiscal year. Property taxes were \$202,978 or .80% lower than budgeted. Expenditures were below appropriations in total by \$275,094.

Capital Asset and Debt Administration

Capital Assets

At the end of June 30, 2010, the Town had \$54.2 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 \$34.46 million in outstanding bond principal and \$15.9 million of bonded interest. The business-type funds had \$9.71 million of bonded principal with \$1.86 million of interest.

Economic Factors and Next Year's Budgets and Rates

The budget for fiscal year 2010-2011 is \$33,075,384 a decrease of \$1,117,684. Education, at \$20,618,255 is a decrease of \$472,835 of which, the town appropriation was reduced by \$317,579 & state aid was reduced by \$155,256. The municipal budget therefore represents spending of \$12,457,129.

For the fiscal year 2009-2010, the tax rate was broken down into three tiers residential, commercial and personnel property, with rates of \$13.71, \$17.34 and \$41.00, respectively. The breakdown consists of 28.95% for municipal and 71.05% for education. For the fiscal year 2010-2011, the tax rate was broken down into three tiers residential, commercial and personnel property, with rates of \$15.32, \$17.65 and \$43.00, respectively. The breakdown consists of 28.99% for municipal and 71.01% 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.

Brian M. Silvia
Finance Director

TOWN OF NORTH SMITHFIELD

A - 1

**Statement of Net Assets
June 30, 2010**

	Governmental Activities	Business-type Activities	Total
ASSETS			
<i>Current Assets:</i>			
Cash and cash equivalents	\$ 5,353,821	\$ 3,343,017	\$ 8,696,838
Accounts receivable, net	983,961	154,565	1,138,526
Assessments receivable (current)		539,853	539,853
Other receivables	121,958		121,958
Due from federal and state governments	756,104	954,425	1,710,529
Internal balances	(297,518)	297,518	
Total Current Assets	6,918,326	5,289,378	12,207,704
<i>Noncurrent</i>			
Capital assets (non-depreciable)	7,953,096	54,567	8,007,663
Capital assets (net of depreciation)	46,282,498	17,034,523	63,317,021
Assessments receivable (noncurrent)		5,201,432	5,201,432
Total Non-Current Assets	54,235,594	22,290,522	76,526,116
TOTAL ASSETS	61,153,920	27,579,900	88,733,820
LIABILITIES			
<i>Current Liabilities:</i>			
Accounts payable	753,676	251,067	1,004,743
Accrued interest payable	256,337	122,929	379,266
Accrued expenses	522,964		522,964
Deferred revenue	8,547	12,448	20,995
Claims payable	85,000		85,000
Current portion of long-term debt	1,759,357	808,575	2,567,932
Total Current Liabilities	3,385,881	1,195,019	4,580,900
<i>Noncurrent Liabilities:</i>			
Deferred revenue	41,517	5,740,665	5,782,182
Long-term liabilities (net)	34,260,616	9,207,121	43,467,737
TOTAL LIABILITIES	37,688,014	16,142,805	53,830,819
NET ASSETS			
Invested in capital assets, net of related debt	19,529,641	7,073,394	26,603,035
Restricted for specific programs	1,099,716		1,099,716
Restricted for permanent trusts:			
Expendable	70,157		70,157
Unrestricted	2,766,392	4,363,701	7,130,093
TOTAL NET ASSETS	\$ 23,465,906	\$ 11,437,095	\$ 34,903,001

TOWN OF NORTH SMITHFIELD

**Statement of Activities
For the year ended June 30, 2010**

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	\$ 1,241,435	\$ 413,464	\$ 8,178		\$ (819,793)		\$ (819,793)
Financial administration	692,692				(692,692)		(692,692)
Public safety	5,485,785	185,219	4,295		(5,296,271)		(5,296,271)
Public works	2,002,662				(2,002,662)		(2,002,662)
Public services	173,091		19,273		(153,818)		(153,818)
Education	23,844,410		6,169,853		(17,674,557)		(17,674,557)
Other expenses	421,670				(421,670)		(421,670)
Interest on long term debt	1,599,126				(1,599,126)		(1,599,126)
Capital and special appropriations	415,971				(415,971)		(415,971)
Total governmental activities	35,876,842	598,683	6,201,599		(29,076,560)		(29,076,560)
Business-type activity:							
School lunch fund	\$ 470,988	\$ 295,143	\$ 118,805		\$ (57,040)		\$ (57,040)
Water fund	414,227	454,380			40,153		40,153
Sewer fund	1,858,653	1,998,576			139,923		139,923
Total business type activity	2,743,868	2,748,099	118,805		123,036		123,036
Totals	\$ 38,620,710	\$ 3,346,782	\$ 6,320,404		(29,076,560)	123,036	(28,953,524)
General revenues:							
Property taxes					25,484,833		25,484,833
Motor vehicle excise in lieu of tax					1,882,872		1,882,872
Grants and contributions not restricted to specific programs					1,504,771		1,504,771
Investment earnings					5,529	34,740	40,269
Miscellaneous					847,167	775,418	1,622,585
Transfers					(39,628)	39,628	
Total general revenues					29,685,544	849,786	30,535,330
Change in net Assets					608,984	972,822	1,581,806
Net Assets - beginning					22,856,922	10,464,273	33,321,195
Net Assets - ending					\$ 23,465,906	\$ 11,437,095	\$ 34,903,001

See Notes to Financial Statements

TOWN OF NORTH SMITHFIELD

Balance Sheet
Governmental Funds
June 30, 2010

	General Fund	School Unrestricted Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:					
Cash and cash equivalents	\$ 3,570,953	\$ 853,220	\$ 547,376	\$ 382,272	\$ 5,353,821
Accounts receivable, net	983,961				983,961
Due from federal and state governments		145,812		610,292	756,104
Other receivables	30,152			91,806	121,958
Due from other funds	145,628	584,518	241,003	167,231	1,138,380
TOTAL ASSETS	\$ 4,730,694	\$ 1,583,550	\$ 788,379	\$ 1,251,601	\$ 8,354,224
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 234,917	\$ 434,635	\$ 45	\$ 84,079	\$ 753,676
Accrued expenses	146,696	371,308		4,960	522,964
Due to other funds	623,732	79,178	82,849	650,139	1,435,898
Deferred revenue	676,751			48,035	724,786
TOTAL LIABILITIES	1,682,096	885,121	82,894	787,213	3,437,324
FUND BALANCES:					
Reserved for:					
Property taxes to be appropriated in subsequent year	309,240				309,240
Encumbrances		504,641			504,641
Unreserved:					
Designated for:					
Other expenditures	451,954	193,788			645,742
Undesignated, reported in:					
General fund	2,287,404				2,287,404
Special revenue funds				393,467	393,467
Capital project fund			705,485	764	706,249
Permanent trust funds				70,157	70,157
TOTAL FUND BALANCES	3,048,598	698,429	705,485	464,388	4,916,900
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,730,694	\$ 1,583,550	\$ 788,379	\$ 1,251,601	

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	54,235,594
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	(36,104,973)
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	674,722
Accrued interest on long-term liabilities have been included in the governmental activities in the Statement of Net Assets	(256,337)
Net Assets of governmental activities	<u>\$ 23,465,906</u>

TOWN OF NORTH SMITHFIELD

B - 2

**Statement of Revenues, Other financing sources
Expenditures, Other financing uses and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2010**

