

TOWN OF LINCOLN, RHODE ISLAND
BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011



TOWN OF LINCOLN, RHODE ISLAND

YEAR ENDED JUNE 30, 2011

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TOWN OF LINCOLN, RHODE ISLAND

YEAR ENDED JUNE 30, 2011

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Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Lincoln, Rhode Island (the Town) as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Lincoln, Rhode Island as of June 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States.

In accordance with Government Auditing Standards, we have also issued our report dated February 3, 2012 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

CPAs/Business Advisors ■ A Limited Liability Partnership

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Independent Auditors' Report (Continued)

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

Management's Discussion and Analysis on pages 3 through 13 and the budgetary comparison schedules, and historical pension and other postemployment benefits information on pages 67 through 71 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The supplementary tax collector's annual report on pages 72 and 73 is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Town. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements and to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

LJC & D LLP

February 3, 2012

TOWN OF LINCOLN, RHODE ISLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of the Town of Lincoln (the Town) provides this Management's Discussion and Analysis of the Town's Annual Financial Report for the readers of the Town's financial statements. This narrative overview and analysis of the financial statements of the Town is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the Town's audited basic financial statements and supplementary information which follow.

FINANCIAL HIGHLIGHTS

At the end of the current fiscal year, the unassigned fund balance for the General Fund was \$5,080,447, or 7.4% of fiscal year 2011 budgeted expenditures and transfers to other funds. The assigned fund balance of \$1,695,100 consists of budgeted expenditures of \$617,577 and a health care reserve of \$1,077,523.

The Town's General Fund had an operating surplus of \$1,148,672. The School Department operations resulted in an operating surplus of \$122,400.

The Town's General Fund ended fiscal year 2011 with a budgetary operating surplus of \$734,805. The School Unrestricted Fund ended the year with a budgetary operating surplus of \$137,096.

The Town's budgetary surplus was due to several revenue items in excess of budget estimates. Among them were \$1,180,106 of Video Lottery Commissions which are required by Town Ordinance to be transferred to the Town Capital Projects Fund, \$258,126 of FEMA reimbursements related to hurricane damage, \$480,610 of state education aid and \$361,926 of Medicaid reimbursements which passes to the school department. Spending exceeded budgeted amounts by \$66,216 in the aggregate, including the FEMA reimbursed costs.

The School Unrestricted Fund budgetary surplus of \$137,096 resulted in part from additional state aid and cost savings within various expense accounts.

The Town's total long-term obligations decreased by \$1,226,214 principally from bond payments of \$2,506,716 offset by a net increase in capital leases of \$283,056; an increase in accrued compensated absences of \$115,208 and a net increase in claims and judgments of \$1,281,400. Regarding the claims and judgments, approximately \$1,200,000 is related to a tax assessment appeal currently in litigation; a resolution is anticipated within the next fiscal year. The remaining amount is for various minor matters.

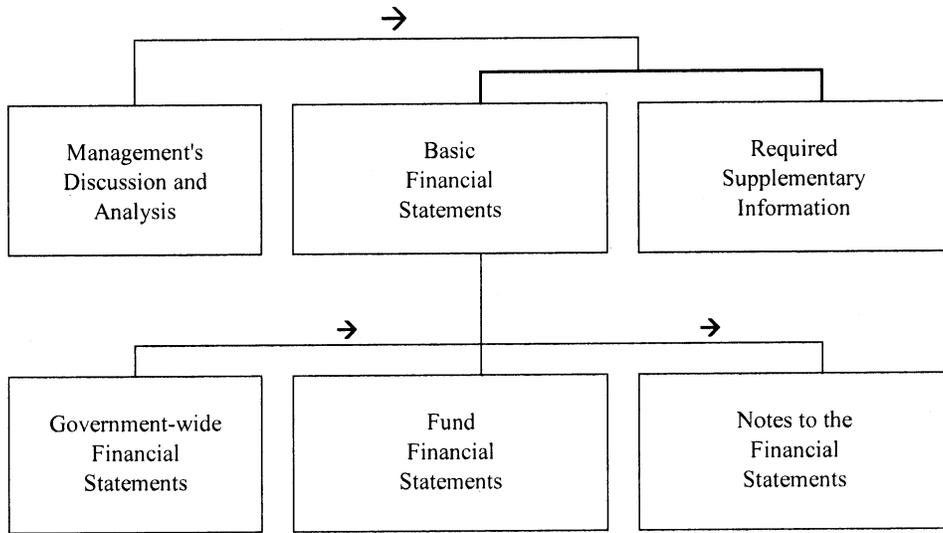
OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Town's annual audit report. The financial section of this report consists of four parts: management's discussion and analysis (this section), the basic financial statements, required supplementary information, and other supplementary information that includes the tax collector's annual report.

- The first two financial statements are government-wide financial statements that provide both long-term and short-term information about the Town's overall financial status.
- The remaining financial statements are fund financial statements that focus on individual parts of the Town government, reporting the Town's operations in more detail than the government-wide statements.
 - ✓ The *Governmental funds* statements tell how general government services like public safety were financed in the short term, as well as what remains for future spending.
 - ✓ *Proprietary funds* statements offer short and long-term financial information about the activities the government operates like businesses, such as the water system.
 - ✓ *Fiduciary funds* statements provide information about assets that are held by the Town as a trustee or agent for the benefit of someone or something other than the Town itself. The Town cannot use these assets to support its own programs.

The financial statements also include notes that provide more detailed data about some of the information in the financial statements. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and relate to one another.

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



**Summary
Information**

**Detail
Information**

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

Figure A- 2

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

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

Government-wide Financial Statements

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

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

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

The government-wide financial statements of the Town, which can be found on pages 14 and 15 of this report, are divided into the following two categories:

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

Fund Financial Statements

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

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

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

Governmental funds (continued):

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

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

The basic governmental fund financial statements can be found on pages 16-19 of this report.

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

The basic proprietary funds financial statements can be found on pages 20-23 of this report.

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

The basic fiduciary funds financial statements can be found on pages 24-25 of this report.

Notes to the financial statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements follow the basic financial statements.

Other information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Such information includes budgetary comparison schedules and reconciliations of the statutory fund balance for budgetary purposes and the fund balances for the General Fund and School Unrestricted Funds as presented in the governmental fund financial statements. Also included in required supplementary information are schedules concerning the Town's progress in funding its obligations to provide pension and other postemployment benefits to its enrolled employees. Required supplementary information follows the notes to the financial statements. In addition, State law requires the presentation of the Tax Collector's Annual Report, which follows the required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The Town's combined net assets (government and business-type activities) totaled \$64,069,609 at June 30, 2011.

The largest portion of the Town's net assets (81.6%) reflects its investment in capital such as land, buildings, equipment, and infrastructure, less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

Town of Lincoln's Net Assets June 30, 2011

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$22,649,722	\$26,231,383	\$ 4,872,729	\$ 4,060,209	\$27,522,451	\$30,291,592
Capital assets	66,662,279	62,001,787	29,640,234	29,167,522	96,302,513	91,169,309
Other assets	91,738	107,000			91,738	107,000
Total assets	<u>89,403,739</u>	<u>88,340,170</u>	<u>34,512,963</u>	<u>33,227,731</u>	<u>123,916,702</u>	<u>121,567,901</u>
Current liabilities	11,082,337	13,381,574	1,095,162	1,013,917	12,177,499	4,395,491
Noncurrent liabilities	44,741,816	45,515,446	2,927,778	2,206,338	47,669,594	7,721,784
Total liabilities	<u>55,824,153</u>	<u>58,897,020</u>	<u>4,022,940</u>	<u>3,220,255</u>	<u>59,847,093</u>	<u>2,117,275</u>
Invested in capital assets, net of related debt	25,917,471	18,574,775	26,370,471	26,690,575	52,287,942	45,265,350
Restricted	2,910,357	8,865,024			2,910,357	8,865,024
Unrestricted	<u>4,751,758</u>	<u>2,003,351</u>	<u>4,119,552</u>	<u>3,316,901</u>	<u>8,871,310</u>	<u>5,320,252</u>
Total net assets	<u>\$33,579,586</u>	<u>\$29,443,150</u>	<u>\$30,490,023</u>	<u>\$30,007,476</u>	<u>\$64,069,609</u>	<u>\$59,450,626</u>

Current liabilities include \$1,426,400 for claims and judgments expected to be settled within one year, as discussed in Notes 6 and 11 to the basic financial statements.

An additional portion of the Town's net assets (4.5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance, which is unrestricted, may be used to meet the Town's ongoing obligations to citizens and creditors. Internally imposed designations of resources are not presented as restricted net assets.

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

Changes in Net Assets

The government's net assets increased by \$4,618,981 during the current fiscal year.

Town of Lincoln's Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenue:						
Program revenue:						
Charges for services	\$ 2,487,196	1,656,457	\$ 5,784,607	\$5,068,349	\$ 8,271,803	\$6,724,806
General revenue:						
Property taxes	50,676,273	48,188,542			50,676,273	48,188,542
State aid and federal grants	19,289,470	21,405,020	497,495	428,606	19,786,965	21,833,626
Capital grants	1,484,015	1,271,932			1,484,015	1,271,932
Other revenue	453,535	333,894			453,535	333,894
Total revenue	<u>74,390,489</u>	<u>72,855,845</u>	<u>6,282,102</u>	<u>5,496,955</u>	<u>80,672,591</u>	<u>78,352,800</u>
Expenses:						
General government	1,790,002	1,607,140			1,790,002	1,607,140
Financial administration	944,265	1,018,275			944,265	1,018,275
Public safety	7,124,751	6,115,128			7,124,751	6,115,128
Public service	5,230,604	6,568,742			5,230,604	6,568,742
Public library	1,226,326	1,172,372			1,226,326	1,172,372
Interest on long-term debt	1,775,058	1,910,395			1,775,058	1,910,395
Education	52,163,049	52,143,447			52,163,049	52,143,447
Sewer			849,792	810,614	849,792	810,614
Police Detail			692,697	670,497	692,697	670,497
School lunch			929,209	905,379	929,209	905,379
Water			3,327,857	3,288,046	3,327,857	3,288,046
Total expenses	<u>70,254,055</u>	<u>70,535,497</u>	<u>5,799,555</u>	<u>5,674,536</u>	<u>76,053,610</u>	<u>76,210,035</u>
Increase (decrease) in net assets	<u>4,136,434</u>	<u>2,320,347</u>	<u>482,547</u>	<u>(177,581)</u>	<u>4,618,981</u>	<u>2,142,766</u>
Net assets – beginning of year	29,443,152	36,894,758	30,007,476	20,953,274	59,450,628	57,848,032
Prior period adjustment		(9,771,955)		9,231,783		(540,172)
Net assets – beginning of year as restated	<u>29,443,152</u>	<u>27,122,803</u>	<u>30,007,476</u>	<u>30,185,057</u>	<u>59,450,628</u>	<u>57,307,860</u>
Net assets – end of year	<u>\$33,579,586</u>	<u>\$29,443,150</u>	<u>\$30,490,023</u>	<u>\$30,007,476</u>	<u>\$64,069,609</u>	<u>\$59,450,626</u>

Governmental activities. Governmental activities increased the Town's net assets by \$4,136,634, accounting for 89.6% of the total growth in the Town's net assets.

