

THE TOWN OF NORTH SMITHFIELD, RHODE ISLAND

**BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2011**

TOWN OF NORTH SMITHFIELD

YEAR ENDED JUNE 30, 2011

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TOWN OF NORTH SMITHFIELD

YEAR ENDED JUNE 30, 2011

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REPORT OF INDEPENDENT AUDITORS

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of North Smithfield, Rhode Island, as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements as listed in the foregoing table of contents. These basic financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these basic financial statements based on our audit. We did not audit the financial statements of the North Smithfield School Department, which represents 19 percent and 15 percent, respectively, of the assets and revenues of the governmental activities, 13 percent of the revenues of the business-type activities, 100 percent of the assets and revenues of the School unrestricted fund and 92 percent of the assets of the agency funds. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinions, insofar as they relate to the amounts included for the North Smithfield School Department is based on the report of the other auditors.

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

In our opinion, based on our audit and the report of the other auditors, the basic financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of North Smithfield, Rhode Island, as of June 30, 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 of America.

Needham
Boston
Concord
Taunton

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Funding Progress for Pension Plan, and Budgetary Comparison Schedule for the General Fund on pages 3 through 8 and 52 through 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of North Smithfield, Rhode Island's basic financial statements. The Combining and Individual Fund Financial Statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Combining and Individual Fund Financial Statements have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the report of the other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Providence, Rhode Island
January 31, 2012

Management's Discussion and Analysis

As management of the Town of North Smithfield, we offer readers of the Town of North Smithfield's financial statements this narrative overview and analysis of the financial activities of the Town of North Smithfield for the fiscal year ended June 30, 2011. We encourage readers to consider the information presented in this narrative in conjunction with additional information that we have provided herein.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of North Smithfield, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town of North Smithfield can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

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

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

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

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Town of North Smithfield's programs. The fiduciary funds maintained by the Town of North Smithfield include one private-purpose trust and agency funds.

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 19 of this report.

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

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

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town of North Smithfield, assets exceeded liabilities by \$34,903,002 at the close of 2010.

	Governmental Activities	Business Activities	Total
Beginning net assets, as restated	\$23,118,955	\$11,239,265	\$34,355,220
Increase / (Decrease)	<u>(504,220)</u>	<u>257,517</u>	<u>(246,703)</u>
Ending net assets	<u>22,614,735</u>	<u>11,493,782</u>	<u>\$34,355,220</u>

The foregoing reflects a decrease of 2.18% for governmental activities and an increase of 2.29% for business-type activities, when compared to June 30, 2010 amounts. The total of both governmental activities & business activities reflects a modest decrease of 0.72%.