	General Fund	School Unrestricted Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
General property taxes	\$ 25,365,197				\$ 25,365,197
Motor vehicle excise in lieu of tax	1,882,872				1,882,872
Licenses, fines and fees	598,683				598,683
Interest and investment income	4,369		\$ 878	\$ 282	5,529
Intergovernmental	1,504,771	\$ 4,758,149		1,443,450	7,706,370
Other revenues	82,235	64,340	3,609	558,807	708,991
Total revenues	29,438,127	4,822,489	4,487	2,002,539	36,267,642
Expenditures					
<i>Current:</i>					
General government	1,104,149		30,237		1,134,386
Financial administration	692,692				692,692
Public safety	5,065,622				5,065,622
Public works	1,631,839				1,631,839
Public services					1,631,839
Education		21,333,471		122,354	122,354
Other expenditures	328,889		104	1,344,180	22,677,651
<i>Debt Service:</i>				92,677	421,670
Principal, interest and other costs	3,902,753				3,902,753
<i>Capital:</i>					
Capital and special appropriations		423,958	214,858	412,654	1,051,470
Total expenditures	12,725,944	21,757,429	245,199	1,971,865	36,700,437
Excess of revenues over (under) expenditures before other financing sources (uses)	16,712,183	(16,934,940)	(240,712)	30,674	(432,795)
Other financing sources/uses					
Transfers in	291,000	17,103,998		101,000	17,495,998
Transfers out	(16,986,400)	(39,628)		(509,598)	(17,535,626)
Net other sources/uses	(16,695,400)	17,064,370		(408,598)	(39,628)
Net change in fund balance	16,783	129,430	(240,712)	(377,924)	(472,423)
Fund balance - beginning of the year	3,031,815	568,999	946,197	842,312	5,389,323
Fund balance - end of the year	\$ 3,048,598	\$ 698,429	\$ 705,485	\$ 464,388	\$ 4,916,900

See Notes to Financial Statements

TOWN OF NORTH SMITHFIELD

B - 3

*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, 2010*

Net change in fund balances - total governmental funds (B-2)	\$ (472,423)
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	(1,153,067)
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.	1,898,722
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	138,176
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds	119,636
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>77,940</u>
Change in Net Assets of Governmental Activities in the Statement of Activities (A-2)	<u>\$ 608,984</u>

Statement of Net Assets
Proprietary Funds
June 30, 2010

	Business-type Activities Enterprise Funds			Total
	Water Fund	Sewer Fund	School Lunch Fund	
ASSETS				
<i>Current assets:</i>				
Cash and cash equivalents	\$ 101,991	\$ 3,241,026		\$ 3,343,017
Accounts receivable	59,778	94,787		154,565
Due from other funds	42,921	255,650		298,571
Due from other governmental units		944,870	9,755	954,425
Assessments receivable (current)		539,853		539,853
Total current assets	204,690	5,075,986	9,755	5,290,431
<i>Capital assets (net)</i>				
	2,683,966	14,397,221	7,903	17,089,090
<i>Other assets:</i>				
Assessments receivable (noncurrent)		5,201,432		5,201,432
Total other assets		5,201,432		5,201,432
TOTAL ASSETS	2,888,656	24,674,639	17,658	27,580,953
LIABILITIES				
<i>Current liabilities:</i>				
Accounts payable	2,684	241,145	7,238	251,067
Accrued expenses	53,767	67,698	1,464	122,929
Deferred revenue		12,448		12,448
Due to other funds			1,053	1,053
Current portion of long term debt	102,720	705,705		808,425
Total current liabilities	159,171	1,026,996	9,755	1,195,922
<i>Non-current liabilities:</i>				
Deferred revenue	-	5,740,665		5,740,665
Long term debt	1,853,529	7,353,742		9,207,271
Total long-term debt	1,853,529	13,094,407		14,947,936
TOTAL LIABILITIES	2,012,700	14,121,403	9,755	16,143,858
NET ASSETS				
Invested in capital assets, net of related debt	727,717	6,337,774	7,903	7,073,394
Unrestricted (deficit)	148,239	4,215,462		4,363,701
TOTAL NET ASSETS	\$ 875,956	\$ 10,553,236	\$ 7,903	\$ 11,437,095

TOWN OF NORTH SMITHFIELD

*Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Fund
For the year ended June 30, 2010*

	Business-type Activities Enterprise Funds			Total
	Water Fund	Sewer Fund	School Lunch Fund	
Operating Revenues:				
User fees and assessments	\$ 454,380	\$ 1,998,576		\$ 2,452,956
Intergovernmental			\$ 118,805	118,805
Other			295,143	295,143
Total operating revenues	454,380	1,998,576	413,948	2,866,904
Operating Expenses:				
Personnel services	25,508	151,565	205,202	382,275
Maintenance and servicing	184,333	54,926		239,259
Operating supplies	72	14,187	262,786	277,045
Fixed and general charges	26,278	803,281		829,559
Depreciation	75,140	676,231	3,000	754,371
Total operating Expenses	311,331	1,700,190	470,988	2,482,509
Income (loss) from operations	143,049	298,386	(57,040)	384,395
Non-operating revenues (expenses):				
Interest and miscellaneous income	586,940	223,218		810,158
Interest expense	(102,896)	(158,463)		(261,359)
Total non-operating revenues (expenses)	484,044	64,755	-	548,799
Transfer in			39,628	39,628
Change in net assets	627,093	363,141	(17,412)	972,822
Net assets - beginning of the year	248,863	10,190,095	25,315	10,464,273
Net assets - end of the year	\$ 875,956	\$ 10,553,236	\$ 7,903	\$ 11,437,095

TOWN OF NORTH SMITHFIELD

Statement of Cash Flows
Proprietary Fund
For the year ended June 30, 2010

	Business-type Activities			Total
	Enterprise Funds			
	Water Fund	Sewer Fund	School Lunch Fund	
Cash flows from operating activities:				
Cash received from customers	\$ 68,156	\$ 1,849,887	\$ 295,143	\$ 2,213,186
Intergovernmental			143,959	143,959
Cash paid to employees	(25,508)	(151,565)	(205,202)	(382,275)
Cash payments to suppliers for goods and services	(210,177)	(1,141,741)	(273,528)	(1,625,446)
Net cash provided (used) by operating activities	(167,529)	556,581	(39,628)	349,424
Cash flows from noncapital financing activities:				
Change in inter-fund loans	(107,494)			(107,494)
Intergovernmental		(896,360)	39,628	(856,732)
Miscellaneous income	586,260	207,128		793,388
Net cash provided by non-capital financing activities	478,766	(689,232)	39,628	(170,838)
Cash flows from capital-related financing activities:				
Acquisition and construction of capital assets		(1,503,985)		(1,503,985)
Issuance of debt		2,377,631		2,377,631
Principal paid on bonds and loans	(107,943)	(576,730)		(684,673)
Interest paid on bonds and loans	(102,896)	(158,463)		(261,359)
Net cash used for capital-related financing activities	(210,839)	138,453		(72,386)
Cash flows from investing activities:				
Interest and dividends on investments	679	16,090		16,769
Net cash provided by investing activities	679	16,090		16,769
Net increase in cash	101,077	21,892		122,969
Cash and cash equivalents, beginning of the year	914	3,219,134		3,220,048
Cash and cash equivalents, end of the year	\$ 101,991	\$ 3,241,026		\$ 3,343,017
Reconciliation of net income to net cash provided by operating activities:				
Income (loss) from operations	\$ 143,049	\$ 298,386	\$ (57,040)	\$ 384,395
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation and amortization	75,140	676,231	3,000	754,371
Changes in assets and liabilities:				
Decrease (increase) in accounts receivable	19,069	(30,391)		(11,322)
Decrease (Increase) in due from other funds		86,119	24,779	110,898
Decrease in assessments receivable		(3,424,240)		(3,424,240)
Increase in due from other governmental units			375	375
Increase (decrease) in deferred revenue	(405,293)	3,305,942		2,900,649
Increase (decrease) in accrued expenses	78	(481,965)	(2,014)	(483,901)
Increase (decrease) in accounts payable	428	126,499	(8,728)	118,199
Total adjustments	(310,578)	258,195	17,412	(34,971)
Net cash provided (used) by operating activities	\$ (167,529)	\$ 556,581	\$ (39,628)	\$ 349,424