Business-type activities. Business-type activities increased the Town's net assets by \$482,547, accounting for 10.4% of the total growth in the Town's net assets.

Financial Analysis of the Government's Funds

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

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

As of June 30, 2011, the Town's governmental funds reported combined ending fund balances of \$14,267,214, a decrease of \$1,299,882 in comparison with the prior year. Of the decrease in fund balance, \$3,809,571 relates to capital outlays. The unassigned fund balance of \$5,080,447, or 35.6% of the total, is available for spending at the Town's discretion. The remainder of the fund balance is restricted, committed or assigned to indicate that it is not available for new spending.

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$5,080,447. As a measure of General Fund liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 7.3% of total General Fund budgeted expenditures and transfers to other funds.

The Town's General Fund balance increased by \$1,148,672 during the current fiscal year as a result of increased intergovernmental revenues.

Proprietary funds: The Town's *proprietary funds* financial statements provide the same type of information found in the government-wide financial statements, but in more detail. At June 30, 2011 and 2010, the Town's proprietary funds consist of enterprise funds.

Unrestricted net assets of the enterprise funds at June 30, 2011 totaled \$4,119,552, with the Water Fund making up \$3,454,347 of the total. The Water Fund, School Lunch Fund, Sewer Fund and Police Detail Fund had increases in net assets of \$349,687, \$14,386, \$83,513 and \$34,961, respectively. Other factors concerning the finances of these funds have already been addressed in the discussion of the Town's business-type activities.

General Fund Budgetary Highlights

At the Financial Town meeting held in May 2011, an operating budget of \$69,083,619, inclusive of other financing sources of \$1,303,040, was approved.

Revenue items materially over budget included General Property Tax revenues, \$164,908; School operations aid from the State, \$480,610; Medicaid Reimbursements, \$361,926; FEMA Grants, \$258,126; Video Lottery Terminal Commissions, \$1,180,106 (Town ordinance requires the transfer of this revenue in excess of budget into a Town Capital Projects Fund); meals & hotels taxes, \$101,376; and transfers from rescue billing, \$115,000. Greyhound racing was allowed to end by General Assembly action, leaving the account below budget by \$70,000; inspection services revenues were \$74,795 below budget.

The total expenditure variance of \$66,216 was not significant.

Capital Assets and Debt Administration

Capital assets: The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2011 amounted to \$96,302,513 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery & equipment, infrastructure and construction in progress. The net increase in the Town's investment in capital assets for the current year was \$5,133,205.

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land & land improvements	\$23,816,743	\$ 21,676,516	\$177,452	\$ 177,452	\$23,994,195	\$ 21,853,968
Buildings & improvements	55,814,233	51,047,828	862,464	862,464	56,676,697	51,910,292
Vehicles	3,052,778	2,662,777	487,338	520,756	3,540,116	3,183,533
Machinery & equipment	4,289,000	4,077,867	637,178	612,172	4,926,178	4,690,039
Mains, valves, pumps, etc.			41,201,359	40,145,507	41,201,359	40,145,507
Construction in progress	687,326	1,960,324			687,326	1,960,324
Less accumulated depreciation	(20,997,801)	(19,423,525)	(13,725,557)	(13,150,829)	(34,723,358)	(32,574,354)
Total	\$66,662,279	\$ 62,001,787	\$29,640,234	\$ 29,167,522	\$96,302,513	\$ 91,169,309

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

Long-term debt: At the end of the fiscal year, the Town had total bonded debt outstanding of \$40,555,000. General obligation bonds are backed by the full faith and credit of the Town, including the Town's power to levy additional taxes to ensure repayment of the debt. All general obligation debt currently outstanding was approved by a vote of the citizens.

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

State statute limits the amount of bonds a governmental entity can issue to 3% of its total assessed valuation. The current debt limitation for the Town is \$85,939,000.

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

Economic Factors and Next Year's Budgets and Rates

The Town's latest published unemployment rate as of December 2011 is 9.3 percent. This compares favorably to the State's average unemployment rate of 10.8 percent and is slightly above the national rate of 8.5 percent. Per capita and median family incomes remain some of the highest in the State.

	Per Capita	Median Family
Lincoln	\$ 36,854	\$ 90,012
Rhode Island	\$ 28,707	\$ 70,663

At the Annual Town Financial Meeting in May 2011, the voters approved a budget for fiscal year 2012 of \$71,183,230, which is 2.5% higher than the fiscal year 2011 budget. The Town's municipal departments increase was 4.1%; the School Department increase was 2.8% and Debt Service and the Education Resolutions decrease was 4.7%.

Requests for Information

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

TOWN OF LINCOLN, RHODE ISLAND

STATEMENT OF NET ASSETS

JUNE 30, 2011

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash and cash equivalents	\$ 15,450,232	\$ 1,628,307	\$ 17,078,539
Investments		1,673,214	1,673,214
Accounts receivable, less allowances for doubtful accounts totaling \$334,930:			
Property taxes	2,235,820		2,235,820
Federal and state government	4,184,273	98,809	4,283,082
Assessments and user fees		1,071,643	1,071,643
Other	1,003,104	61,610	1,064,714
Prepaid expenses		31,099	31,099
Inventory		84,340	84,340
Internal balances	(223,707)	223,707	-
Deferred charges	91,738		91,738
Capital assets not being depreciated	15,110,799	177,452	15,288,251
Capital assets being depreciated, net	51,551,480	29,462,782	81,014,262
	<u>89,403,739</u>	<u>34,512,963</u>	<u>123,916,702</u>
LIABILITIES:			
Accounts payable and accrued expenses	6,702,826	753,177	7,456,003
Long-term obligations:			
Due within one year	4,379,511	341,985	4,721,496
Due in more than one year	41,460,596	2,927,778	44,388,374
Other postemployment benefits	3,281,220		3,281,220
	<u>55,824,153</u>	<u>4,022,940</u>	<u>59,847,093</u>
Commitment and contingencies (Note 11)			
NET ASSETS:			
Invested in capital assets, net of related debt	25,917,471	26,370,471	52,287,942
Restricted for:			
Capital and construction projects	1,432,882		1,432,882
Grants	593,180		593,180
Open space	884,295		884,295
Unrestricted	4,751,758	4,119,552	8,871,310
	<u>\$ 33,579,586</u>	<u>\$ 30,490,023</u>	<u>\$ 64,069,609</u>

See notes to basic financial statements.

TOWN OF LINCOLN, RHODE ISLAND
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 1,790,002	\$ 778,735	\$ -	\$ 208,573	\$ (802,694)	\$ -	\$ (802,694)
Financial administration	944,265	36,108	-	-	(908,157)	-	(908,157)
Public library	1,226,326	21,859	179,391	-	(1,025,076)	-	(1,025,076)
Public safety	7,124,751	1,322,851	-	-	(5,801,900)	-	(5,801,900)
Public services	5,230,604	266,262	5,309	(36,594)	(4,995,627)	-	(4,995,627)
Education	52,163,049	61,381	11,161,082	1,312,036	(39,628,550)	-	(39,628,550)
Interest on long-term debt	1,775,058	-	-	-	(1,775,058)	-	(1,775,058)
Total governmental activities	70,254,055	2,487,196	11,345,782	1,484,015	(54,937,062)	-	(54,937,062)
Business-type activities:							
Water Fund	3,327,857	3,677,544	-	-	\$ -	\$ 349,687	\$ 349,687
School Lunch Fund	929,209	463,084	480,511	-	14,386	14,386	14,386
Sewer Fund	849,792	916,321	16,984	-	83,513	83,513	83,513
Police Detail Fund	692,697	727,658	-	-	34,961	34,961	34,961
Total business-type activities	5,799,555	5,784,607	497,495	-	482,547	482,547	482,547
Total	\$ 76,053,610	\$ 8,271,803	\$ 11,843,277	\$ 1,484,015	(54,937,062)	482,547	(54,454,515)
General revenues:							
Property taxes					50,676,273	-	50,676,273
Grants and contributions not restricted to specific programs					7,943,688	-	7,943,688
Investment earnings					453,535	-	453,535
Total general revenues					59,073,496	-	59,073,496
Change in net assets					4,136,434	482,547	4,618,981
Net assets, beginning of year					29,443,152	30,007,476	59,450,628
Net assets, end of year					\$ 33,579,586	\$ 30,490,023	\$ 64,069,609

See notes to basic financial statements.

TOWN OF LINCOLN, RHODE ISLAND
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2011

	General Fund	School Department	Public Building Bond Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 11,164,879	\$ 2,185,160	\$ 1,832,266	\$ 267,927	\$ 15,450,232
Accounts receivable, less allowance for doubtful accounts of \$268,611:					
Property taxes	2,235,820				2,235,820
Federal and state governments	2,513,959	1,627,209			4,141,168
Other	965,896			37,208	1,003,104
Due from other funds	1,072,866	3,132,346		4,226,057	8,431,269
Total assets	\$ 17,953,420	\$ 6,944,715	\$ 1,832,266	\$ 4,531,192	\$ 31,261,593
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued expenses	\$ 1,634,111	\$ 4,276,139	\$ 91,787	\$ 1,398	\$ 6,003,435
Due to other funds	7,207,382	112,818	1,046,218	245,453	8,611,871
Deferred revenue	2,336,380	-		42,693	2,379,073
Total liabilities	11,177,873	4,388,957	1,138,005	289,544	16,994,379
Fund balances:					
Restricted for:					
Capital projects				738,621	738,621
Construction projects			694,261		694,261
Grants				593,180	593,180
Open space				884,295	884,295
Committed to capital projects				2,025,552	2,025,552
Assigned	1,695,100	2,555,758			4,250,858
Unassigned	5,080,447				5,080,447
Total fund balances	6,775,547	2,555,758	694,261	4,241,648	14,267,214
Total liabilities and fund balances	\$ 17,953,420	\$ 6,944,715	\$ 1,832,266	\$ 4,531,192	\$ 31,261,593

See notes to basic financial statements.