Governmental Activities

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

	Governmental Activities		Business-type Activities		Total		Percentage Change 2010-11
	2010	2011	2010	2011	2010	2011	
Current and other assets	\$ 6,918,326	\$ 6,322,793	\$ 10,490,810	\$ 9,610,818	\$ 17,409,136	\$ 15,933,611	-8.48%
Capital Assets	54,235,594	55,997,830	17,089,090	16,555,954	71,324,684	72,553,784	1.72%
Total Assets	61,153,920	62,320,623	27,579,900	26,166,772	88,733,820	88,487,395	-0.28%
Long-term debt	36,019,973	38,055,407	10,015,696	9,194,305	46,035,669	47,249,712	2.64%
Other liabilities	1,668,041	1,650,481	6,126,571	5,478,685	7,794,612	7,129,166	-8.54%
Total Liabilities	37,688,014	39,705,888	16,142,267	14,672,990	53,830,281	54,378,878	1.02%
Net Assets							
Invested in capital assets	19,529,641	19,744,878	7,073,394	7,361,649	26,603,035	27,106,527	1.89%
Restricted for specific programs	1,099,716	924,990			1,099,716	924,990	-15.89%
Restricted for permanent trusts	70,157	0			70,157	0	-100.00%
Unrestricted	2,766,392	1,944,867	4,363,702	4,132,133	7,130,094	6,077,000	-14.77%
Total net assets	\$ 23,465,906	\$ 22,614,735	\$ 11,437,096	\$ 11,493,782	\$ 34,903,002	\$ 34,108,517	-2.28%
	2010	2011	2010	2011	2010	2011	Percentage Change 2010-11
Revenues:							
Program revenues -							
Charges for services	598,683	458,416	2,748,099	2,545,685	\$ 3,346,782	\$ 3,004,101	-10.24%
Operating grants	6,201,599	6,207,258	118,805	124,251	6,320,404	6,331,509	0.18%
Capital grants	0	49,665	0	0	0	49,665	100.00%
General revenues -							
Property taxes	25,484,833	26,963,223			25,484,833	26,963,223	5.80%
Motor vehicle excise in lieu of tax	1,882,872	169,363			1,882,872	169,363	-91.01%
Grants	1,504,771	1,366,480			1,504,771	1,366,480	-9.19%
Investment earnings	5,529	4,085	34,740	16,769	40,269	20,854	-48.21%
Proceeds from long term debt					0	0	
Miscellaneous	847,167	944,377	775,418	268,099	1,622,585	1,212,476	-25.28%
Loss on abandonment of water project					0	0	
Transfer to primary government	(39,628)	(40,455)	39,628	40,455	0	0	
Total revenues	\$ 36,485,826	\$ 36,122,412	\$ 3,716,690	\$ 2,995,259	\$ 40,202,516	\$ 39,117,671	-2.70%
Expenditures:							
General Government	1,241,435	1,271,164			1,241,435	1,271,164	2.39%
Public services	173,091	121,885			173,091	121,885	-29.58%
Financial administration	692,692	716,224			692,692	716,224	3.40%
Public safety	5,485,785	5,419,155			5,485,785	5,419,155	-1.21%
Public works	2,002,662	2,115,008			2,002,662	2,115,008	5.61%
School lunch fund			470,988	396,057	470,988	396,057	-15.91%
Water fund			414,227	461,709	414,227	461,709	11.46%
Sewer fund			1,858,652	1,879,976	1,858,652	1,879,976	1.15%
Education	23,844,410	24,560,554			23,844,410	24,560,554	3.00%
Debt service	1,599,126	1,636,022			1,599,126	1,636,022	2.31%
Capital and special appropriations	415,971	244,650			415,971	244,650	-41.19%
Other expenditures	421,670	541,970			421,670	541,970	28.53%
Total expenditures	\$ 35,876,842	\$ 36,626,632	\$ 2,743,867	\$ 2,737,742	\$ 38,620,709	\$ 39,364,374	1.93%
Transfers							
Increase/decrease in net assets	\$ 608,984	\$ (504,220)	\$ 972,823	\$ 257,517	\$ 1,581,807	\$ (246,703)	-115.60%
Net assets, beginning of year, as restated	22,856,922	23,465,906	10,464,273	11,437,096	33,321,195	34,903,002	4.75%
Net assets, end of year	\$ 23,465,906	\$ 22,961,686	\$ 11,437,096	\$ 11,694,613	\$ 34,903,002	\$ 34,656,299	-0.71%

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

Business-type Activities

In reviewing the departmental net (expense)/revenue, the Water, Sewer and School Lunch activities generated a net gain of \$257,517 which corresponds to the increase in this fund's net assets.

Financial Analysis of the Government's Funds

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

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

As of June 30, 2011, the Town of North Smithfield's governmental funds reported combined ending balances of \$4,231,416.

The General Fund and School Unrestricted Fund are the chief operating funds of the Town of North Smithfield. As of June 30, 2011, the total fund balance of the general fund was \$2,389,907 of which \$1,765,136 is unassigned. This unassigned fund balance represents approximately 5.98 percent of total general fund expenditures. There is a balance of \$624,771 of the fund balance which is committed. The total of the fund balance (committed & unassigned) represents 8.10 percent of the total general fund expenditures.

As of June 30, 2011, the fund balance of the School Unrestricted Fund was \$351,460 of which all or \$351,460 was committed. The unassigned fund balance of the school department represents 0 percent of the school department's unrestricted expenditures.

General Fund Budgetary Highlights

The Town's budget must rely heavily on the property tax to finance the Town's General Fund activities. Actual revenues were \$118,214 higher than budgeted revenues for the fiscal year. Property taxes were \$305,382 or 1.01% greater than the budget. Expenditures were above appropriations in total by \$462,124.

Capital Asset and Debt Administration

Capital Assets

At the end of June 30, 2011, the Town had \$55.9 million invested in governmental-activity capital assets (cost basis and net of depreciation) including police and fire equipment, buildings, park facilities, and general sundry assets.

Debt

At year-end, the Town's General Fund had \$36.3 million in outstanding bond principal and \$15.7 million of bonded interest. The business-type funds had \$9.1 million of bonded principal with \$1.6 million of interest.

Economic Factors and Next Year's Budgets and Rates

The budget for fiscal year 2011-2012 is \$34,744,702 an increase of \$1,669,318 or 5.05%. Education, at \$21,916,180 or 63.1% of the total budget had an increase of \$1,297,925 of which, the town appropriation was increased by \$717,629 & state aid was increased by \$580,296. The municipal budget therefore represents spending of \$12,828,522 or 36.9%.

For the fiscal year 2010-2011, the tax rate was broken down into three tiers residential, commercial and personnel property, with rates of \$15.32, \$17.65 and \$43.00, respectively. The breakdown consists of 31.31% for municipal and 68.69% for education. For the fiscal year 2010-2011, the tax rate was broken down into three tiers residential, commercial and personnel property, with rates of \$15.32, \$17.65 and \$43.00, respectively. The breakdown consists of 21% for municipal and 79% for education.