See Notes to Financial Statements

TOWN OF NORTH SMITHFIELD

*Statement of Net Assets
Fiduciary Funds
June 30, 2010*

	Private Purpose Trust Buxton Family Association	Agency Funds
<u>ASSETS</u>		
Cash	\$ 790	\$ 242,567
Other receivable		12,511
<u>TOTAL ASSETS</u>	<u>790</u>	<u>255,078</u>
<u>LIABILITIES</u>	<u>-</u>	<u>\$ 255,078</u>
<u>NET ASSETS</u>		
Held in Trust for private purposes	<u>\$ 790</u>	<u>-</u>

See Notes to Financial Statements

TOWN OF NORTH SMITHFIELD

D - 2

*Statement of Changes in Net Assets
Fiduciary Funds
For the year ended June 30, 2010*

	<u>Private Purpose Trust Buxton Family Association</u>
ADDITIONS:	
Investment income	\$ 1
CHANGE IN NET ASSETS	<u>1</u>
Net ASSETS - BEGINING	789
Net ASSETS - ENDING	<u><u>\$ 790</u></u>

See Notes to Financial Statements

TOWN OF NORTH SMITHFIELD, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

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. 39. Under GASB Statement No. 39, 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, 2010

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Reporting Entity (Continued)

The following entities were considered for classification as component units for fiscal year 2010:

- * 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. 51 – Accounting and Financial Reporting for Intangible Assets and GASB Statement No. 53 – Accounting and Financial Reporting for Derivative Instruments, effective for the Town's fiscal year ending June 30, 2010. The implementation of these pronouncements 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. 58 – Accounting and Financial Reporting for Chapter 9 Bankruptcies, effective for the Town's fiscal year ending June 30, 2011.
- ✓ 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. 59 – Financial Instruments Omnibus, effective for the Town's fiscal year ending June 30, 2011.

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, 2010

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, 2010

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 eight 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
- Middle 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 projects fund
Proprietary:	See above for description
Special Revenue:	See above for description
School Unrestricted:	School operating funds

(CONTINUED)

TOWN OF NORTH SMITHFIELD, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

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:

Police Uniforms, 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, 2010

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 \$1,400 in unsecured petty cash. The State of Rhode Island requires that certain uninsured deposits be collateralized. Section 35-10.1-7 of the General Laws of the State of Rhode Island, dealing with the collateralization of public deposits, requires that all time deposits with maturities of greater than 60 days and all deposits in institutions that do not meet the minimum capital requirements of its Federal regulator must be collateralized.

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, 2010**

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, 2010. 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.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in certain governmental funds. Open encumbrances are reported as reservations of fund balances. Encumbrances do not constitute expenditures or liabilities under generally accepted accounting principles. (See note 2 for budgetary reporting of encumbrances).

(CONTINUED)

TOWN OF NORTH SMITHFIELD, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

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, 2010

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 \$16,986,400 for the year, representing \$16,885,400 for the general fund's transfer to the school department and \$101,000 to the debt reserve fund. Interfund transfers to the general fund was \$291,000 from the EMS fund.

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.

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.

(CONTINUED)

TOWN OF NORTH SMITHFIELD, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Equity Classifications (Continued)

Government-Wide Statements (Continued)

- (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.
- (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.

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 \$36,104,973 difference are as follows:

Bonds payable	\$ 33,760,000
Compensated Absences	833,215
Net OPEB liability	722,770
Claims payable	85,000
Capital leases payable	<u>703,988</u>
Total	<u><u>\$ 36,104,973</u></u>

(CONTINUED)

TOWN OF NORTH SMITHFIELD, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 \$(1,153,067) difference are as follows:

Capital outlays (net of disposals).....	\$635,499
Depreciation expense.....	<u>(1,788,566)</u>
Net adjustment.....	<u>\$ (1,153,067)</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 \$1,898,722 difference are as follows:

Increase in other long term liabilities	(326,965)
Principal repayments	<u>2,225,687</u>
Net adjustment.....	<u>\$ 1,898,722</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 \$119,636 difference are as follows:

Deferred revenue - beginning	\$(555,086)
Deferred revenue – ending	<u>674,722</u>
Net difference	<u>\$ 119,636</u>

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.

(CONTINUED)

TOWN OF NORTH SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

2. BUDGETARY AND LEGAL COMPLIANCE (Continued)

Excess of Expenditures Over Appropriations

For the year ended June 30, 2010, expenditures exceeded budget at the department level as follows:

<u>Department</u>	<u>Excess</u>
Town council	\$34
Board of canvassers.....	109
Town Clerks office.....	3,687
Street lights.....	81,019
Police department	77,562
Animal Control.....	2,632

3. RECEIVABLES

Taxes are assessed each December 31, with the exception of new construction, and the levy thereon may be paid in full on or before August 15, or quarterly, on or before August 15, October 15, January 15, and April 15, without penalty, at the taxpayer's option. A 12% annual interest penalty is imposed on all overdue taxes.

Unpaid property taxes at June 30, 2010, include delinquent installments of the current and prior years. The Town does not record interest earned on delinquent taxes until payment is received.

Net property taxes levied for the fiscal year 2010 were based on an assessed value of approximately \$1,580,346,079 at December 31, 2008 and amounted to approximately \$25,090,079. Total collections through June 30, 2010, on the 2009 tax levy, amounted to approximately \$25,072,568, which represents approximately 99.9% of the net tax levy. Total collections including 60-day receipts (applicable to the 2009 tax levy) amounted to approximately \$25,365,197, which represents approximately 101% of net tax levy.

The Town recognizes property tax revenues in accordance with Section P70, "Property Taxes" of the Codification of Governmental Accounting and Financial Reporting Standards on the Fund statements. Unpaid property taxes \$983,961 as of June 30, 2010 are recorded as a receivable, net of an allowance for uncollectible property taxes of \$100,000. Those property taxes receivable, which were not collected within the 60 days immediately following June 30, 2010, are recorded as deferred revenue, net of the allowance of \$100,000 and amounted to \$674,722 at June 30, 2010. Property taxes recognized as revenue for the fiscal year ended June 30, 2010 (due to their collection within the 60 days immediately following June 30, 2010) amounted to \$292,629.

The allowance for uncollectible accounts is based on that portion of current and delinquent tax receivable, which is estimated to be doubtful of collection. This provision does not constitute an abandonment of claim or the cessation of collection effort.

(CONTINUED)

TOWN OF NORTH SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

3. RECEIVABLE (Continued)

Receivables at June 30, 2010 consisted of the following:

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Business-type Activities</u>	<u>Total</u>
Receivables:				
2009 tax year	\$622,204			622,204
2008 and prior years	461,757			461,757
Accounts			\$154,565	154,565
Miscellaneous	30,152	\$91,806		121,958
Gross receivables	1,114,113	91,806	154,565	1,360,484
Less: allowance for uncollectibles	(100,000)	0	0	(100,000)
Total receivables	<u>\$1,014,113</u>	<u>\$91,806</u>	<u>\$154,565</u>	<u>\$1,260,484</u>

4. DEPOSITS AND INVESTMENTS

(a) Deposits

The Town maintains deposits at local financial institutions. At year end, the carrying amount of such deposits was \$8,938,795, while the bank balance was \$9,847,901 of which \$1,046,264 was covered by federal depository insurance. Of the remaining balance, \$7,394,381 was collateralized and \$1,406,256 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, 2010.

(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. 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. As of June 30, 2010 the Town has no investments.