TOWN OF LINCOLN, RHODE ISLAND

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO STATEMENT OF NET ASSETS

JUNE 30, 2011

Total fund balances for governmental funds		\$ 14,267,214
Assets used in governmental activities which are not financial resources and, therefore, are not reported in the funds:		
Capital assets, net	\$ 66,662,279	
Deferred charges	<u>91,738</u>	66,754,017
Some taxes and grants will be collected after year-end but are not available soon enough to pay for the current period's expenditures; therefore, they are reported as deferred revenue in the funds.		2,379,073
Liabilities not due and payable in the current period which therefore are not reported in the funds:		
Bonds payable	(40,350,754)	
Capital leases	(485,792)	
Claims and judgments	(1,426,400)	
Other postemployment benefits (OPEB), net	(3,281,220)	
Compensated absences payable	(3,577,161)	
Accrued interest	<u>(699,391)</u>	<u>(49,820,718)</u>
Net assets of governmental activities		<u>\$ 33,579,586</u>

See notes to basic financial statements.

TOWN OF LINCOLN, RHODE ISLAND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

	General Fund	School Department	Public Building Bond Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 51,552,552				\$ 51,552,552
Intergovernmental	17,016,414	\$ 1,628,551		\$ 208,573	18,853,538
Local	2,010,467	115,936	\$ 11,173	165,007	2,302,583
Interest and investment income	439,260	7	4,880	6,485	450,632
State contribution to teachers' pension plan		1,821,526			1,821,526
Total revenues	71,018,693	3,566,020	16,053	380,065	74,980,831
Expenditures:					
Current:					
General government	920,625				920,625
Financial administration	778,410				778,410
Public library	1,029,024				1,029,024
Public safety	5,088,327			99,852	5,188,179
Public services	5,899,878			288,563	6,188,441
Grants and contributions	62,000				62,000
Other expenditures	3,641,605				3,641,605
Education		50,200,324			50,200,324
Debt service:					
Principal	2,983,391				2,983,391
Interest	1,826,783				1,826,783
Capital outlay	24,162		1,899,320	1,886,089	3,809,571
Total expenditures	22,254,205	50,200,324	1,899,320	2,274,504	76,628,353
Excess (deficiency) of revenues over expenditures	48,764,488	(46,634,304)	(1,883,267)	(1,894,439)	(1,647,522)
Other financing sources (uses):					
Other financing source, capital leases	347,640				347,640
Transfers from other funds	508,040	46,756,704		1,714,792	48,979,536
Transfers to other funds	(48,471,496)			(508,040)	(48,979,536)
Total other financing sources (uses)	(47,615,816)	46,756,704		1,206,752	347,640
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	1,148,672	122,400	(1,883,267)	(687,687)	(1,299,882)
Fund balance, beginning of year:					
As previously reported	5,815,213	2,408,665	2,577,528	4,765,690	15,567,096
Reclassification of fund balance - GASB 54	(188,338)	24,693		163,645	-
As restated	5,626,875	2,433,358	2,577,528	4,929,335	15,567,096
Fund balance, end of year	\$ 6,775,547	\$ 2,555,758	\$ 694,261	\$ 4,241,648	\$ 14,267,214

See notes to basic financial statements.

TOWN OF LINCOLN, RHODE ISLAND

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

YEAR ENDED JUNE 30, 2011

Net change in fund balances for governmental funds		\$ (1,299,882)
Governmental funds report capital outlays as expenditures; however, in the statement of activities these costs are allocated over the life of the related debt and reported as depreciation expense.		
Capital outlays, including amounts charged to current expenditures	\$ 6,473,875	
Depreciation expense	<u>(1,813,383)</u>	4,660,492
Governmental funds report bond issuance costs as expenditures; however, in the statement of activities these costs are allocated over the life of the related debt and reported as amortization expense.		
Amortization expense		(15,262)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.		609,658
The issuance of long-term debt (including premiums or discounts) provides current resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment and refunding of bonds and notes use current financial resources, but decrease long-term liabilities in the statement of net assets. Bond premiums and refunding charges are deferred and amortized as part of future interest expense.		
Other financing source, capital leases, net	(347,640)	
Principal repayments on long-term debt	3,063,511	
Amortization of:		
Deferred charge on refunding	(94,884)	
Bond premiums	<u>76,479</u>	2,697,466
Some liabilities not requiring the use of current financial resources in governmental funds are not accrued in the governmental funds but are accrued in the statement of net assets:		
Claims and judgments	(1,281,400)	
Other postemployment benefits (OPEB), net	(1,174,024)	
Accrued compensated absences	<u>(115,208)</u>	(2,570,632)
Accrued interest reported in the statement of activities does not require the use of current financial resources; therefore, it is not reported as an expenditure in governmental funds		<u>54,594</u>
Change in net assets of governmental activities		<u>\$ 4,136,434</u>

See notes to basic financial statements.

TOWN OF LINCOLN, RHODE ISLAND

STATEMENT OF NET ASSETS – ENTERPRISE FUNDS

JUNE 30, 2011

	Water Fund	School Lunch Fund	Sewer Fund	Police Detail Fund	Total
ASSETS:					
Current assets:					
Cash and cash equivalents	\$ 1,322,406	\$ 83,824	\$ 222,077		\$ 1,628,307
Investments	1,673,214				1,673,214
Accounts receivable, less allowance for doubtful accounts of \$66,319:					
Water usage fees	995,373		76,270		1,071,643
Due from other governmental units		98,809			98,809
Other				\$ 61,610	61,610
Due from other funds		123,737	126,619		250,356
Prepaid and other expenses	31,099				31,099
Inventory	84,340				84,340
Total current assets	4,106,432	306,370	424,966	61,610	4,899,378
Noncurrent assets:					
Capital assets not being depreciated	177,452				177,452
Capital assets being depreciated, net	19,468,974		9,993,808		29,462,782
Total assets	23,752,858	306,370	10,418,774	61,610	34,539,612
LIABILITIES:					
Current liabilities:					
Accounts payable and accrued expenses	652,085	92,887	8,205		753,177
Due to other funds				\$ 26,649	26,649
Current portion of long-term obligations	147,000		194,985		341,985
Total current liabilities	799,085	92,887	203,190	26,649	1,121,811
Noncurrent liabilities, long-term obligations, net of current portion					
	2,667,096		260,682		2,927,778
Total liabilities	3,466,181	92,887	463,872	26,649	4,049,589
NET ASSETS:					
Invested in capital assets, net of related debt	16,832,330		9,538,141	-	26,370,471
Unrestricted	3,454,347	213,483	416,761	34,961	4,119,552
Total net assets	\$ 20,286,677	\$ 213,483	\$ 9,954,902	\$ 34,961	\$ 30,490,023

See notes to basic financial statements.

TOWN OF LINCOLN, RHODE ISLAND

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

YEAR ENDED JUNE 30, 2011

	Water Fund	School Lunch Fund	Sewer Fund	Police Detail Fund	Total
Operating revenues:					
Assessments and user fees	\$ 2,490,380		\$ 916,321	\$ 727,658	\$ 4,134,359
Intergovernmental		\$ 480,511			480,511
Other revenues	1,187,164	463,084	16,984		1,667,232
Total operating revenues	3,677,544	943,595	933,305	727,658	6,282,102
Operating expenses:					
Maintenance and servicing	2,033,013		249,639	692,697	2,975,349
Cafeteria operations		929,209			929,209
Administration	831,052		310,452		1,141,504
Depreciation	367,393		274,077		641,470
Total operating expenses	3,231,458	929,209	834,168	692,697	5,687,532
Operating income	446,086	14,386	99,137	34,961	594,570
Nonoperating expense, interest expense	(96,399)		(15,624)	-	(112,023)
Change in net assets	349,687	14,386	83,513	34,961	482,547
Net assets, beginning of year	19,936,990	199,097	9,871,389	-	30,007,476
Net assets, end of year	\$ 20,286,677	\$ 213,483	\$ 9,954,902	\$ 34,961	\$ 30,490,023

See notes to basic financial statements.

TOWN OF LINCOLN, RHODE ISLAND

STATEMENT OF CASH FLOWS – ENTERPRISE FUNDS

YEAR ENDED JUNE 30, 2011

	Water Fund	School Lunch Fund	Sewer Fund	Police Detail Fund	Total
Cash flows from operating activities:					
Cash received from customers	\$ 2,616,736	\$ 463,084	\$ 877,565	\$ 719,278	\$ 4,676,663
Cash received from other sources	1,187,164	407,412	16,984		1,611,560
Cash paid to and for employees	(1,123,953)		(255,685)	(692,697)	(2,072,335)
Cash paid to suppliers	(1,754,099)	(887,040)	(321,017)		(2,962,156)
Net cash provided by (used in) operating activities	925,848	(16,544)	317,847	26,581	1,253,732
Cash provided by (used in) non-capital financing activities, interfund balances	(30,450)	8,669	(20,147)	(26,581)	(68,509)
Cash flows from capital and related financing activities:					
Acquisition and construction of capital assets	(989,110)	-	(125,072)	-	(1,114,182)
Proceeds from loans	801,743		261,682		1,063,425
Principal paid on loans	(74,000)		(196,609)		(270,609)
Interest paid on loans	(96,399)		(15,624)		(112,023)
Net cash used in capital and related financing activities	(357,766)	-	(75,623)	-	(433,389)
Cash used in investing activities, reinvested interest and dividends on investments	(138,560)				(138,560)
Net increase (decrease) in cash and cash equivalents	399,072	(7,875)	222,077	-	613,274
Cash and cash equivalents, beginning of year	923,334	91,699	-	-	1,015,033
Cash and cash equivalents, end of year	\$ 1,322,406	\$ 83,824	\$ 222,077	\$ -	\$ 1,628,307

(continued)

TOWN OF LINCOLN, RHODE ISLAND

STATEMENT OF CASH FLOWS – ENTERPRISE FUNDS (CONTINUED)

YEAR ENDED JUNE 30, 2010

	Water Fund	School Lunch Fund	Sewer Fund	Police Detail Fund	Total
Reconciliation of operating income to net cash provided by (used in) operating activities:					
Operating income	\$ 446,086	\$ 14,386	\$ 99,137	\$ 34,961	\$ 594,570
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:					
Depreciation	367,393		274,077		641,470
Increase in:					
Accounts receivable		(73,099)	(38,756)	(8,380)	(120,235)
Prepaid expenses	(4,433)				(4,433)
Accounts payable and accrued expenses		42,169			42,169
Decrease in:					
Accounts receivable	126,356				126,356
Inventory	6,135				6,135
Accounts payable and accrued expenses	(15,689)		(16,611)		(32,300)
Net cash provided by (used in) operating activities	<u>\$ 925,848</u>	<u>\$ (16,544)</u>	<u>\$ 317,847</u>	<u>\$ 26,581</u>	<u>\$ 1,253,732</u>

See notes to basic financial statements.