Contacting the Town's Financial Management

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



Brian M. Silvia
Finance Director

Statement of Net Assets
June 30, 2011

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 4,828,130	\$ 3,547,305	\$ 8,375,435
Accounts receivable, net	1,144,932	102,590	1,247,522
Assessments receivable (current)		504,199	504,199
Other receivables	71,233		71,233
Due from federal and state governments	325,403	810,137	1,135,540
Internal balances	(46,905)	46,905	
Total Current Assets	6,322,793	5,011,136	11,333,929
Noncurrent			
Capital assets (non-depreciable)	11,409,353		11,409,353
Capital assets (net of depreciation)	44,588,477	16,555,954	61,144,431
Assessments receivable (noncurrent)		4,599,682	4,599,682
Total Non-Current Assets	55,997,830	21,155,636	77,153,466
TOTAL ASSETS	62,320,623	26,166,772	88,487,395
LIABILITIES			
Current Liabilities:			
Accounts payable	451,158	260,764	711,922
Accrued interest payable	277,625	107,560	385,185
Accrued expenses	556,030		556,030
Deferred revenue	280,668	12,448	293,116
Claims payable	85,000		85,000
Current portion of long-term debt	1,950,434	842,582	2,793,016
Total Current Liabilities	3,600,915	1,223,354	4,824,269
Noncurrent Liabilities:			
Deferred revenue	-	5,097,913	5,097,913
Long-term liabilities (net)	36,104,973	8,351,723	44,456,696
TOTAL LIABILITIES	39,705,888	14,672,990	54,378,878
NET ASSETS			
Invested in capital assets, net of related debt	19,744,878	7,361,649	27,106,527
Restricted for specific programs	924,990		924,990
Unrestricted	1,944,867	4,132,133	6,077,000
TOTAL NET ASSETS	\$ 22,614,735	\$ 11,493,782	\$ 34,108,517

TOWN OF NORTH SMITHFIELD

**Statement of Activities
For the year ended June 30, 2011**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 1,271,164	\$ 411,706	\$ 7,188		\$ (852,270)		\$ (852,270)
Financial administration	716,224				(716,224)		(716,224)
Public safety	5,419,155	46,710	39,061		(5,333,384)		(5,333,384)
Public works	2,115,008				(2,115,008)		(2,115,008)
Public services	121,885		18,787		(103,098)		(103,098)
Education	24,560,554		6,142,222		(18,418,332)		(18,418,332)
Other expenses	541,970				(541,970)		(541,970)
Interest on long term debt	1,636,022				(1,636,022)		(1,636,022)
Capital and special appropriations	244,650			\$ 49,665	(194,985)		(194,985)
Total governmental activities	36,626,632	458,416	6,207,258	49,665	(29,911,293)		(29,911,293)
Business-type activity:							
School lunch fund	396,057	229,771	124,251			(42,035)	(42,035)
Water fund	461,709	453,340				(8,369)	(8,369)
Sewer fund	1,879,976	1,862,574				(17,402)	(17,402)
Total business type activity	2,737,742	2,545,685	124,251			(67,806)	(67,806)
Totals	\$ 39,364,374	\$ 3,004,101	\$ 6,331,509		(29,911,293)	(67,806)	(29,979,099)
General revenues:							
Property taxes					26,963,223		26,963,223
Motor vehicle excise in lieu of tax					169,363		169,363
Grants and contributions not restricted to specific programs					1,366,480		1,366,480
Investment earnings					4,085	16,769	20,854
Miscellaneous					944,377	268,099	1,212,476
Transfers					(40,455)	40,455	
Total general revenues					29,407,073	325,323	29,732,396
Change in net Assets					(504,220)	257,517	(246,703)
Net Assets - beginning					23,118,955	11,236,265	34,355,220
Net Assets - ending					\$ 22,614,735	\$ 11,493,782	\$ 34,108,517