(CONTINUED)

TOWN OF NORTH SMITHFIELD, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

5. **INTERFUND BALANCES**

Inter-fund receivable and payable are as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 145,628	\$ 623,732
School Unrestricted Fund	584,518	79,178
Capital Projects Fund	241,003	82,849
Non-Major Governmental Funds:		
School Restricted Fund.....	79,178	583,465
Substance Abuse Prevention Council Fund	3,895	
Substance Abuse Donations Fund	6,310	3,895
Park and Recreation Fund		10,228
Governor's Justice Commission Fund		26,698
Miscellaneous Revenue Fund.....		22,968
Police Forfeiture Fund.....	20	
Miscellaneous Police & Fire Funds.....	8,835	
Debt Reserve Fund.....		2,885
Record Retention Fund.....	68,993	
Non-Major Governmental funds	<u>167,231</u>	<u>650,139</u>
Sewer Fund	255,650	
Water Fund	42,921	
School Lunch Fund		1,053
TOTALS	<u>\$ 1,436,951</u>	<u>\$ 1,436,951</u>

(CONTINUED)

TOWN OF NORTH SMITHFIELD, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

6. **FIXED ASSETS**

Activity for governmental activity capital assets is summarized below:

	Balances 7/1/09	Additions	Deductions	Balances 6/30/10
Governmental activity fixed assets				
Land (not being depreciated).....	\$ 7,941,141			\$ 7,941,141
Construction in progress (not depreciated)	32,060,317	\$ 11,955	\$ (32,060,317)	11,955
Land improvements.....	1,379,404	1,881,385		3,260,789
Building and improvements.....	22,462,360	29,944,111		52,406,471
Infrastructure.....	24,411,862			24,411,862
Machinery and equipment.....	4,705,162	870,934	(10,329)	5,565,766
Vehicles.....	3,955,628		(170,275)	3,785,353
Total cost	<u>96,915,874</u>	<u>32,708,385</u>	<u>(32,240,921)</u>	<u>97,383,338</u>
Less: accumulated depreciation				
Land improvements.....	(1,193,881)	(154,202)		(1,348,083)
Building and improvements.....	(11,400,057)	(852,320)		(12,252,378)
Infrastructure.....	(22,336,372)	(244,159)		(22,580,531)
Machinery and equipment.....	(3,318,231)	(382,214)	10,329	(3,690,116)
Vehicles.....	(3,278,672)	(155,671)	157,706	(3,276,636)
Total accumulated depreciation	<u>(41,527,213)</u>	<u>(1,788,566)</u>	<u>168,035</u>	<u>(43,147,744)</u>
Net fixed assets	<u>\$ 55,388,661</u>	<u>\$ 30,919,819</u>	<u>\$ (32,072,886)</u>	<u>\$ 54,235,594</u>

(CONTINUED)

TOWN OF NORTH SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

6. FIXED ASSETS (Continued)

Activity for the Proprietary Funds capital assets is summarized below:

	Balances <u>7/1/09</u>	Additions	Deductions	Balances <u>6/30/10</u>
Construction in progress (not depreciated)	\$ 3,338,390	\$ 1,503,984	\$ (4,014,308)	\$ 828,066
Land improvements.....	29,657			29,657
Building and improvements.....	2,331,276			2,331,276
Infrastructure.....	6,817,347	4,014,308		10,831,655
Machinery and equipment.....	18,495,601			18,495,601
Vehicles.....	49,607			49,607
Total cost	<u>31,061,878</u>	<u>5,518,292</u>	<u>(4,014,308)</u>	<u>32,565,862</u>
Less: accumulated depreciation				
Land improvements.....	(13,516)			(13,516)
Building and improvements.....	(468,693)	(46,625)		(515,318)
Infrastructure.....	(4,695,573)	(96,837)		(4,792,410)
Machinery and equipment.....	(9,495,016)	(610,909)		(10,105,925)
Vehicles.....	(49,604)			(49,604)
Total accumulated depreciation	<u>(14,722,402)</u>	<u>(754,371)</u>		<u>(15,476,773)</u>
Net fixed assets	<u>\$ 16,339,476</u>	<u>\$ 4,763,921</u>	<u>\$ (4,014,308)</u>	<u>\$ 17,089,089</u>

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

Governmental activities:

General government.....	\$ 65,846
Public safety.....	209,900
Public services.....	50,737
Public works.....	332,137
Education.....	<u>1,129,946</u>
Total	<u>\$1,788,566</u>

Business-type activities:

Sewer.....	\$ 676,231
Water.....	75,140
School lunch.....	<u>3,000</u>
Total	<u>\$ 754,371</u>

7. 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.....	\$674,722
Other.....	2,029
Less: current year 60 day accrual.....	<u>(309,240)</u>
Total deferred revenue	<u>\$367,511</u>

(CONTINUED)

TOWN OF NORTH SMITHFIELD, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

8. **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	\$31,840,000	88%
General obligation bonds	1,920,000	5%
Capital budget project	703,988	2%
Compensated absences	833,215	2%
OPEB Liability	722,770	2%
Claims payable	85,000	1%
Total	<u>\$36,104,973</u>	<u>100%</u>

Proprietary funds

Water bonds	\$ 1,956,249	20%
Sewer bonds	8,059,447	80%
Total	<u>\$ 10,015,696</u>	<u>100%</u>

(CONTINUED)

TOWN OF NORTH SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

8. LONG-TERM OBLIGATIONS (Continued)

At June 30, 2010, 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, 2009</u>	<u>Additions</u>	<u>Retirements</u>	<u>Outstanding June 30, 2010</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%	\$275,000		\$275,000		
NSES School Bond.....	10/15/01	10/15/21	4,000,000	3.00% - 5.00%	2,600,000		200,000	\$2,400,000	\$200,000
School bonds.....	05/14/08	04/01/29	30,000,000	2.50% - 5.50%	29,800,000		1,040,000	28,760,000	1,055,000
General obligation bonds.....	07/01/07	07/01/27	2,100,000	4.125%-5.50%	2,030,000		110,000	1,920,000	110,000
School general obligation bonds.....	12/15/08	6/30/29	700,000	5%	700,000		20,000	680,000	40,000
Sewer bond.....	04/23/80	04/23/10	814,610	5%	44,333		44,333		
Total general obligation bonds payable.....			41,629,610		35,449,333		1,689,333	33,760,000	1,405,000
Capital leases payable									
Capital budget project.....	08/30/04	08/30/09	1,178,000	1.75% to 3.25%	235,000		235,000		
Capital budget project.....	11/18/05	11/18/10	445,000	3.55%	142,300		92,047	50,253	50,253
Capital budget project.....	12/21/07	12/21/12	745,000	3.85%	607,042		162,051	444,991	171,651
Capital budget project.....	11/25/08	11/25/13	256,000	3.97%	256,000		47,256	208,744	49,132
Total capital leases payable.....			2,624,000		1,240,342		536,354	703,988	271,036
Compensated absences.....					750,758	82,457		833,215	83,321
Claims payable.....					85,000			85,000	85,000
Net OPEB liability (Note 11).....					478,262	244,508		722,770	0
Total long-term debt.....			\$44,253,610		\$38,003,695	\$326,965	\$2,225,687	\$36,104,973	\$1,844,357

(CONTINUED)