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

JUNE 30, 2011

	Pension Trust Fund	Private Purpose Trust Funds	Agency Funds
ASSETS:			
Cash and cash equivalents	\$ 87,828	\$ 33,660	\$ 377,030
Investments	16,080,581		
Receivables	412		330,118
Total assets	16,168,821	33,660	\$ 707,148
LIABILITIES:			
Deposits held in custody for others	-	-	\$ 707,148
Total liabilities	-	-	\$ 707,148
NET ASSETS:			
Held in trust for pension benefits and other purposes	\$ 16,168,821	\$ 33,660	

See notes to basic financial statements.

TOWN OF LINCOLN, RHODE ISLAND

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS –
FIDUCIARY FUNDS

YEAR ENDED JUNE 30, 2011

	Pension Trust Fund	Private Purpose Trust Funds
Additions to net assets:		
Investment income, net:		
Interest income	\$ 241,208	\$ 15
Net appreciation in fair value of investments	2,717,443	
	<u>2,958,651</u>	<u>15</u>
Contributions:		
Employer	628,178	-
Plan members	309,569	
	<u>937,747</u>	<u>-</u>
Total additions	<u>3,896,398</u>	<u>15</u>
Deductions from net assets:		
Benefits	1,247,424	-
Administrative expense	145,509	
	<u>1,392,933</u>	<u>-</u>
Total deductions	<u>1,392,933</u>	<u>-</u>
Change in net assets	2,503,465	15
Net assets, beginning of year	<u>13,665,356</u>	<u>33,645</u>
Net assets, end of year	<u>\$ 16,168,821</u>	<u>\$ 33,660</u>

See notes to basic financial statements.

TOWN OF LINCOLN, RHODE ISLAND
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

1. Summary of significant accounting policies:

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

Financial reporting entity:

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

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

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

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

1. Summary of significant accounting policies (continued):

Recent accounting pronouncement:

Effective July 1, 2010, the Town implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" (GASB 54). This statement revises the governmental fund type definitions and provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The Town's beginning of year fund balances have been reclassified in accordance with GASB 54 requirements.

Basis of presentation:

Government-wide financial statements:

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

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

Fund financial statements:

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

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

1. Summary of significant accounting policies (continued):

Basis of presentation (continued):

Fund financial statements (continued):

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

All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

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

Governmental funds:

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

General Fund:

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

Special revenue funds:

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

Capital projects funds:

Capital projects funds are used to account for and report resources restricted, committed, or assigned for the acquisition or construction of specific capital projects or items. For the fiscal year ended June 30, 2011, the Town's Public Building Bond Fund is a major fund.

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

1. Summary of significant accounting policies (continued):

Basis of presentation (continued):

Fund financial statements (continued):

Proprietary funds:

Proprietary funds are used to account for business-like activities provided to the general public (enterprise funds) or within the government (internal service funds). These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The Town considers all enterprise funds to be major funds for financial statement purposes even though they may not qualify under the GASB guidelines. The Town's proprietary funds consist of the Water Fund, School Lunch Fund, Sewer Fund, and the Police Detail Fund. The Town has no internal service funds.

Fiduciary funds:

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

Pension trusts:

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

Private purpose trust:

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

Agency:

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

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

1. Summary of significant accounting policies (continued):

Basis of presentation (continued):

Measurement focus and basis of accounting:

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

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

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

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

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

1. Summary of significant accounting policies (continued):

Basis of presentation (continued):

Measurement focus and basis of accounting (continued):

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

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

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

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

Certain immaterial rounding differences may exist between amounts reported in these notes and amounts reported in the basic financial statements.

Use of estimates:

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

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

1. Summary of significant accounting policies (continued):

Property taxes:

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

For 2011, Rhode Island General Law restricts the Town's ability to increase its total tax levy by more than 4.5% over that of the preceding year. The rate decreases by 0.25% annually to 4% in 2013.

Intergovernmental revenues:

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

Cash and cash equivalents:

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

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

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

1. Summary of significant accounting policies (continued):

Investments:

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

Interfund transactions:

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

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

Capital assets:

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

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

1. Summary of significant accounting policies (continued):

Capital assets (continued):

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

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

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

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

Bond issuance costs:

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

Compensated absences:

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

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

1. Summary of significant accounting policies (continued):

Compensated absences (continued):

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

Long-term obligations:

In the government-wide and enterprise fund financial statements, long-term debt and other long-term obligations (including compensated absences and accrued claims and judgments) are reported as liabilities in the statement of net assets. Bond premiums and discounts are deferred and amortized over the term of the related debt using the effective interest method.

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

Fund equity:

Government-wide and enterprise fund financial statements:

Net assets:

The Town's net assets have been segregated into the following three components:

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

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

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

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

1. Summary of significant accounting policies (continued):

Fund equity (continued):

Governmental fund financial statements:

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

Nonspendable – amounts that cannot be spent because they are either a) not in spendable form or b) legally or contractually required to be maintained intact

Restricted – amounts that have been restricted to specific purposes either by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation

Committed – amounts constrained to specific purposes by the Town, using its highest level of decision-making authority

Commitments will only be used for specific purposes pursuant to a formal action of the Town Council. Town Council Resolution is required to approve, modify, or rescind a fund balance commitment.

Assigned – amounts that are intended by the Town to be used for specific purposes, but are neither restricted nor committed. At June 30, 2011, assigned fund balance of the General Fund consists of budgeted expenditures of \$617,577 and a health care reserve of \$1,077,523.

The Town Council delegates to the Town Administrator or designee the authority to assign amounts to be used for specific purposes. Such assignments cannot exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund.

Unassigned – amounts available for any purpose

Expenditures may be incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available. Composition of the ending fund balance will be determined by applying the following: In those instances where both restricted and unrestricted amounts are available, restricted amounts will be considered to have been spent first (as allowed and in compliance with stated and specified terms or requirements), followed by committed amounts, followed by assigned amounts, and then unassigned amounts.

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

2. Fund balances:

The following individual funds had deficit fund equity as of June 30, 2011:

Non-major governmental funds:

Open Space Acquisition Fund	\$ (220,508)
Substance Abuse Grant	(6,773)
E-Ticketing Grant	(22,334)
Child Safety Seatbelt Fund	(258)
Police Vest Grant	(2,897)
Preserve America Grant	(674)
RIEMA Grant	(22,804)
Operation Riptide	(5,728)
Senior Center Programs	(12,525)
Lincoln Park Fields	(13,518)
School Capital Reserve	(115,518)
Preserve America Grant	(674)

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

3. Deposits and investments:

Cash and cash equivalents (deposits):

At June 30, 2011, the carrying amount of the Town's deposits, including \$11,093,324 of cash equivalents, was \$17,577,057 and the bank balance was \$18,839,499, of which \$6,147,379 was collateralized with securities held by the pledging financial institution in the Town's name and \$12,692,120 was held in a depository institution insured by FDIC through an agreement with an institution participating in a certificate of deposit account registry (CDARS).

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

3. Deposits and investments (continued):

Cash and cash equivalents (deposits) (continued):

At June 30, 2011, deposits are categorized as follows:

	Insured/ collateralized in Town's name	Rating	Maturities	Total bank balance	Carrying amount
Deposits:					
Demand deposits	\$ 7,746,175	N/A	N/A	\$ 7,746,175	\$ 6,483,733
Money market	<u>11,093,324</u>	N/A	N/A	<u>11,093,324</u>	<u>11,093,324</u>
	<u>\$ 18,839,499</u>			<u>\$ 18,839,499</u>	<u>\$ 17,577,057</u>

Investments:

Investments other than Pension Trust Fund:

	Carrying amount	Maturities	Rating
Corporate bonds	\$ 225,778	2011 – 2018	A1
Corporate bonds	167,046	2013 – 2017	A2
Corporate bonds	52,712	2011 – 2012	AA2
Corporate bonds	279,879	2015 – 2018	AA3
Corporate bonds	44,553	2033	BAA1
Mutual funds, U.S. Government securities	<u>903,247</u>	Not applicable	Not rated
Total investments	<u>\$ 1,673,214</u>		

Pension Trust Fund investments:

	Carrying amount
Mutual funds	\$ 11,308,364
Group annuity	<u>4,772,217</u>
Total investments	<u>\$ 16,080,581</u>

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

3. Deposits and investments (continued):

Investments (continued):

Interest rate risk:

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

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

Credit risk:

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

Concentration of credit risk:

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

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

3. Deposits and investments (continued):

Investments (continued):

Custodial credit risk:

Custodial credit risk for deposits is the risk that, in the event of failure of a depository institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of the outside party. Custodial credit risk for investments is the risk that, in the event of failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not believe that it has significant custodial credit risk with regard to its investments as substantially all investment securities are registered and held in the name of the Town.

Foreign currency risk:

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The Town does not have a formal policy for foreign currency risk. The Pension Trust Fund's common collective trust investment includes an international value fund totaling \$1,879,054 as of June 30, 2011.