See Notes to Financial Statements

TOWN OF NORTH SMITHFIELD

B - 1

**Balance Sheet
Governmental Funds
June 30, 2011**

	General Fund	School Unrestricted Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:					
Cash and cash equivalents	\$ 2,828,385	\$ 722,776	\$ 523,954	\$ 753,015	\$ 4,828,130
Accounts receivable, net	1,144,932				1,144,932
Due from federal and state governments		86,746		238,657	325,403
Other receivables	58,977		45	12,211	71,233
Due from other funds	124,782	225,368	355,590	197,973	903,713
TOTAL ASSETS	\$ 4,157,076	\$ 1,034,890	\$ 879,589	\$ 1,201,856	\$ 7,273,411
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 83,386	\$ 190,119	\$ 164,862	\$ 12,791	\$ 451,158
Accrued expenses	147,262	408,768		-	556,030
Due to other funds	505,808	84,543	\$ 64,059	296,208	950,618
Deferred revenue	1,030,713			53,476	1,084,189
TOTAL LIABILITIES	1,767,169	683,430	228,921	362,475	3,041,995
FUND BALANCES:					
Restricted			650,668	274,322	924,990
Committed	624,771	351,460		588,363	1,564,594
Unassigned	1,765,136			(23,304)	1,741,832
TOTAL FUND BALANCES	2,389,907	351,460	650,668	839,381	4,231,416
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,157,076	\$ 1,034,890	\$ 879,589	\$ 1,201,856	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	55,997,830
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	(38,140,407)
Deferred revenues (net of an allowance for uncollectibles) are recorded in the funds, but are not deferred under the measurement focus employed in the Statement of Net Assets	803,521
Accrued interest on long-term liabilities have been included in the governmental activities in the Statement of Net Assets	(277,625)
Net Assets of governmental activities	\$ 22,614,735

TOWN OF NORTH SMITHFIELD

**Statement of Revenues, Other financing sources
Expenditures, Other financing uses and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2011**

	General Fund	School Unrestricted Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
General property taxes	\$ 26,834,424				\$ 26,834,424
Motor vehicle excise in lieu of tax	169,363				169,363
Licenses, fines and fees	458,416				458,416
Interest and investment income	3,125		\$ 576	\$ 384	4,085
Intergovernmental	1,366,480	\$ 4,929,572	49,665	1,277,686	7,623,403
Other revenues	164,205	60,727		719,445	944,377
Total revenues	28,996,013	4,990,299	50,241	1,997,515	36,034,068
Expenditures					
<i>Current:</i>					
General government	1,196,948				1,196,948
Financial administration	716,224				716,224
Public safety	5,175,635				5,175,635
Public works	1,785,947				1,785,947
Public services				76,440	76,440
Education		22,131,739		1,114,122	23,245,861
Other expenditures	414,834		40,179	86,957	541,970
<i>Debt Service:</i>					
Principal, interest and other costs	3,251,094		39,676		3,290,770
<i>Capital:</i>					
Capital and special appropriations		111,466	3,575,203	165,682	3,852,351
Total expenditures	12,540,682	22,243,205	3,655,058	1,443,201	39,882,146
Excess of revenues over (under) expenditures before other financing sources (uses)	16,455,331	(17,252,906)	(3,604,817)	554,314	(3,848,078)
Other financing sources/uses					
Transfers in	179,321	16,946,392			17,125,713
Transfers out	(16,946,392)	(40,455)		(179,321)	(17,166,168)
Bond proceeds			3,550,000		3,550,000
Net other sources/uses	(16,767,071)	16,905,937	3,550,000	(179,321)	3,509,545
Net change in fund balance	(311,740)	(346,969)	(54,817)	374,993	(338,533)
Fund balance, beginning of the year, as restated	2,701,647	698,429	705,485	464,388	4,569,949
Fund balance - end of the year	\$ 2,389,907	\$ 351,460	\$ 650,668	\$ 839,381	\$ 4,231,416

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds (B-2) to the Statement of Activities (A-2)
For the year ended June 30, 2011**

Net change in fund balances - total governmental funds (B-2)	\$ (338,533)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period	1,762,236
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences.	(2,035,434)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds	128,799
Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds	<u>(21,288)</u>
Change in Net Assets of Governmental Activities in the Statement of Activities (A-2)	<u>\$ (504,220)</u>

Statement of Net Assets
Proprietary Funds
June 30, 2011

	Business-type Activities Enterprise Funds			Total
	Water Fund	Sewer Fund	School Lunch Fund	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 105,994	\$ 3,441,311		\$ 3,547,305
Accounts receivable	64,640	37,950		102,590
Due from other funds	64,173			64,173
Due from other governmental units		799,791	\$ 10,346	810,137
Assessments receivable (current)		504,199		504,199
Total current assets	234,807	4,783,251	10,346	5,028,404
Capital assets (net)	2,609,675	13,939,956	6,323	16,555,954
Other assets:				
Assessments receivable (noncurrent)		4,599,682		4,599,682
Total other assets		4,599,682		4,599,682
TOTAL ASSETS	2,844,482	23,322,889	16,669	26,184,040
LIABILITIES				
Current liabilities:				
Accounts payable	60,117	194,768	5,879	260,764
Accrued expenses	50,472	57,088		107,560
Deferred revenue		12,448		12,448
Due to other funds		12,801	4,467	17,268
Current portion of long term debt	105,666	736,916		842,582
Total current liabilities	216,255	1,014,021	10,346	1,240,622
Non-current liabilities:				
Deferred revenue		5,097,913		5,097,913
Long term debt	1,747,864	6,603,859		8,351,723
Total long-term debt	1,747,864	11,701,772		13,449,636
TOTAL LIABILITIES	1,964,119	12,715,793	10,346	14,690,258
NET ASSETS				
Invested in capital assets, net of related debt	756,145	6,599,181	6,323	7,361,649
Unrestricted	124,218	4,007,915		4,132,133
TOTAL NET ASSETS	\$ 880,363	\$ 10,607,096	\$ 6,323	\$ 11,493,782