TOWN OF NORTH SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

8. 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, 2009</u>	<u>Additions</u>	<u>Retirements</u>	<u>Outstanding June 30, 2010</u>	<u>Current Portion</u>
Enterprise Funds									
General obligation bonds payable									
Water:									
Water bond	12/19/79	12/19/09	\$ 150,000	5%	\$ 8,064		\$ 8,064		
Water bond	05/11/82	05/11/22	50,000	5%	27,241		1,546	\$25,695	\$1,623
Water bond	05/16/95	05/16/00	500,000	6%	306,853		20,608	286,245	21,845
Water bond	08/26/99	08/26/39	790,900	5%	716,379		10,160	706,219	10,668
Shell oil bond	09/16/97	09/16/22	500,000	5.5%	355,555		17,465	338,090	18,584
Water bond	10/15/01	10/15/21	<u>1,010,000</u>	3.00% - 5.00%	<u>650,000</u>		<u>50,000</u>	<u>600,000</u>	<u>50,000</u>
Total water fund			<u>3,000,900</u>		<u>2,064,092</u>		<u>107,843</u>	<u>1,956,249</u>	<u>102,720</u>
Sewer:									
Sewer bond	04/23/80	04/23/10	1,685,390	5%	104,949		104,949		
Sewer General Obligation Bond	12/15/08	6/30/29	1,000,000	5%	1,000,000		15,000	985,000	45,000
Mendon Road Project #1 bond ...	12/18/90	12/18/20	303,000	7.25%	193,940		10,982	182,958	11,593
Clean Water sewer project #1 loan	03/12/92	09/01/11	2,900,000	3.6759%	600,000		194,000	406,000	200,000
Mendon Road Project #2 bond ...	04/07/92	04/07/20	60,000	6.625%	37,918		2,179	35,739	2,329
Clean Water Revolving Fund	10/06/09	09/01/29	4,750,000	unknown		4,750,000		4,750,000	188,033
Clean Water sewer project #2 loan	03/10/93	09/01/15	<u>4,500,000</u>	3.11073%	<u>1,949,370</u>		<u>249,620</u>	<u>1,699,750</u>	<u>258,750</u>
Total sewer fund			<u>15,198,390</u>		<u>3,886,177</u>	<u>4,750,000</u>	<u>576,730</u>	<u>8,059,447</u>	<u>705,705</u>
 Total enterprise funds			<u>\$18,199,290</u>		<u>\$5,950,269</u>	<u>\$4,750,000</u>	<u>\$684,573</u>	<u>\$10,015,696</u>	<u>\$808,425</u>

(CONTINUED)

TOWN OF NORTH SMITHFIELD, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

8. **LONG-TERM OBLIGATIONS (Continued)**

Bonds Outstanding (Continued)

During the fiscal year ended June 30, 2010, the Town incurred and paid the following interest expense:

	<u>Incurred</u>	<u>Paid</u>
Water	\$102,896	\$102,896
Sewer	158,463	158,463
General fund	1,573,401	1,651,341
Total	<u>\$1,834,760</u>	<u>\$1,912,700</u>

At June 30, 2010, 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>(1,937,377)</u>
Total	<u>\$ 364,837</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2010 were as follows:

Year Ending June 30:

	<u>General Long-term Debt</u>
2011	\$307,869
2012	254,233
2013	153,163
2014	<u>57,112</u>
Total minimum lease payments	772,377
Less: amount representing interest	<u>68,389</u>
Present value of minimum lease payments	<u>\$703,988</u>

(CONTINUED)

TOWN OF NORTH SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

8. 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, 2010 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>
2011	\$1,676,036	\$1,568,913	\$3,244,949	\$821,542	\$225,981	\$1,047,523
2012	1,692,903	1,485,310	3,178,213	842,582	201,719	1,044,301
2013	1,654,630	1,402,054	3,056,684	653,513	180,108	833,621
2014	1,610,419	1,332,979	2,943,398	674,942	160,251	835,193
2015	1,615,000	1,256,158	2,871,158	693,139	141,010	834,149
2016	1,670,000	1,184,011	2,854,011	713,118	121,063	834,181
2017	1,730,000	1,108,253	2,838,253	412,148	105,825	517,973
2018	1,795,000	1,044,447	2,839,447	421,745	95,496	517,241
2019	2,520,000	1,015,253	3,535,253	431,682	82,256	513,938
2020	1,740,000	854,400	2,594,400	446,293	71,073	517,366
2021 - 2025	9,785,000	2,991,032	12,776,032	1,830,965	239,404	2,070,369
2026 - 2030	6,975,000	660,958	7,635,958	1,720,543	129,927	1,850,470
Thereafter				353,484	104,931	458,415
Total	\$34,463,988	\$15,903,768	\$50,367,756	\$10,015,696	\$1,859,044	\$11,874,740

(CONTINUED)

TOWN OF NORTH SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

9. 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 was presented on the Town's proprietary funds' statements of net assets and was repaid during the fiscal year ending June 30, 2010 with funds from the issuance of sewer bonds.

10. 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	\$309,240		
Reserved for encumbrances			\$504,641
Reserved for nonexpendable bequests		\$ 70,157	
Total Reserved	<u>\$309,240</u>	<u>\$ 70,157</u>	<u>\$504,641</u>

11. 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 1.42% 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, 2010

11. **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, 2009, which is the most recent report available from the State who administers this plan.

Funded Status of Plan (Continued)

Actuarial Value of Assets	\$13,501,632
Actuarial Accrued Liability	\$11,489,027
Unfunded (excess) actuarial accrued Liability	\$ (2,012,605)
Funded Ratio	117.5%
Annual Covered Payroll	\$ 2,856,531
UAAL (excess) as percentage of payroll	(70.5)%

Annual Pension Cost

For 2010, the Town's annual pension cost of \$17,820 for MERS was equal to the Town's required and actual contributions. The required contribution was determined as part of the June 30, 2007 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, 2010.

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>
6/30/08	\$18,466	100%	\$-0-
6/30/09	\$34,706	100%	\$-0-
6/30/10	\$17,820	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 13.2% 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, 2010

11. **DEFINED BENEFITS PENSION PLANS (Continued)**

(b) **Municipal Police Pension Plan (Continued)**

Annual Pension Cost

For 2010, the Town's annual pension cost of \$163,511 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, 2007 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, 2009, which is the most recent report available from the State who administers this plan.

Actuarial Value of Assets	\$7,928,277
Actuarial Accrued Liability	\$8,661,456
Unfunded (excess) actuarial accrued Liability	\$ 733,179
Funded Ratio	91.5%
Annual Covered Payroll	\$1,154,239
UAAL (excess) as percentage of payroll	63.5%

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>
6/30/08	\$226,633	100%	\$-0-
6/30/09	\$167,229	100%	\$-0-
6/30/10	\$163,511	100%	\$-0-

(c) **Teacher's Pension Plan**

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, 2010, was \$10,664,753; the total payroll for the Town was approximately \$16,500,000.

(CONTINUED)

TOWN OF NORTH SMITHFIELD, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

11. **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

The ERS was established under section two of chapter 2334 of the Rhode Island Public Laws of 1951 and placed under the management of the Retirement Board for the purpose of providing retirement allowances for employees of the State of Rhode Island under the provisions of chapters 8 to 10, inclusive, or title 36, and public school teachers under the provisions of chapters 15 to 17, inclusive, of title 16 of the Rhode Island General Laws. The plan provides a two tier benefit structure referred to as schedules A and B as follows:

Schedule A Benefits: Schedule A benefits are available to members who possess 10 years or more of contributory service on or before July 1, 2005. Schedule A provides unreduced benefits of 1.7% of earnings for each of the first ten years of service; 1.9% for each of the next ten years of service; 3.0% per year for each of the next fourteen years; and 2% for the 35th year. Joint and survivor options are available as well as the Service Retirement Allowance (SRA) Plus option that provides for the payment of a larger benefit before the attainment of age 62 and a reduced amount thereafter. The reduced amount is equal to the benefit before age 62, including cost-of-living increases, minus the member's estimated social security benefit payable at age 62. The maximum benefit is 80% of "final average" (FAC) earnings after 35 years of service. Final average earnings are the three highest consecutive years of earned salary excluding overtime, bonuses, or severance pays. Such benefits are available to members at least age 60 with 10 years of service, or after 28 years at any age. On the third January after retirement, a cost-of-living increase of 3% (compounded annually) is provided independent of actual changes in the consumer price index. The plan also provides nonservice-connected disability benefits after five years of service; service-connected disability pensions with no minimum service requirements; vested benefits after ten years of service; survivor's benefits for service connected death; and certain lump sum death benefits. For Schedule A members who are not grandfathered, i.e., members who had at least 10 years of creditable service at June 30, 2005 but who were not eligible to retire on September 30, 2009, benefits are based on Schedule A for services through September 30, 2009 and on Schedule B for services after September 30, 2009. Maximum benefit is 80% of FAC.