4. Interfund transactions:

Interfund receivables and payables at June 30, 2011 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Due to/from:		
Governmental funds:		
General Fund	Enterprise fund, Police Detail	\$ 26,648
	Public Building Bond Fund	<u>1,046,218</u>
		<u>1,072,866</u>
School Department	Governmental funds, General Fund	<u>3,132,346</u>

(continued)

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

4. Interfund transactions (continued):

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Due to/from (continued):		
Enterprise funds:	Governmental funds:	
School Lunch Fund	School Department	\$ 112,818
	General Fund	<u>10,919</u>
		123,737
Sewer Fund	General Fund	<u>126,619</u>
		<u>250,356</u>
		<u>\$ 4,455,568</u>

Operating transfers between funds for the year ended June 30, 2011 were as follows:

<u>Transfer to Fund</u>	<u>Transfer from Fund</u>	<u>Amount</u>
Governmental funds:		
General Fund	Governmental funds, nonmajor funds	\$ <u>508,040</u>
School Department	Governmental funds, General Fund	<u>46,756,704</u>
Nonmajor governmental funds:	Governmental funds:	
School Capital Fund	General Fund	508,040
Capital Projects Reserve Fund	General Fund	1,180,106
Lincoln Park Fields	General Fund	<u>26,646</u>
		<u>1,714,792</u>
		<u>\$ 48,979,536</u>

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

5. Capital assets:

Capital asset activity for the year ended June 30, 2011 was as follows:

	Beginning balances	Increases	Decreases	Ending balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 14,423,473			\$ 14,423,473
Construction in progress	1,960,324	\$ 2,533,323	(3,806,321)	687,326
Total capital assets not being depreciated	16,383,797	2,533,323	(3,806,321)	15,110,799
Capital assets being depreciated:				
Land improvements and infrastructure	7,253,043	2,140,227	-	9,393,270
Buildings and improvements	51,047,828	4,779,252	(12,847)	55,814,233
Machinery and equipment	4,077,867	346,128	(134,995)	4,289,000
Motor vehicles	2,662,777	535,069	(145,068)	3,052,778
Total capital assets being depreciated	65,041,515	7,800,676	(292,910)	72,549,281
Less accumulated depreciation for:				
Land improvements and infrastructure	(4,439,309)	(258,223)	-	(4,697,532)
Buildings and improvements	(10,763,011)	(1,074,651)	5,696	(11,831,966)
Machinery and equipment	(2,687,724)	(244,285)	101,641	(2,830,368)
Motor vehicles	(1,533,481)	(236,224)	131,770	(1,637,935)
Total accumulated depreciation	(19,423,525)	(1,813,383)	239,107	(20,997,801)
Total capital assets being depreciated, net	45,617,990	5,987,293	(53,803)	51,551,480
Governmental activities capital assets, net	\$ 62,001,787	\$ 8,520,616	\$ (3,860,124)	\$ 66,662,279

Depreciation for governmental activities was charged to functions as follows:

General government	\$ 85,461
Public safety	196,268
Public service	385,189
Library	609
Education	1,145,856
	<u>\$ 1,813,383</u>

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

5. Capital assets (continued):

	Beginning balances	Increases	Decreases	Ending balances
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 177,452	\$ -	\$ -	\$ 177,452
Construction in progress	-			-
Total capital assets not being depreciated	<u>177,452</u>	<u>-</u>	<u>-</u>	<u>177,452</u>
Capital assets being depreciated:				
Buildings and improvements	862,464			862,464
Infrastructure	40,145,507	1,055,852		41,201,359
Machinery and equipment	612,172	25,006		637,178
Vehicles	520,756	35,170	(68,588)	487,338
Total capital assets being depreciated	<u>42,140,899</u>	<u>1,116,028</u>	<u>(68,588)</u>	<u>43,188,339</u>
Less accumulated depreciation for:				
Buildings and improvements	(506,739)	(17,998)		(524,737)
Infrastructure	(11,875,677)	(561,926)		(12,437,603)
Machinery and equipment	(446,814)	(23,615)		(470,429)
Vehicles	(321,600)	(37,931)	66,743	(292,788)
Total accumulated depreciation	<u>(13,150,830)</u>	<u>(641,470)</u>	<u>66,743</u>	<u>(13,725,557)</u>
Total capital assets being depreciated, net	<u>28,990,069</u>	<u>474,558</u>	<u>(1,845)</u>	<u>29,462,782</u>
Business-type activities capital assets, net	<u>\$ 29,167,521</u>	<u>\$ 474,558</u>	<u>\$ (1,845)</u>	<u>\$ 29,640,234</u>
Depreciation for business-type activities was charged to functions as follows:				
Water Fund			\$ 367,393	
Sewer Fund			<u>274,077</u>	
			<u>\$ 641,470</u>	

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

6. Long-term obligations:

General obligation bonds, notes and loans payable:

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

Rhode Island General Law caps the amount of each municipality's general obligation bonds that may be outstanding to 3% of its assessed property values. Exceptions apply to bonds financed from nontax revenues and special exemptions are granted for other purposes as well. The assessed value of the Town's properties at December 31, 2010 was \$2,864,633,350, limiting the amount of nonexempted general obligation bonds outstanding to \$85,939,000. At June 30, 2011, bonds outstanding totaled \$40,555,000.

The Town has financed the acquisition of certain equipment through lease-purchase agreements. Equipment financed under capital leases has been acquired for the General Fund and recorded in the governmental activities as capital assets. Governmental activities fixed assets under capital lease of \$692,818 are recorded net of \$86,570 of accumulated depreciation at June 30, 2011. Interest expense for the year ended June 30, 2011 of \$9,261 is reported within the governmental activities, interest on long-term debt on the statement of activities.

Defeasance of debt:

On July 1, 2003, the Town issued \$18,770,000 in general obligation bonds with an average interest rate of 3.83% to refund in advance \$6,980,000 in 1996 bonds and \$11,360,000 in 1993 bonds. The net proceeds were used to purchase U.S. Government securities which were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1996 bonds and the redemption of the 1993 bonds. Accordingly, the trust account assets and the liability for defeased bonds are not included in the Town's financial statements. On June 30, 2011, the outstanding balance of defeased bonds is \$3,020,000.

A summary of long-term obligations at June 30, 2011 is as follows:

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Total</u>
General obligation bonds	\$ 40,361,015	\$ 193,985	\$ 40,555,000
Deferred amounts:			
For issuance premiums	465,823		465,823
On refunding	<u>(476,084)</u>		<u>(476,084)</u>
Total bonds payable	40,350,754	193,985	40,544,739
Loans payable		3,075,778	3,075,778
Capital leases	485,792		485,792
Claims and judgments	1,426,400		1,426,400
Accrued compensated absences	<u>3,577,161</u>		<u>3,577,161</u>
	45,840,107	3,269,763	49,109,870
Less portion due within one year	<u>4,379,511</u>	<u>341,985</u>	<u>4,721,496</u>
	<u>\$ 41,460,596</u>	<u>\$ 2,927,778</u>	<u>\$ 44,388,374</u>

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

6. Long-term obligations (continued):

Governmental activities:

Purpose	Amount of original issue	Date issued	Interest rate	Maturity date	Balance, July 1, 2010	New issues	Retired	Balance, June 30, 2011	Amounts due within one year
General obligation bonds:									
Refunding and open space	\$ 3,800,000	02/15/02	3.00-4.00%	04/15/12	\$ 745,000		\$ 375,000	\$ 370,000	\$ 370,000
Refunding	18,770,000	07/01/03	2.00-5.00%	08/01/16	4,160,000		1,140,000	3,020,000	535,000
School construction and renovation	35,000,000	08/01/06	4.25-5.00%	08/01/26	31,530,000		1,265,000	30,265,000	1,320,000
Open space	3,000,000	06/15/07	4.13-5.50%	06/15/27	2,550,000		150,000	2,400,000	150,000
Improvements to municipal buildings	5,000,000	07/01/08	3.75-4.75%	07/01/28	4,750,000		250,000	4,500,000	250,000
Transfer refunding to Sewer Fund					(390,594)		(196,609)	(193,985)	(193,985)
Total general obligation bonds	\$ 65,570,000				43,344,406		2,983,391	40,361,015	2,431,015
Deferred amounts:									
For issuance premiums					542,302		76,479	465,823	76,479
On refunding					(555,432)		(79,348)	(476,084)	(79,348)
Total bonds payable					43,331,276		2,980,522	40,350,754	2,428,146
Capital leases:									
Street sweeper	140,178	01/05/09	4.72%	01/05/13	83,988		26,715	57,273	27,976
Recycle truck	205,000	05/20/09	4.46%	05/20/13	118,748		37,869	80,879	39,558
Rescue vehicle	159,000	08/24/10	5.34%	08/24/13	-	\$ 159,000		159,000	50,194
Trash truck	188,640	05/15/11	2.66%	05/15/14	-	188,640		188,640	61,237
Total capital leases	\$ 692,818				202,736	347,640	64,584	485,792	178,965
Claims and judgments					145,000	1,426,400	145,000	1,426,400	1,426,400
Accrued compensated absences					3,461,953	115,208		3,577,161	346,000
Total long-term obligations					\$ 47,140,965	\$ 1,889,248	\$ 3,190,106	\$ 45,840,107	\$ 4,379,511

Claims and judgments and compensated absences will be liquidated in the General and School Department governmental funds. Beginning balance of general obligation bonds reflects the transfer on July 1, 2010 of certain amounts to the Sewer Fund.

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

6. Long-term obligations (continued):

Business-type activities:

Purpose	Amount of original issue	Date issued	Interest rate	Maturity date	Balance, July 1, 2010	New issues	Retired	Balance, June 30, 2011	Amounts due within one year
General obligation bonds:									
Refunding bond	Allocated from the General Fund	07/01/03	2.00-5.00%	08/01/12	\$ 390,594	\$ -	\$ 196,609	\$ 193,985	\$ 193,985
					390,594	-	196,609	193,985	193,985
Loans payable are as follows:									
Enterprise fund, Sewer:									
Rhode Island Clean Water Finance Agency, Sewer system improvements	\$ 2,902,500	03/29/11	1.45-4.35%	09/01/31	-	2,902,500	-	2,902,500	1,000
Enterprise fund, Water:									
Rhode Island Clean Water Finance Agency:									
Water system improvements	300,000	04/19/04	3.50%	09/01/24	92,583		5,000	87,583	5,000
Water system improvements	1,800,000	03/01/07	3.03-3.40%	09/01/27	1,673,000		67,000	1,606,000	69,000
Water system improvements	1,500,000	11/06/09	.055-4.15%	09/01/29	1,500,000		1,000	1,499,000	58,000
Water system improvements	362,568	02/12/10	.36-4.09%	09/01/30	362,567		1,000	361,567	15,000
	<u>\$ 6,865,068</u>				3,628,150	2,902,500	74,000	6,456,650	148,000
Less undrawn loan proceeds held by the State					(1,541,797)	(2,640,818)	801,743	(3,380,872)	
					2,086,353	261,682	(727,743)	3,075,778	148,000
Total long-term obligations					<u>\$ 2,476,947</u>	<u>\$ 261,682</u>	<u>\$ (531,134)</u>	<u>\$ 3,269,763</u>	<u>\$ 341,985</u>

At June 30, 2011, the Water Fund has \$3,380,872 due from the State for undrawn loan proceeds available for water construction projects.