TOWN OF NORTH SMITHFIELD

**Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Fund
For the year ended June 30, 2011**

	Business-type Activities Enterprise Funds			Total
	Water Fund	Sewer Fund	School Lunch Fund	
Operating Revenues:				
User fees and assessments	\$ 453,340	\$ 1,788,338		\$ 2,241,678
Intergovernmental		74,236	\$ 124,251	198,487
Other			229,771	229,771
Total operating revenues	453,340	1,862,574	354,022	2,669,936
Operating Expenses:				
Personnel services	32,050	126,690	177,546	336,286
Maintenance and servicing	224,324	48,335		272,659
Operating supplies	171	13,510	216,931	230,612
Fixed and general charges	35,895	743,689		779,584
Depreciation	74,291	759,512	1,580	835,383
Total operating Expenses	366,731	1,691,736	396,057	2,454,524
Income (loss) from operations	86,609	170,838	(42,035)	215,412
Non-operating revenues (expenses):				
Improvement/connection fees	12,500	13,442		25,942
Interest and miscellaneous income	38,328	220,598		258,926
Interest expense	(94,978)	(188,240)		(283,218)
Total non-operating revenues (expenses)	(44,150)	45,800	-	1,650
Transfer in			40,455	40,455
Change in net assets	42,459	216,638	(1,580)	257,517
Net assets, beginning of the year, as restated	837,904	10,390,458	7,903	11,236,265
Net assets - end of the year	\$ 880,363	\$ 10,607,096	\$ 6,323	\$ 11,493,782

TOWN OF NORTH SMITHFIELD

Statement of Cash Flows
Proprietary Fund
For the year ended June 30, 2011

	Business-type Activities Enterprise Funds			
	Water Fund	Sewer Fund	School Lunch Fund	Total
Cash flows from operating activities:				
Cash received from customers	\$ 410,426	\$ 1,914,063	\$ 229,771	\$ 2,554,260
Intergovernmental			127,074	127,074
Cash paid to employees	(32,050)	(126,690)	(177,546)	(336,286)
Cash payments to suppliers for goods and services	(206,253)	(756,848)	(219,754)	(1,182,855)
Net cash provided (used) by operating activities	172,123	1,030,525	(40,455)	1,162,193
Cash flows from noncapital financing activities:				
Change in inter-fund loans	(21,252)			(21,252)
Intergovernmental		144,879	40,455	185,334
Miscellaneous income	49,550	217,950		267,500
Net cash provided by non-capital financing activities	28,298	362,829	40,455	431,582
Cash flows from capital-related financing activities:				
Acquisition and construction of capital assets		(302,247)		(302,247)
Principal paid on bonds and loans	(102,719)	(718,672)		(821,391)
Interest paid on bonds and loans	(94,978)	(188,240)		(283,218)
Net cash used for capital-related financing activities	(197,697)	(1,209,159)		(1,406,856)
Cash flows from investing activities:				
Interest and dividends on investments	1,279	16,090		17,369
Net cash provided by investing activities	1,279	16,090		17,369
Net increase in cash	4,003	200,285		204,288
Cash and cash equivalents, beginning of the year	101,991	3,241,026		3,343,017
Cash and cash equivalents, end of the year	\$ 105,994	\$ 3,441,311		\$ 3,547,305
Reconciliation of net income to net cash provided by operating activities:				
Income (loss) from operations	\$ 86,609	\$ 170,838	\$ (42,035)	\$ 215,412
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation and amortization	74,291	759,512	1,580	835,383
Changes in assets and liabilities:				
Decrease (increase) in accounts receivable	(42,914)	56,837		13,923
Decrease (Increase) in due from other funds		105,673	3,414	109,087
Decrease in assessments receivable		637,404		637,404
Increase in due from other governmental units			(591)	(591)
Increase (decrease) in deferred revenue	0	(642,752)		(642,752)
Increase (decrease) in accrued expenses	(3,295)	(10,610)	(1,464)	(15,369)
Increase (decrease) in accounts payable	57,432	(46,377)	(1,359)	9,696
Total adjustments	85,514	859,687	1,580	946,781
Net cash provided (used) by operating activities	\$ 172,123	\$ 1,030,525	\$ (40,455)	\$ 1,162,193