Schedule B Benefits: Schedule B benefits are provided to members who have less than 10 years of contributory service on or before July 1, 2005. For Schedule B members, the plan provides unreduced benefits of 1.6% of earnings for each of the first ten years of service; 1.8% for each of the next ten years; 2.0% per year for years 21 through 25 inclusive; 2.25% per year for years 26 through 30 inclusive; 2.5% per year for years 31 through 37 inclusive and 2.25% for the 38th year. Only single life, and joint and survivor options are available. The maximum benefit is 75% of his or her average highest three years of compensation after 38 years of service. Such benefits are available to members at least age 65 with 10 years of service, or after 29 years of service and age 59. Actuarially reduced retirement is available at age 55 and 20 years of service, the benefit is reduced actuarially for each month that the age of the member is less than sixty-five years. On the month following the third anniversary date of the retirement, and on the month following the anniversary date of each succeeding year, a cost of living increase of 3% (compounded annually) or the percentage of increase in the Consumer Price Index for all Urban Consumers (CPI-U) as published by the United States Department of Labor Statistics, determined as of September 30 of the prior calendar year, whichever is less is provided for Schedule B members.

(CONTINUED)

TOWN OF NORTH SMITHFIELD, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

11. **DEFINED BENEFIT PENSION PLANS (Continued)**

(d) **Teacher's Pension Plan (Continued)**

Plan Description (Continued)

The ERS plan also provides a survivor benefit to public school teachers via a "Teachers Survivor Benefits Fund" in lieu of Social Security. The details of the survivor death benefits and other death benefits are provided in the financial section of the Annual Financial Report of the Employees' Retirement System of Rhode Island for the fiscal year ending June 30, 2009 which can be found at www.ersri.org.

Funding Policy

Rhode Island general laws set the contribution rates for participating plan 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 11.25%, 11.89%, and 13.04% for all full-time employees for fiscal years 2010, 2009 and 2008, respectively. The required contributions include (a) normal costs; (b) payments to amortize the unfunded frozen actuarial accrued liability as of June 30, 1999 over 30 years; and (c) interest on the unfunded frozen actuarial liability. Normal cost is determined using the entry age normal cost method with frozen initial liability. A variety of significant actuarial assumptions are used to determine the standardized measure of the pension benefit obligation and these assumptions are summarized below:

- A. **Mortality** – 1994 Group Annuity Mortality Table
- B. **Investment return** – 8.25 percent, compounded annually.
- C. **Salary increase** - Salaries will increase at a rate of 4.5% to 13.25%, compounded annually.
- D. **Retirement age** – 75% of Schedule B members who reach the age of 59 with 29 years of service before age 65 are assumed to retire when first eligible. 75% of other members are expected to retire when first eligible, at age 65 with 10 years of service. Because of enactment of Article 7 in 2009, the retirement assumption was modified for members not eligible for retirement by October 1, 2009. Members who would have been assumed to retire prior to age 62 under the rules in effect before the enactment of Article 7 are assumed to retire when first eligible for an unreduced benefit under Article 7.
- E. **Cost of living adjustments** – Schedule A Members: 3.0% compounded annually.
Schedule B Members: 2.5%.

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 of 7.75% of non-federally reimbursable payrolls totaling \$826,518 for the year ended June 30, 2010.

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

Years Ending June 30,

2010	\$1,213,075
2009	\$1,224,753
2008	\$1,294,697

(CONTINUED)

TOWN OF NORTH SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

11. DEFINED BENEFIT PENSION PLANS (Continued)

(c) Teacher's Pension Plan (Continued)

Funding Policy (Continued)

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

Trend information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented in the State of Rhode Island's Employee Retirement System's June 30, 2009 annual financial report, which may be obtained from the administrative offices of the State of Rhode Island Retirement Board, 40 Fountain Street, Providence, Rhode Island. This report is the most recent report available from the State, who administers the Plan. The report can also be found at www.ersri.org.

12. 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.

13. 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 forty employees during 2010. These benefits were funded on a pay as you go basis. For 2010, contributions were approximately \$206,675 for the Town and \$120,817 for the School Department for a total of \$327,492. These benefits are provided as part of the employee's contract.

(CONTINUED)

TOWN OF NORTH SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

13. 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, 2009 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included a 4.00% (previously 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 27 years at June 30, 2010.

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>
6/30/2010	\$572,000	57.3%	\$722,770
6/30/2009	\$562,414	57.5%	\$478,262
6/30/2008	\$562,414	57.5%	\$239,131

The Town's annual OPEB cost and net OPEB obligation for the year ended June 30, 2010 was as follows:

Annual required contribution	\$580,468
Interest on net OPEB obligation	19,130
Adjustment to annual required contribution	<u>(27,598)</u>
Annual OPEB cost (expense)	572,000
Contributions made	<u>(327,492)</u>
Increase in net OPEB obligation	244,508
Net OPEB obligation-beginning of year	<u>478,262</u>
Net OPEB obligation-end of year	<u>\$722,770</u>

(CONTINUED)

TOWN OF NORTH SMITHFIELD, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

13. **POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)**

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.

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)
07/01/09	N/A	\$5,796,707	\$5,796,707	N/A	\$15,979,607	36.3%

14. **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

Town of North Smithfield

Schedule of funding progress
June 30, 2010

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)
6/30/2007	\$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%
6/30/2009	\$13,501,632	\$11,489,027	\$2,012,605	117.52%	\$2,856,531	70.46%

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)
6/30/2007	\$ 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%
6/30/2009	\$ 7,928,277	\$ 8,661,456	(\$733,179)	91.54%	\$ 1,154,239	-63.52%

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)
7/1/2007	-	5,793,469	5,793,469	-	12,367,086	46.8%
7/1/2009	-	5,796,707	5,796,707	-	15,979,607	36.3%

GENERAL FUND

SCHEDULE OF REVENUE AND OTHER FINANCING SOURCES, EXPENDITURES AND OTHER FINANCING USES- BUDGET AND ACTUAL - BUDGETARY BASIS
YEAR ENDED JUNE 30, 2010

	General Fund				Annually Budgeted Special Revenue Fund		
	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)	School Department		Variance
					Budget	Actual on Budgetary Basis	
Revenues:							
Property taxes	\$ 25,481,569	\$ 25,481,569	25,278,591	\$ (202,978)			
Motor vehicle excise in lieu of tax	1,995,700	1,995,700	1,882,872	(112,828)			
Intergovernmental and grant revenue	1,497,871	1,497,871	1,504,771	6,900	\$ 4,085,690	\$ 3,931,631	\$ (154,059)
Town clerk licenses and fees	282,370	282,370	283,025	655			
Other departmental fines and fees	326,659	326,659	315,658	(11,001)			
Interest on investments	10,000	10,000	4,369	(5,631)			
Other revenue	393,270	393,270	373,235	(20,035)	120,000	64,340	(55,660)
Utilization of surplus	-	-	-	-			
Total revenues	29,987,439	29,987,439	29,642,521	(344,918)	4,205,690	3,995,971	(209,719)
General Government							
Town council	14,330	14,365	14,364	1			
Administrator's office	148,430	148,430	146,365	2,065			
Probate	7,900	7,900	7,696	204			
Town solicitor	208,650	208,650	197,564	11,086			
Board of canvassers	1,420	1,530	1,529	1			
Town clerk's office	166,850	170,550	170,537	13			
Zoning board	9,930	9,930	5,703	4,227			
Personnel Board	1	1	-	1			
Juvenile Hearing Board	3,450	3,450	1,544	1,906			
Regional industrial development	3,000	3,000	-	3,000			
Conservation commission	4,750	4,750	4,029	721			
Housing Authority	1	1	-	1			
Town hall	10,000	10,000	9,891	109			
Plant operations	15,000	15,000	12,206	2,794			
Planning division	140,090	140,090	117,778	22,312			
Printing and advertising	14,500	14,500	10,668	3,832			
Contingency fund	287,040	171,428	163,504	7,924			
Scouters Hall	4,200	4,200	3,279	921			
North Smithfield Public Library	342,100	342,100	338,492	3,608			
Historic District commission	1	1	-	1			
Public Safety Commission	1	1	-	1			
Budget Committee	1	1	-	1			
Total general government	1,381,645	1,269,878	1,205,149	64,729	-	-	-