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

6. Long-term obligations (continued):

At June 30, 2011, annual debt service requirements to maturity for general obligation bonds, loans payable (excluding effects of undrawn proceeds), and capital leases are as follows:

General obligation bonds:

Year ending June 30,	Principal	Interest	Total
2012	\$ 2,625,000	\$ 1,720,206	\$ 4,345,206
2013	2,305,000	1,614,270	3,919,270
2014	2,350,000	1,520,800	3,870,800
2015	2,410,000	1,423,750	3,833,750
2016	2,465,000	1,322,813	3,787,813
2017-2021	11,550,000	5,048,678	16,598,678
2022-2026	13,355,000	2,329,539	15,684,539
2027-2029	3,495,000	113,357	3,608,357
	<u>\$ 40,555,000</u>	<u>\$ 15,093,413</u>	<u>\$ 55,648,413</u>

For business-type activities, the annual debt service to maturity for the allocated portion of the general obligation bond is \$193,985 for 2012, at which time the obligation will be paid in full.

Loans payable:

Year ending June 30,	Principal	Interest	Total
2012	\$ 148,000	\$ 119,641	\$ 267,641
2013	251,000	213,171	464,171
2014	257,000	218,327	475,327
2015	264,000	211,458	475,458
2016	271,000	203,849	474,849
2017-2021	1,500,000	878,966	2,378,966
2022-2026	1,797,582	579,131	2,376,713
2027-2031	1,755,568	217,991	1,973,559
2032	212,500	5,152	217,652
	<u>\$ 6,456,650</u>	<u>\$ 2,647,686</u>	<u>\$ 9,104,336</u>

Capital leases:

Year ending June 30,	Principal	Interest	Total
2012	\$ 178,964	\$ 20,058	\$ 199,022
2013	186,433	12,589	199,022
2014	120,395	4,783	125,178
	<u>\$ 485,792</u>	<u>\$ 37,430</u>	<u>\$ 523,222</u>

TOWN OF LINCOLN, RHODE ISLAND
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

7. Accounts payable and accrued expenses:

	<u>Vendors</u>	<u>Other governments</u>	<u>Employees</u>	<u>Accrued interest</u>	<u>Total</u>
Governmental activities:					
General Fund	\$ 1,101,516	\$ 2,836	\$ 529,759		\$ 1,634,111
School Department	806,274	701,193	2,768,672		4,276,139
Public Building Bond Fund	91,787				91,787
Nonmajor funds	1,398				1,398
Reconciliation of balances in fund financial statements to government-wide financial statements				\$ 699,391	699,391
	<u>\$ 2,000,975</u>	<u>\$ 704,029</u>	<u>\$ 3,298,431</u>	<u>\$ 699,391</u>	<u>\$ 6,702,826</u>
Business-type activities:					
Water Fund	\$ 413,332	\$ -	\$ 238,753	\$ -	\$ 652,085
School Lunch Fund	92,887				92,887
Sewer Fund	540		7,665		8,205
	<u>\$ 506,759</u>	<u>\$ -</u>	<u>\$ 246,418</u>	<u>\$ -</u>	<u>\$ 753,177</u>

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

8. Pension plans:

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

Town Plan

Plan description:

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

As of January 1, 2011, the date of the latest actuarial valuation, employee membership data for the Plan is as follows:

Active participants	108
Retired employees	84
Terminated with vesting	16
Inactive employees	<u>3</u>
Total	<u><u>211</u></u>

Benefit provisions:

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

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

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

8. Pension plans (continued):

Town Plan (continued)

Benefit provisions (continued):

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

Average monthly salary equals the average compensation during the highest three consecutive years out of the final ten years of employment. Salary includes base compensation plus holiday and longevity pay, but not overtime. Payments commence on the first day of the month following the date of an employee's retirement.

- Participants who terminate employment before completing ten years of service are refunded their employee contributions with annual interest credited at 5% after 1997 and 3 ½% before 1998. Participants who terminate employment after completing ten years of service have the option of either a refund of their employee contribution or a monthly benefit, as described above, at the normal retirement date.
- The beneficiary of a participant who dies prior to retirement receives the participant's accumulated contributions. In lieu of this benefit, the surviving spouse can elect to receive a benefit equal to 50% of the participant's benefit accrued to the date of death, payable at the participant's normal retirement date.
- For participants other than police and firefighters, the normal form of benefit is a monthly life annuity. For the police and firefighters, the normal form of benefit is a monthly joint and 67 ½% survivor annuity. Optional forms of monthly benefits are available and are determined to be actuarially equivalent to the normal form of benefit.

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

8. Pension plans (continued):

Town Plan (continued)

Benefit provisions (continued):

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

Funding policy and contributions:

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

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

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

Actuarial method and significant assumptions:

The annual required contribution (ARC) was determined as part of the January 1, 2011 actuarial valuation using the Entry Age Actuarial Cost Method. Under this method, the excess of the entry-age actuarial accrued liability over the actuarial value of plan assets is amortized over a 20-year closed period as a level % of pay. The actuarial accrued liability, which is re-determined for each active participant as of each valuation date, represents the theoretical accumulation of all prior years' normal costs for the present participants as if the Town Plan had always been in effect. The unfunded actuarial accrued liability represents the excess of the actuarial accrued liability over the Plan's assets, which are valued using the actuarial value of the assets using a five-year smoothing of appreciation and/or depreciation.

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

8. Pension plans (continued):

Town Plan (continued)

Actuarial method and significant assumptions (continued):

Retirement probability:

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

	<u>Age</u>	<u>Years of service</u>	<u>Probability %</u>
Police	58	10	100%
	55	20	100%
	40-49, 51-54	20	20%
	50	20	50%
	63	10	100%
Lonsdale Fire	60	10	100%
	55	20	100%
	40-49, 51-54	20	20%
	50	20	50%
	55	10	100%
Saylesville Fire	55	10	100%
	63	10	100%
All others	63	10	100%

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

8. Pension plans (continued):

Town Plan (continued)

Actuarial method and significant assumptions (continued):

Mortality – the Unisex Pension Mortality Table for 1984

Disability – none assumed

Withdrawal rate:

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

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

Salary increase – 3% per year

Assumed rate of return – 8%

The actuarially determined employer contribution requirement for the Town Plan of \$645,192 was determined in accordance with the above assumptions and was based on an actuarial valuation as of January 1, 2011. The contribution consists of normal cost plus estimated expenses and one year of interest at 8%. Total contributions to the Town Plan in fiscal 2011 amounted to \$1,030,748, of which \$736,776 and \$293,972 was made by the Town and the plan participants, respectively. Contributions made by the Town and plan participants represented 14.77% and 5.89%, respectively, of covered payroll for the year.

Annual pension costs:

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Annual pension cost	\$ 645,192	\$ 618,012	\$ 386,977
Contributions made	\$ 736,776	\$ 576,259	\$ 386,977
Percent of annual pension cost contributed	<u>114.2%</u>	<u>93.2%</u>	<u>100%</u>

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

8. Pension plans (continued):

Town Plan (continued)

Funded status and funding progress:

As of January 1, 2011, the most recent actuarial valuation date, the Town Plan was 73.4% funded. The actuarial accrued liability for benefits was \$22,332,875 and the actuarial value of assets was \$16,386,041, resulting in an unfunded actuarial accrued liability (UAAL) of \$5,946,834. Covered payroll under the Town Plan for fiscal 2011 was \$4,988,272. The UAAL was 119.2% of covered payroll.

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

Union Plan

Plan description:

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

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

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

8. Pension plans (continued):

Union Plan (continued):

Contributions required and contributions made:

The Town's required contribution is negotiated with the local union. The Town's contribution was based upon \$1.20 per hour for Town Hall employees; \$1.12 per hour for Library employees; \$1.41 per hour for Public Works employees; and \$11.08 (changed from \$9.60 effective February 2011) per day for Water employees participating in the Union Plan for the period July 1, 2010 to June 30, 2011. Participating employees are not required to contribute. The Town's required contribution for the year ended June 30, 2011 was \$231,636, as follows: Town Hall employees \$63,013; Public Works employees \$118,376; Library employees \$23,202 and Water employees \$27,045.

Trend information:

<u>Fiscal year</u>	<u>Annual required contribution</u>	<u>Percent contributed</u>
2009	\$ 225,350	100%
2010	\$ 226,695	100%
2011	\$ 231,636	100%

Teachers' Plan

Plan description:

The Teachers' Plan is a statutory, mandatory, statewide, cost-sharing multiple employer public employee retirement system administered by the State. Financial statements for the Teachers' Plan are issued separately and may be obtained from the Employees' Retirement System, 40 Fountain Street, Providence, RI 02903. Total covered payroll under the Teachers' Plan during 2011 was \$24,319,395, including \$846,165 of federally reimbursed payroll.

The Teachers' Plan provides a two-tier benefit structure referred to as Schedules A and B.

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

8. Pension plans (continued):

Teachers' Plan (continued)

Plan description (continued):

Schedule A Benefits:

Schedule A benefits are available to members who possessed ten years or more of contributory service on or before July 1, 2005. Schedule A provides unreduced benefits of 1.70% of earnings for each of the first ten years of service; 1.90% for each of the next ten years of service; 3.00% for each of the next fourteen years; and 2.00% for the 35th year. Joint and survivor options are available, as well as an option that provides for the payment of a larger benefit before the attainment of age sixty-two. The maximum benefit is 80% of final average earnings after 35 years of service. Such benefits are available to members who are at least age 60 with 10 years of credited service, or after 28 years of service at any age. Benefits for all employees are based on the average of the highest three consecutive years' earnings, exclusive of overtime.

On the third January after retirement, a cost-of-living increase of 3.00% (compounded annually) is provided. The Teachers' Plan also provides nonservice-connected disability benefits after five years of service; service-connected disability benefits with no minimum service requirement; vested benefits after ten years of service; survivor's benefits for service-connected death; and certain lump-sum death benefits.

Schedule B Benefits:

Schedule B benefits are provided to members who had less than ten years of contributory service on or before July 1, 2005. Schedule B provides unreduced benefits of 1.60% of earnings for each of the first ten years of service; 1.80% for each of the next ten years; 2.00% for years 21 through 25 inclusive; 2.25% for years 26 through 30 inclusive; 2.50% 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 the average highest three years of compensation after 38 years of service. Such benefits are available to members who are at least age 65 with ten years of service, or at least age 59 with 29 years of service. Actuarially reduced retirement is available at age 55 with 20 years of service; the benefit is reduced actuarially for each month that the age of the member is less than 65 years.