See Notes to Financial Statements

TOWN OF NORTH SMITHFIELD

**Statement of Net Assets
Fiduciary Funds
June 30, 2011**

	Private Purpose Trust Buxton Family Association	Agency Funds
<u>ASSETS</u>		
Cash	\$ 791	\$ 268,216
Other receivable		7,539
<u>TOTAL ASSETS</u>	<u>791</u>	<u>275,755</u>
<u>LIABILITIES</u>	<u>-</u>	<u>\$ 275,755</u>
<u>NET ASSETS</u>		
Held in Trust for private purposes	<u>\$ 791</u>	<u>-</u>

See Notes to Financial Statements

**Statement of Changes in Net Assets
Fiduciary Funds
For the year ended June 30, 2011**

	<u>Private Purpose Trust Buxton Family Association</u>
ADDITIONS:	
Investment income	\$ 1
CHANGE IN NET ASSETS	<u>1</u>
Net ASSETS - BEGINING	790
Net ASSETS - ENDING	<u><u>\$ 791</u></u>

TOWN OF NORTH SMITHFIELD

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

Reporting Entity

In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement No. 39. Under GASB Statement No. 39, the financial reporting entity includes both the primary government and all of its component units. The discretely presented component unit is reported in a separate column in the combined financial statements to emphasize it is legally separate from the Town. Component units are legally separate entities that meet any one of the following three tests:

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

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

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

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

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TOWN OF NORTH SMITHELD

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reporting Entity (Continued)

The following entities were considered for classification as component units for fiscal year 2011:

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

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

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

Recently Issued Accounting Standards

During the fiscal year ended June 30, 2011 the Town implemented the following accounting pronouncements:

- ✓ GASB Statement No. 58 – Accounting and Financial Reporting for Chapter 9 Bankruptcies, effective for the Town's fiscal year ending June 30, 2011. Adoption of this Statement did not have a significant impact on the Town's fiscal 2011 financial statements.
- ✓ GASB Statement No. 54 – Fund Balance Reporting and Governmental Fund Type Definitions, effective for the Town's fiscal year ending June 30, 2011. Adoption of this Statement did not have a significant impact on the Town's fiscal 2011 financial statements.
- ✓ GASB Statement No. 59 – Financial Instruments Omnibus, effective for the Town's fiscal year ending June 30, 2011. Adoption of this Statement did not have a significant impact on the Town's fiscal 2011 financial statements.

The following are recently issued governmental accounting standards which will be applicable in future years:

- ✓ GASB Statement No. 60 – Accounting and Financial Reporting for Service Concession Arrangements, effective for the fiscal year ending June 30, 2013.
- ✓ GASB Statement No. 61 – The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34, effective for the fiscal year ending June 30, 2013.
- ✓ GASB Statement No. 62 – Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, effective for the fiscal year ending June 30, 2013.
- ✓ GASB Statement No. 63 – Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, effective for the fiscal year ending June 30, 2013.
- ✓ GASB Statement No. 64 – Derivative Instruments: Application of Hedge Accounting Termination Provisions – An Amendment of GASB Statement No. 53, effective for the fiscal year ending June 30, 2012.

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TOWN OF NORTH SMITHFIELD

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Standards (Continued)

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

Basis of Presentation

Government-Wide Financial Statements

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

Fund Financial Statements

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

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

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

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

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally or administratively restricted to expenditures for certain purposes.

Capital Project Funds

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

(CONTINUED)

TOWN OF NORTH SMITHFIELD

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds (Continued)

Permanent Funds

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

Proprietary Funds

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

Fiduciary Funds (Not included in government wide statements)

Agency Funds

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

- Subdivision bond account
- Police uniforms
- Junior/Senior High School Fund
- Middle School Fund
- Halliwell School Fund
- Athletic account
- Elementary School Fund

Private-purpose Trust Funds

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

Major and Non-Major Funds

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

<u>Fund</u>	<u>Brief Description</u>
Major:	
General:	See above for description
Capital Projects:	Capital projects fund
Proprietary:	See above for description
Special Revenue:	See above for description
School Unrestricted:	School operating funds

(CONTINUED)

TOWN OF NORTH SMITHFIELD

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Major and Non-Major Funds (Continued)

Non-Major:

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

Capital Project Funds: School renovations

Permanent Funds: Record Retention, Bond, Michael F. Lovett Scholarship, J. Harold Monroe, Jr. Scholarship.

Measurement Focus

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

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

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

Basis of Accounting

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

(CONTINUED)

TOWN OF NORTH SMITHFIELD

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

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

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

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

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

Assets, Liabilities, and Fund Equity

Cash

Cash and cash equivalents are carried at cost. Cash equivalents are all highly liquid investments with a maturity of three months or less when purchased. Substantially, all of the Town's cash and cash equivalents are held in public deposit institutions, except for \$1,350 in unsecured petty cash. The State of Rhode Island requires that certain uninsured deposits be collateralized. Section 35-10.1-7 of the General Laws of the State of Rhode Island, dealing with the collateralization of public deposits, requires that all time deposits with maturities of greater than 60 days and all deposits in institutions that do not meet the minimum capital requirements of its Federal regulator must be collateralized.