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, 2010

	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	224,900	224,900	220,189	4,711			
Tax assessor	143,744	143,744	111,315	32,429			
Tax collection	109,710	109,710	107,370	2,340			
Board of review	1	1	-	1			
Insurance	250,000	250,000	170,626	79,374			
Audits and computer service	88,900	91,200	83,192	8,008			
Total financial administration	817,255	819,555	692,692	126,863	-	-	-
Public Works							
Highway department	741,710	741,710	697,197	44,513			
Parks and recreation	131,020	131,020	127,543	3,477			
Tree warden	3,820	3,820	3,312	508			
Street lights	110,000	191,000	191,019	(19)			
Rubbish disposal	664,800	614,800	612,768	2,032			
Sealer of weights and measures	1	1	-	1			
Total public works	1,651,351	1,682,351	1,631,839	50,512	-	-	-
Public Safety:							
Police Department	2,276,398	2,353,748	2,353,960	(212)			
North Smithfield fire/rescue service	2,449,760	2,449,760	2,447,489	2,271			
Hydrant rental	45,000	45,000	45,000	-			
Animal control	69,650	72,300	72,282	18			
Civil defense	5,140	5,140	4,273	867			
Inspection division	152,390	152,390	142,618	9,772			
Total public safety	4,998,338	5,078,338	5,065,622	12,716	-	-	-

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, 2010

	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	3,845,730	3,864,197	3,902,753	(38,556)			
Fixed charges							
Medical, retirement and other employee benefits	361,570	341,570	282,740	58,830			
Grants and contributions	46,150	46,150	46,150				
Transfers to other funds							
Town contribution to school	16,885,400	16,885,400	16,885,400		16,885,400	16,885,400	
Total expenditures	29,987,439	29,987,439	29,712,345	275,094	21,091,090	20,932,777	158,313
Other financing uses						178,970	178,970
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	(69,824)	<u>\$ (69,824)</u>	<u>\$ -</u>	127,564	<u>\$ 127,564</u>
Adjustments required under generally accepted accounting principles							
Property tax revenue - sixty day rule			309,240				
Prior years property tax revenue- sixty day rule			(222,634)				
Change in encumbrances						1,866	
Utilization of prior year surplus							
			<u>\$ 16,782</u>			<u>\$ 129,430</u>	

TOWN OF NORTH SMITHFIELD
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2010

	<u>School Restricted Fund</u>	<u>School Renovations</u>	<u>Governor's Justice Commission Fund</u>	<u>Substance Abuse Donations Fund</u>	<u>Substance Abuse Prevention Council Fund</u>	<u>Park and Recreation Fund</u>	<u>Miscellaneous Revenue Fund</u>
ASSETS							
Cash and cash equivalents		\$ 764	\$ 53	\$ 13,330	\$ 4,229	\$ 4,174	\$ 302
Other receivables	\$ 79,595						12,211
Due from federal and state governments	576,312						12,480
Due from other funds	79,178			6,310	3,895		
TOTAL ASSETS	\$ 735,085	\$ 764	\$ 53	\$ 19,640	\$ 8,124	\$ 4,174	\$ 24,993
LIABILITIES							
Accounts payable	84,079						
Accrued expenses	4,960						
Due to federal and state governments							
Due to other funds	583,465		26,698	3,895		10,228	22,968
Deferred revenue			694	5,146	8,124		
TOTAL LIABILITIES	672,504	-	27,392	9,041	8,124	10,228	22,968
FUND BALANCE							
Capital Projects		764					
Special Revenue	62,581		(27,339)	10,599		(6,054)	2,025
Permanent Trusts							
TOTAL FUND BALANCE	\$ 62,581	\$ 764	\$ (27,339)	\$ 10,599	\$ -	\$ (6,054)	\$ 2,025

TOWN OF NORTH SMITHFIELD
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2010

	Project D.A.R.E. Fund	Business Revolving Loan Fund	CDBG Fund	Police Forfeiture Funds	Miscellaneous Police/Fire Funds	EMS Fund	Debt Reserve Fund
ASSETS							
Cash and cash equivalents	\$ 1,322	\$ 54,021	\$ 35,573	\$ 211		\$ 21,820	\$ 245,309
Other receivables							
Due from federal and state governments			21,500				
Due from other funds		-		20	\$ 8,835		
TOTAL ASSETS	\$ 1,322	\$ 54,021	\$ 57,073	\$ 231	\$ 8,835	\$ 21,820	\$ 245,309
LIABILITIES							
Accounts payable							
Accrued expenses							
Due to federal and state governments							
Due to other funds							2,885
Deferred revenue			34,071				
TOTAL LIABILITIES	-	-	34,071	-	-	-	2,885
FUND BALANCE							
Capital Projects							
Special Revenue	1,322	54,021	23,002	231	8,835	21,820	242,424
Permanent Trusts							
TOTAL FUND BALANCE	\$ 1,322	\$ 54,021	\$ 23,002	\$ 231	\$ 8,835	\$ 21,820	\$ 242,424

TOWN OF NORTH SMITHFIELD
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2010

	<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		\$ 52	\$ 1,112	\$ 382,272
Other receivables				91,806
Due from federal and state governments				610,292
Due from other funds	\$ 68,993			167,231
TOTAL ASSETS	\$ 68,993	\$ 52	\$ 1,112	\$ 1,251,601
LIABILITIES				
Accounts payable				84,079
Accrued expenses				4,960
Due to federal and state governments				-
Due to other funds				650,139
Deferred revenue				48,035
TOTAL LIABILITIES	-	-	-	787,213
FUND BALANCE				
Capital Projects				764
Special Revenue				393,467
Permanent Trusts	68,993	52	1,112	70,157
TOTAL FUND BALANCE	\$ 68,993	\$ 52	\$ 1,112	\$ 464,388

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, 2010**

	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		\$ 1	\$ 3	\$ 8	\$ 7	\$ 4	\$ 8
Intergovernmental	\$ 1,411,704		4,295		19,273		
Other	133,462			14,890		44,136	5,840
TOTAL REVENUES	1,545,166	1	4,298	14,898	19,280	44,140	5,848
EXPENDITURES:							
Public services			35,995	10,698	19,280	45,911	
Education	1,343,940						
Capital outlays	204,702						
Other							3,849
TOTAL EXPENDITURES	1,548,642	-	35,995	10,698	19,280	45,911	3,849
Excess of revenue over(under) expenditures before transfers	(3,476)	1	(31,697)	4,200		(1,771)	1,999
Other financing sources (uses):							
Transfers in							
Transfers out	(218,598)						
Notes proceeds							
Proceeds from capital lease							
Net other financing sources (uses)	(218,598)	-	-	-	-	-	-
Excess of revenues and other sources over (under) expenditures and other uses	(222,074)	1	(31,697)	4,200		(1,771)	1,999
FUND BALANCE, BEGINNING OF YEAR	284,655	763	4,358	6,399		(4,283)	26
FUND BALANCE, END OF YEAR	\$ 62,581	\$ 764	\$ (27,339)	\$ 10,599	\$ -	\$ (6,054)	\$ 2,025