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

8. Pension plans (continued):

Teachers' Plan (continued)

Schedule B Benefits (continued):

On the month following the third anniversary date of retirement, and on the month following the anniversary date of each succeeding year, a benefit increase is provided for Schedule B members, consisting of the lesser of a cost-of-living increase of 3.00% (compounded annually) or the percentage increase in the Consumer Price Index, determined as of September 30 of the prior calendar year.

Rhode Island General Law relating to state employees and teachers' benefits was amended during the fiscal year ended June 30, 2009. Members eligible to retire as of September 30, 2009 are not affected by the changes. The legislation established a minimum retirement age of 62 for all members, except those Schedule B members who retire with less than 29 years of service; their retirement eligibility remains age 65 with a minimum of 10 years of service credit. For affected state employees and teachers, the law provides a proportional downward adjustment of the minimum retirement age based on the years of service credit of a member at September 30, 2009, a final average salary based on the five consecutive highest years of salary and a cost-of-living adjustment.

This legislation also amended the disability retirement provision for state employees and teachers. Effective for applications filed after September 30, 2009, accidental disability will be available at 66-²/₃% for members who are permanently and totally disabled. If the disability is determined to be partial and the member is able to work in other jobs, the benefit will be limited to 50%.

Sweeping pension system reform was passed by the Rhode Island General Assembly on November 17, 2011 and signed into law by Governor Chafee on November 18, 2011, which will be implemented effective July 1, 2012. The Rhode Island Retirement Security Act of 2011 (RIRSA) makes substantial changes to the Teachers' Plan pension benefits, adds a defined contribution element, and creates a hybrid plan as opposed to the current defined benefit plan.

Rhode Island General Law relating to state employees and teachers benefits was amended during the fiscal year ended June 30, 2010. Members eligible to retire as of June 12, 2010 are not affected by the legislation. The legislation modifies the Cost-of-Living Adjustment (COLA). The COLA now applies to the first \$35,000 of retirement allowance, indexed annually, and shall commence upon the retiree's third anniversary of the date of retirement or when the retiree reaches age 65, whichever is later. The \$35,000 limit will increase annually by the percentage 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 or 3%, whichever is less.

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

8. Pension plans (continued):

Teachers' Plan (continued)

Funding policy:

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

As prescribed by Rhode Island General Law, the State pays the entire portion of the annual required contribution attributable to the costs of contributions deferred by the State in prior years, plus 40% of contributions assessed to employers on payroll not reimbursable through federal programs. For fiscal year 2011, actuarial required contributions were 11.25% of participants' salary (19.01% for federally reimbursed salary). This resulted in a contribution rate paid by the State on behalf of Town teachers of 7.76% (\$1,892,018). The Town's required and actual contributions to the Teachers' Plan for fiscal years 2011, 2010, and 2009 were \$2,837,211, \$2,958,817, and \$2,788,083, respectively.

Municipal Plan

Plan description:

The Municipal Plan, an agent multiple-employer public employee retirement system administered by the State, covers non-union employees and rescue personnel. Financial statements for the Municipal Plan are issued separately and may be obtained from the Employees' Retirement System, 40 Fountain Street, Providence, RI 02903. For the year ended June 30, 2011, covered payroll under the Municipal Plan totaled \$1,645,672.

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

8. Pension plans (continued):

Municipal Plan (continued)

Plan description (continued):

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

The Municipal Plan also provides nonservice-connected disability benefits after five years of service; service-connected disability benefits with no minimum service requirement; vested benefits after ten years of service; survivor's benefits for service-connected death; and certain lump-sum death benefits.

Sweeping pension system reform was passed by the Rhode Island General Assembly on November 17, 2011 and signed into law by Governor Chafee on November 18, 2011, which will be implemented effective July 1, 2012. The Rhode Island Retirement Security Act of 2011 (RIRSA) makes substantial changes to the Municipal Plan's pension benefits, adds a defined contribution element, and creates a hybrid plan as opposed to the current defined benefit plan.

As of June 30, 2011, 31 active employees were members of the Municipal Plan.

Funding policy:

Rhode Island General Law sets contribution rates of participating employees at 6% of salary (8% for police). An additional 1% of salary is assessed to employees under the optional cost-of-living provision. Annual required contributions are actuarially determined for each separate employer and are assessed to each as a percentage of their participating employees' payroll. The annual required contribution covers normal costs and, where applicable, a payment to amortize the unfunded actuarial accrued liability as of June 30, 1999 over a closed period of 30 years. Normal cost is determined using the entry age normal method. Unlike in the Teachers' Plan, the State makes no contributions to the Municipal Plan on behalf of the Town nor does it assume any liability for funding pension benefits for the Town's participants.

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

8. Pension plans (continued):

Municipal Plan (continued)

Annual pension costs and net pension obligation:

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Annual pension costs	\$ 314,427	\$ 289,257	\$ 308,505
Actual contributions:			
Employee	\$ 115,265	\$ 113,625	\$ 115,261
Employer	\$ 199,162	\$ 175,632	\$ 193,244
Percent of annual pension costs contributed	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Funded status and funding progress:

As of June 30, 2010, the date of the most recent actuarial valuation available, the funded status of the Municipal Plan was as follows:

	<u>General Employee Unit</u>	<u>Police and Fire Unit</u>
Actuarial value of assets	\$ 1,267,621	\$ 2,183,649
Actuarial accrued liability (AAL)	\$ 1,923,482	\$ 3,685,597
Unfunded AAL	\$ 655,861	\$ 1,501,948
Funded ratio	65.9%	59.2%
Covered payroll	\$ 844,463	\$ 789,153
Unfunded AAL as a percentage of covered payroll	77.7%	190.3%

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

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

8. Pension plans (continued):

Municipal Plan (continued)

Actuarial methods and significant assumptions:

The State uses the entry age normal method to determine both the actuarial accrued liabilities and annual required contributions of the Municipal Plan. Pension assets are valued at their fair value as established by quotations from applicable national securities exchanges. Valuations of accrued liabilities, pension assets, and annual required contributions for the Municipal Plan are performed annually as of June 30.

Significant actuarial assumptions used in the June 30, 2010 valuation are summarized as follows:

Asset appreciation	7.50% annually
Salary increases:	4.0% annually –general employees 4.25% annually–police/fire employees
Cost-of-living adjustments	2.75%, not compounded
Retirement probability	100% at age 70 or upon eligibility (100% at age 65 or upon eligibility-police/fire)
Mortality:	
Healthy members	115% (for male employees) and 95% (for female employees) of the RP-2000 Combined Healthy with White Collar Adjustments, projected with Scale AA
Disabled members	60% of the PBGC Table VA for disabled males eligible for Social Security disability benefits
Disability:	
General employees	Probabilities per 1,000 ranging from .08% at age 25 to 9.87% at age 60
Police	Probabilities per 1,000 ranging from .43% at age 25 to 18.15% at age 50

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

9. Other postemployment benefits:

In addition to pension benefits, the Town Police and School Departments provide, under the provisions of various union contracts and other employment agreements, postemployment health insurance benefits to eligible retirees for a specified maximum number of years. Eligibility is determined based on years of service, employee age, and other available healthcare coverage. The Town and School Department fund these benefits on a pay-as-you-go basis. Participants do not contribute to the plan. During the year ended June 30, 2011, expenditures for postemployment benefits totaled \$1,007,394; 113 participants received such benefits. The Town's postemployment benefit plan does not issue a stand-alone financial report.

The Town engaged an actuary to prepare an actuarial valuation of its postemployment benefits plan as of June 30, 2011. The purpose of the valuation was to analyze the current funded position of the Town's postemployment benefits program, determine the level of contributions necessary to assure sound funding, and provide reporting and disclosure information for financial statements, governmental agencies and other interested parties.

The Town's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" (GASB 45). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year. The following table shows the components of the annual OPEB cost, the amounts actually contributed to the plan, and changes in the Town's net OPEB obligation for the years ended June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Annual required contribution and OPEB cost	\$ 2,181,418	\$ 1,992,852
Contributions	<u>1,007,394</u>	<u>885,332</u>
Increase in net OPEB obligation	1,174,024	1,107,520
Net OPEB obligation, beginning of year	<u>2,107,196</u>	<u>999,676</u>
Net OPEB obligation, end of year	<u>\$ 3,281,220</u>	<u>\$ 2,107,196</u>
Percent of ARC contributed in current year	<u>46.2%</u>	<u>44.4%</u>

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

9. Other postemployment benefits (continued):

The funded status and progress of the plan as of June 30, 2011 are as follows:

Actuarial accrued liability (AAL)	\$ 26,241,909
Actuarial value of plan assets	<u>- 0 -</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 26,241,909</u>
Funded ratio (actuarial value of plan assets (AAL))	0%
Annual covered payroll (active plan members)	\$ 26,745,543
UAAL as a percentage of covered payroll	<u>98.1%</u>

The actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and annual required contributions are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the employer and plan members at that point. The projection of benefits for financial reporting purposes does not explicitly incorporate potential effects of legal or contractual funding limitations on the pattern of cost-sharing between the employer and plan members in the future. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Some key assumptions are as follows:

Measurement date – June 30, 2011

Funding method – Pay-as-you-go cash basis

Investment rate of return – 4.5%

Discount rate – 4.5% reflecting an unfunded obligation

Participation – 80% of eligible school retirees and 90% of eligible Town employees are assumed to elect medical and dental coverage

Health Care Cost Trend Rates – Medical 9.0% per year, decreasing to an ultimate rate of 4.5% per year after 10 years

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

9. Other postemployment benefits (continued):

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

In fiscal 2012, as part of the FY2013 budgetary process, the Town plans to budget funding and arrange for the establishment of an Other Postemployment Benefits (OPEB) Trust, which was authorized by the Rhode Island General Assembly on June 26, 2008. By doing so, the Town will be required, and expects, to implement the provisions of GASB Statement No. 43, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans."

10. Risk management:

Rhode Island Interlocal Risk Management Trust, Inc.:

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; injuries to employees; and natural disasters. As a result, the Town participates in a nonprofit, public entity risk pool (Rhode Island Interlocal Risk Management Trust, Inc.) (Trust) which provides coverage for property/liability claims. Upon joining the Trust, the Town signed a participation agreement which outlines the rights and responsibilities of both the Trust and the Town. The agreement states that for premiums paid by the Town, the Trust will assume financial responsibility for the Town's losses up to the maximum amount of insurance purchased, minus the Town's deductible amounts. The Trust provides this insurance coverage through a pooled, self-insurance mechanism which includes reinsurance purchased by the Trust to protect against large, catastrophic claims above the losses the Trust retains internally for payment from the pooled contributions of its members. Under the participation agreement, the Town is insured for a maximum of \$2,000,000 per occurrence. Settled claims resulting from these risks have not exceeded the Trust coverage in any of the past three fiscal years. There were no significant reductions in insurance coverage during the year ended June 30, 2011.