Investments

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

(CONTINUED)

TOWN OF NORTH SMITHFIELD

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Fund Equity (Continued)

Accounts Receivable

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. The allowance for uncollectible accounts receivable amounted to \$100,000 at June 30, 2011. Major receivable balances for the governmental activities include property taxes. Business-type activities report service fees as its major receivables.

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

Short-Term Interfund Receivables/Payables

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

Advances to Other Funds

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

Accounts Payable

Payable balances consist primarily of payables to vendors.

Property Taxes

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

Encumbrances

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

(CONTINUED)

TOWN OF NORTH SMITHFIELD

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Fund Equity (Continued)

Property, Plant and Equipment

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

Government-Wide Statements

In the government-wide financial statements, long-lived assets are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets, which are recorded at their estimated fair value at the date of donation. Estimated historical cost was used to value the majority of the assets acquired prior to June 30, 1993.

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

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

Depreciation of all exhaustible capital assets is recorded, as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

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

Fund Financial Statements

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

Deferred Revenues

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

(CONTINUED)

TOWN OF NORTH SMITFIELD

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Fund Equity (Continued)

Interfund Transactions

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

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

Interfund transfers from the general fund totaled \$16,946,392 for the year, representing the general fund's transfer to the school department. Interfund transfers to the general fund was \$179,321 from the EMS fund.

Use of Estimates

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

Equity Classifications

Government-Wide Statements

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

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

(CONTINUED)

TOWN OF NORTH SMITHFIELD

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity Classifications (Continued)

Government-Wide Statements (Continued)

- (b) Restricted net assets - Consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- (c) Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

Fund Statements

- i. Governmental fund equity is classified as fund balance. With the implementation of GASB Statement #54 (effective fiscal 2011), fund balance is classified into one of the following five categories: nonspendable, restricted, committed, assigned, or unassigned. These categories are defined below.
 - i. Nonspendable Fund Balance - includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. "Not in spendable form" includes items that are not expected to be converted to cash.
 - ii. Restricted Fund Balance – includes amounts that are restricted to specific purposes. Fund balance is reported as restricted when constraints placed in the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.
 - iii. Committed Fund Balance – includes amounts that can be used only for the specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. The highest level of decision-making authority for the Town of North Smithfield is the Town Council that assembles annually to vote on the Town's budget and resolutions proposed by the various committees.
 - iv. Assigned Fund Balance – includes amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The intent should be expressed by (a) the governing body itself or (b) a body (a budget or finance committee) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes.

(CONTINUED)

TOWN OF NORTH SMITHFIELD

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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

Equity Classifications (Continued)

Fund Statements (Continued)

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

Compensated Absences

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

Reconciliation of Government-wide and Fund Financial Statements

The governmental fund balance sheet includes reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$38,140,407 difference are as follows:

Bonds payable	\$ 35,905,000
Compensated absences	795,750
Net OPEB liability	921,705
Claims payable	85,000
Capital leases payable	<u>432,952</u>
Total	<u>\$ 38,140,407</u>

(CONTINUED)

TOWN OF NORTH SMITHFIELD

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense.” The details of this \$1,762,236 difference are as follows:

Capital outlays (net of disposals).....	\$3,607,701
Depreciation expense.....	<u>(1,845,465)</u>
Net adjustment.....	<u>\$1,762,236</u>

Another element of that reconciliation states that “the issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.” The details of this \$2,035,434 difference are as follows:

Increase in other long term liabilities	\$(3,711,470)
Principal repayments	<u>1,676,036</u>
Net adjustment.....	<u>\$2,035,434</u>

Another element of that reconciliation states that, “Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds.” The details of this \$128,799 difference are as follows:

Deferred revenue - beginning.....	\$ (674,722)
Deferred revenue – ending	<u>803,521</u>
Net difference	<u>\$128,799</u>

2. BUDGETARY AND LEGAL COMPLIANCE

Budgetary Data

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

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

(CONTINUED)

TOWN OF NORTH SMITHFIELD

NOTES TO FINANCIAL STATEMENTS
June 30, 2011

2. BUDGETARY AND LEGAL COMPLIANCE (Continued)

Excess of Expenditures Over Appropriations

For the year ended June 30, 2011, expenditures exceeded budget at the department level as follows:

<u>Department</u>	<u>Excess</u>
Police department	\$176,445
Highway department.....	149,323
Street lights.....	40,983
Finance office.....	12,633
Town Clerks office.....	1,058
Town Hall	304
Fixed charges.....	51,528

3. RECEIVABLES

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

Unpaid property taxes at June 30, 2011, include delinquent installments of the current and prior years. The Town does not record interest earned on delinquent taxes until payment is received.