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, 2010

	Project D.A.R.E. Fund	Business Revolving Loan Fund	CDBG Fund	Police Forfeiture Funds	Miscellaneous Police/Fire Funds	EMS Fund	Debt Reserve Fund	Record Retention Fund
REVENUES:								
Interest and investment income	\$ 1	\$ (222)	\$ 27			\$ 321	\$ 114	
Intergovernmental			8,178					
Other	1,750					330,505		\$ 25,237
TOTAL REVENUES	1,751	(222)	8,205	-	-	330,826	114	25,237
EXPENDITURES:								
Public services	1,868						8,602	
Education						240		
Capital outlays						207,952		
Other			8,205			47,098		22,498
TOTAL EXPENDITURES	1,868	-	8,205	-	-	255,290	8,602	22,498
Excess of revenue over(under) expenditures before transfers	(117)	(222)				75,536	(8,488)	2,739
Other financing sources (uses):								
Transfers in							101,000	
Transfers out						(291,000)		
Notes proceeds								
Proceeds from capital lease								
Net other financing sources (uses)	-	-	-	-	-	(291,000)	101,000	-
Excess of revenues and other sources over (under) expenditures and other uses	(117)	(222)				(215,464)	92,512	2,739
FUND BALANCE, BEGINNING OF YEAR	1,439	54,243	23,002	231	8,835	237,284	149,912	66,254
FUND BALANCE, END OF YEAR	\$ 1,322	\$ 54,021	\$ 23,002	\$ 231	\$ 8,835	\$ 21,820	\$ 242,424	\$ 68,993

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, 2010**

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	Michael F. Lovett Scholarship Account	J. Harold Monroe Jr. Scholarship Account	GRAND TOTALS
REVENUES:			
Interest and investment income	\$ 4	\$ 6	\$ 282
Intergovernmental			1,443,450
Other	2,987		558,807
TOTAL REVENUES	2,991	6	2,002,539
EXPENDITURES:			
Public services			122,354
Education			1,344,180
Capital outlays			412,654
Other	6,027	5,000	92,677
TOTAL EXPENDITURES	6,027	5,000	1,971,865
Excess of revenue over(under) expenditures before transfers	(3,036)	(4,994)	30,674
Other financing sources (uses):			
Transfers in			101,000
Transfers out			(509,598)
Notes proceeds			-
Proceeds from capital lease			-
Net other financing sources (uses)	-	-	(408,598)
Excess of revenues and other sources over (under) expenditures and other uses	(3,036)	(4,994)	(377,924)
FUND BALANCE, BEGINNING OF YEAR	3,088	6,106	842,312
FUND BALANCE, END OF YEAR	\$ 52	\$ 1,112	\$ 464,388

TOWN OF NORTH SMITHFIELD

**Statement of Changes in Assets and Liabilities
Agency Funds
For the year ended June 30, 2010**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<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	\$ 15,390	\$ 12		\$ 15,402
<u>LIABILITY</u>				
Deposits Held in Custody for Others	\$ 15,390	\$ 12		\$ 15,402
<u>Police Uniforms</u>				
<u>ASSET</u>				
Cash and cash equivalents	\$ 445	-		\$ 445
<u>LIABILITY</u>				
Deposits Held in Custody for Others	\$ 445	-		\$ 445
<u>Junior/Senior High School Fund</u>				
<u>ASSET</u>				
Cash and cash equivalents	\$ 164,176	\$ 301,922	\$ 296,533	\$ 169,565
Other receivables	13,539	12,511	13,539	12,511
	<u>\$ 177,715</u>	<u>\$ 314,433</u>	<u>\$ 310,072</u>	<u>\$ 182,076</u>
<u>LIABILITY</u>				
Deposits Held in Custody for Others	<u>\$ 177,715</u>	<u>\$ 314,433</u>	<u>\$ 310,072</u>	<u>\$ 182,076</u>
<u>Middle School Fund</u>				
<u>ASSET</u>				
Cash and cash equivalents	\$ -	\$ 78,196	\$ 49,339	\$ 28,857
<u>LIABILITY</u>				
Deposits Held in Custody for Others	\$ -	\$ 78,196	\$ 49,339	\$ 28,857

TOWN OF NORTH SMITHFIELD

**Statement of Changes in Assets and Liabilities
Agency Funds
For the year ended June 30, 2010**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<u>Halliwell School Fund</u>				
<u>ASSET</u>				
Cash and cash equivalents	\$ 7,647	\$ 33,524	\$ 28,958	\$ 12,213
<u>LIABILITY</u>				
Deposits Held in Custody for Others	\$ 7,647	\$ 33,524	\$ 28,958	\$ 12,213
<u>Athletic Account</u>				
<u>ASSET</u>				
Cash and cash equivalents	\$ 3,629	\$ 46,693	\$ 37,867	\$ 12,455
<u>LIABILITY</u>				
Deposits Held in Custody for Others	\$ 3,629	\$ 46,693	\$ 37,867	\$ 12,455
<u>Elementary School Fund</u>				
<u>ASSET</u>				
Cash and cash equivalents	\$ 14,012	\$ 31,698	\$ 42,080	\$ 3,630
<u>LIABILITY</u>				
Deposits Held in Custody for Others	\$ 14,012	\$ 31,698	\$ 42,080	\$ 3,630
<u>TOTAL AGENCY FUNDS</u>				
<u>ASSET</u>				
Cash	\$ 211,941	\$ 492,045	\$ 461,419	242,567
Other receivables	13,539	12,511	13,539	12,511
TOTAL ASSETS	\$ 225,480	\$ 504,556	\$ 474,958	\$ 255,078
<u>LIABILITY</u>				
Deposits Held in Custody for Others	\$ 225,480	\$ 504,556	\$ 474,958	\$ 255,078
TOTAL LIABILITIES	\$ 225,480	\$ 504,556	\$ 474,958	\$ 255,078

TOWN OF NORTH SMITHFIELD

**SCHEDULE OF PROPERTY TAXES RECEIVABLE
YEAR ENDED JUNE 30, 2010**

Year	Balance Uncollected July 1, 2009	2009 Assessment	Additions	Abatements & Adjustments	Amount to be Collected	Current Year Collections	Balance June 30, 2010
2009	\$ -	\$25,090,079	\$ 181,991	\$ 87,778	\$ 25,184,292	\$ 24,562,089	622,203
2008	461,000		406	(75,344)	536,750	405,557	131,193
2007	102,397		239	1,146	101,490	18,325	83,165
2006	33,351			(11,658)	45,009	4,593	40,416
2005	52,726			13,479	39,247	1,463	37,784
2004	39,503			4,684	34,819	448	34,371
2003	39,587			21	39,566	533	39,033
2002	28,928			(25)	28,953	2,198	26,755
2001	16,211			982	15,229	415	14,814
2000	16,192			1,601	14,591		14,591
1999	20,530			2,083	18,447		18,447
1998	45,461			24,272	21,189		21,189
Total	855,886	\$ 25,090,079	\$ 182,636	\$ 49,019	\$ 26,079,582	\$ 24,995,621	1,083,961
Less: Allowance for Uncollectible accounts	(100,000)						(100,000)
Net	\$ 755,886						\$ 983,961

Schedule of property valuation assessed as of December 31, 2008:

Real estate	\$ 1,508,856,739
Tangibles	54,318,000
Motor vehicles	97,191,319
Less: exemptions	(31,428,641)
State phase out	(48,591,337)
	<u>\$ 1,580,346,080</u>