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

11. Commitment and contingencies:

Rhode Island Municipal Insurance Corporation:

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

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

Each member is solely responsible for separately and directly contracting with the qualified healthcare provider/third party administrator chosen by RIMIC and for paying any and all healthcare-related claims directly to the provider. In addition, each member is responsible for determining the types and levels of self-insured healthcare benefits offered, as well as the amount of stop-loss insurance deemed appropriate. The Town purchases stop-loss insurance to covers claims in excess of \$200,000. At June 30, 2011, the incurred but not reported claims, as determined by RIMIC's health benefit advisors based on prior history, were estimated to approximate \$250,200. The RIMIC agreement provides for an annual independent audit of its financial statements. A copy of the latest audit report can be obtained by contacting RIMIC, c/o Rodio & Ursillo, 86 Weybosset St., Providence, RI 02903.

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

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

11. Commitment and contingencies (continued):

Claims and judgments:

The following matters have been asserted and are outstanding:

A claim asserting an overcharging of inspection fees names the Town of Lincoln in a class action lawsuit.

A former employee of the Town has filed suit for slander against the former Town administrator.

A certain taxpayer has filed an appeal of certain property tax assessments on real and personal property.

Although the lawsuits described above are still ongoing, the Town has recorded a liability of \$1,426,400 in the government-wide financial statements for the probable settlements of these matters.

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

Other contingencies:

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Town expects such amounts, if any, to be immaterial. Total federal financial assistance received by the Town approximated \$2,458,000 for the year ended June 30, 2011.

TOWN OF LINCOLN, RHODE ISLAND
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

YEAR ENDED JUNE 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Taxes	\$ 49,497,331	\$ 51,387,644	\$ 51,552,552	\$ 164,908
Intergovernmental	17,375,898	14,685,585	17,016,414	2,330,829
Local revenues	1,307,350	1,307,350	1,120,018	(187,332)
Interest and investment income	400,000	400,000	439,260	39,260
Total revenues	68,580,579	67,780,579	70,128,244	2,347,665
Expenditures:				
Current:				
General government	855,079	864,772	859,053	5,719
Financial administration	884,743	842,743	798,440	44,303
Public library	1,030,756	1,030,756	1,035,204	(4,448)
Public safety	4,932,123	4,994,398	5,057,725	(63,327)
Public services	5,797,608	5,812,005	6,197,932	(385,927)
Municipal resolutions	220,000	220,000	7,856	212,144
Grants and contributions	62,000	62,000	62,000	-
Other expenditures	3,811,293	3,759,113	3,641,605	117,508
Education	508,040	508,040	508,040	-
Debt service:				
Principal	2,983,388	2,983,391	2,983,391	-
Interest	1,826,783	1,834,595	1,826,783	7,812
Total expenditures	22,911,813	22,911,813	22,978,029	(66,216)
Excess of revenues over expenditures, budgetary basis	45,668,766	44,868,766	47,150,215	2,281,449
Other financing sources (uses):				
Capital lease proceeds	-	-	347,640	347,640
Transfers from other funds	1,303,040	1,303,040	1,198,040	(105,000)
Transfers to other funds	(46,971,806)	(46,171,806)	(47,961,810)	(1,790,004)
Total other financing sources (uses)	(45,668,766)	(44,868,766)	(46,416,130)	(1,547,364)
Excess of revenues and other financing sources over expenditures and other financing uses, budgetary basis	\$ -	\$ -	734,085	\$ 734,085
Adjustments of budgetary basis to U.S. GAAP basis			414,587	
Excess of revenues and other financing sources over expenditures and other financing uses, GAAP basis			1,148,672	
Fund balance, beginning of year, restated			5,626,875	
Fund balance, end of year			\$ 6,775,547	

TOWN OF LINCOLN, RHODE ISLAND

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE - SCHOOL UNRESTRICTED FUND

YEAR ENDED JUNE 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Local revenues	-	-	77,549	77,549
Total revenues	-	-	77,549	77,549
Expenditures:				
Current:				
Salaries	29,093,205	29,093,205	28,481,186	612,019
Employee benefits	9,116,405	9,116,405	8,917,136	199,269
Purchased services	7,005,684	7,005,684	7,729,135	(723,451)
Supplies and materials	2,079,313	2,079,313	1,358,448	720,865
Other	(845,804)	(845,804)	43,761	(889,565)
Capital expenditures	241,722	241,722	167,491	74,231
Total expenditures	46,690,525	46,690,525	46,697,157	(6,632)
Excess of expenditures over revenues, budgetary basis	(46,690,525)	(46,690,525)	(46,619,608)	70,917
Other financing source, transfer from other funds	46,690,525	46,690,525	46,756,704	66,179
Excess of revenues and other financing source over expenditures, budgetary basis	<u>\$ -</u>	<u>\$ -</u>	137,096	<u>\$ 137,096</u>
Adjustments of budgetary basis to U.S. GAAP basis			(14,696)	
Excess of revenues and other financing sources over expenditures, GAAP basis			122,400	
Fund balance, beginning of year, as restated			<u>2,433,358</u>	
Fund balance, end of year			<u>\$ 2,555,758</u>	

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY COMPARISON

YEAR ENDED JUNE 30, 2011

Budget preparation and budgetary basis of accounting:

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

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

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

	General Fund	School Unrestricted Fund
	<u> </u>	<u> </u>
Change in reserve for encumbrances	\$ 291,665	\$ - 0 -
Adjustment of budgetary basis for GASB 54	<u>122,922</u>	<u>(14,696)</u>
	<u>\$ 414,587</u>	<u>\$ (14,696)</u>

Budget compliance:

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

TOWN OF LINCOLN, RHODE ISLAND
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS
 YEAR ENDED JUNE 30, 2011

Actuarial valuation date	Actuarial value of assets	Actuarial accrued liability (AAL)	Unfunded AAL (UAAL)	Funded ratio	Covered payroll	UAAL as a % of covered payroll
<i>TOWN PENSION PLAN</i>						
January 1, 2009	\$ 14,620,859	\$ 20,344,766	\$ 5,723,907	71.9%	\$ 4,943,482	115.8%
January 1, 2010	14,622,776	21,127,359	6,464,583	69.2%	5,414,398	119.4%
January 1, 2011	16,386,041	22,332,875	5,946,834	73.4%	4,988,272	119.2%
<i>MUNICIPAL PENSION PLAN</i>						
<i>General employee unit:</i>						
June 30, 2008	\$ 1,338,095	\$ 1,542,400	\$ 204,305	86.8%	\$ 1,016,081	20.1%
June 30, 2009	1,307,918	1,483,154	175,236	88.2%	851,031	20.6%
June 30, 2010	1,267,621	1,923,482	655,861	65.9%	844,463	77.7%
<i>Police and fire unit:</i>						
June 30, 2008	\$ 1,935,178	\$ 2,764,237	\$ 829,059	70.0%	\$ 738,021	112.3%
June 30, 2009	2,071,497	2,923,841	852,344	70.9%	766,026	111.3%
June 30, 2010	2,183,649	3,685,597	1,501,948	59.2%	789,153	190.3%
<i>OTHER POSTEMPLOYMENT BENEFITS PLAN</i>						
June 30, 2009	\$ -	\$ 23,939,601	\$ 23,939,601	0.0%	\$ 22,286,201	107.4%
June 30, 2010	-	24,880,760	24,880,760	0.0%	24,943,572	99.7%
June 30, 2011	-	26,241,909	26,241,909	0.0%	26,745,543	98.1%

TOWN OF LINCOLN, RHODE ISLAND
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 YEAR ENDED JUNE 30, 2011

Town Plan

<u>Year ended June 30,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2011	\$ 645,192	114.2%
2010	618,012	93.2%
2009	386,977	100%
2008	358,800	100%
2007	348,818	100%
2006	309,674	100%

OPEB

<u>Year ended June 30,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2011	\$ 2,181,418	46.2%
2010	\$ 1,992,852	44.4%
2009	\$ 1,907,362	47.6%

TOWN OF LINCOLN, RHODE ISLAND

TAX COLLECTOR'S ANNUAL REPORT

YEAR ENDED JUNE 30, 2011

Real estate and personal property taxes receivable:

Year	Balance, July 1, 2010	Current year assessment	Additions	Abatements/ adjustments	Amount to be collected	Collections	Balance, June 30, 2011
2010		\$ 52,359,144	\$ 36,886	\$ (882,289)	\$ 51,513,741	\$ 49,673,845	\$ 1,839,896
2009	\$ 1,601,806		57,255	(26,068)	1,632,993	1,449,590	183,403
2008	231,630			(693)	230,937	69,020	161,917
2007	128,830			1,526	130,356	9,919	120,437
2006	73,866			85	73,951	4,720	69,231
2005	9,203			102	9,305	2,984	6,321
2004	41,381			-	41,381	1,778	39,603
2003	26,325			743	27,068	1,887	25,181
2002	7,250			-	7,250	565	6,685
2001	25,881			23	25,904	766	25,138
2000 and prior	34,647			19	34,666	4,926	29,740
Total	\$ 2,180,819	\$ 52,359,144	\$ 94,141	\$ (906,552)	\$ 53,727,552	\$ 51,220,000	2,507,552

Less allowance for doubtful accounts (268,661)

\$ 2,238,891

TOWN OF LINCOLN, RHODE ISLAND
TAX COLLECTOR'S ANNUAL REPORT (CONTINUED)
YEAR ENDED JUNE 30, 2011

Schedule of net assessed property value by category:

Description of property	Valuation	Levy
Real property	\$ 2,569,151,499	\$ 56,330,289
Motor vehicles	198,873,485	6,097,461
Tangible personal property	162,113,809	5,511,869
Total	2,930,138,793	67,939,619
Exemptions	694,938,690	15,580,475
Current year assessment	<u>\$ 2,235,200,103</u>	<u>\$ 52,359,144</u>

Reconciliation of current year property tax revenue:

Current year collections	\$ 51,220,000
Revenue collected within 60 days subsequent to year ended June 30, 2011	<u>474,376</u>
	51,694,376
Prior year revenue received in current year	<u>(538,296)</u>
Current year real estate and personal property tax revenue	<u>\$ 51,156,080</u>