Net property taxes levied for the fiscal year 2011 were based on an assessed value of approximately \$1,496,631,081 at December 31, 2009 and amounted to approximately \$27,034,554. Total collections through June 30, 2011, on the 2010 tax levy, amounted to approximately \$26,123,484, which represents approximately 96.6% of the net tax levy. Total collections including 60-day receipts (applicable to the 2010 tax levy) amounted to approximately \$26,464,894, which represents approximately 97% of net tax levy.

The Town recognizes property tax revenues in accordance with Section P70, "Property Taxes" of the Codification of Governmental Accounting and Financial Reporting Standards on the Fund statements. Unpaid property taxes \$1,144,932 as of June 30, 2011 are recorded as a receivable, net of an allowance for uncollectible property taxes of \$100,000. Those property taxes receivable, which were not collected within the 60 days immediately following June 30, 2011, are recorded as deferred revenue, net of the allowance of \$100,000 and amounted to \$803,521 at June 30, 2011. Property taxes recognized as revenue for the fiscal year ended June 30, 2011 (due to their collection within the 60 days immediately following June 30, 2011) amounted to \$341,410.

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

(CONTINUED)

TOWN OF NORTH SMITHFIELD

**NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

3. RECEIVABLE (Continued)

Receivables at June 30, 2011 consisted of the following:

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Business-type Activities</u>	<u>Total</u>
Receivables:				
2010 tax year	\$744,204			\$744,204
2009 and prior years	500,728			500,728
Accounts			\$86,249	86,249
Miscellaneous	58,977	\$12,211		71,188
Gross receivables	1,303,909	12,211	86,249	1,402,369
Less: allowance for uncollectibles	(100,000)	0	0	(100,000)
Total receivables	<u>\$1,203,909</u>	<u>\$12,211</u>	<u>\$86,249</u>	<u>\$1,302,369</u>

4. DEPOSITS AND INVESTMENTS

(a) Deposits

The Town maintains deposits at local financial institutions. At year end, the carrying amount of such deposits was \$8,643,192, excluding petty cash of \$1,250, while the bank balance was \$9,667,882 of which \$6,747,868 was covered by federal depository insurance. The remaining balance of \$2,920,014 was collateralized as of June 30, 2011.

(b) Interest Rate Risk/Concentration of credit risk

The Town has no investments subject to interest rate risk or concentration of credit risk as of June 30, 2011.

(c) Custodial Credit Risk-Deposits

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

(d) Investments

The Town has implemented the provisions of GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments are for External Investment Pools," which requires that investments be reported at fair value. Fair values are established by quoted market values. Unrealized gains and losses from changes in fair value are recognized as investment income. As of June 30, 2011 the Town has no investments.

(CONTINUED)

TOWN OF NORTH SMITHFIELD

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

5. **INTERFUND BALANCES**

Inter-fund receivable and payable are as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$124,782	\$505,808
School Unrestricted Fund	225,368	84,543
Capital Projects Fund	355,590	64,059
Non-Major Governmental Funds:		
School Restricted Fund	93,798	230,156
Substance Abuse Prevention Council Fund		1,306
Substance Abuse Donations Fund	6,310	
Park and Recreation Fund.....		12,814
Governor's Justice Commission Fund		28,964
Miscellaneous Revenue Fund		22,968
Police Forfeiture Fund	18,150	
Miscellaneous Police & Fire Funds	8,835	
Record Retention Fund.....	70,880	
Non-Major Governmental funds	<u>197,973</u>	<u>296,208</u>
Sewer Fund		12,801
Water Fund	64,173	
School Lunch Fund		4,467
TOTALS	<u>\$967,886</u>	<u>\$967,886</u>

(CONTINUED)

TOWN OF NORTH SMITHFIELD

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

6. FIXED ASSETS

Activity for governmental activity capital assets is summarized below:

	<u>Balances</u> <u>7/1/10</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances</u> <u>6/30/11</u>
<u>Governmental activity fixed assets</u>				
Land (not being depreciated).....	\$ 7,941,141			\$ 7,941,141
Construction in progress (not depreciated)	11,955	\$ 3,468,212	\$ (11,955)	3,468,212
Land improvements.....	3,260,789			3,260,789
Building and improvements.....	52,406,471			52,406,471
Infrastructure.....	24,411,862			24,411,862
Machinery and equipment.....	5,565,767	67,600		5,633,367
Vehicles.....	3,785,353	83,844		3,869,197
Total cost	<u>97,383,338</u>	<u>3,619,656</u>	<u>(11,955)</u>	<u>100,991,039</u>
Less: accumulated depreciation				
Land improvements.....	(1,348,082)	(107,804)		(1,455,886)
Building and improvements.....	(12,252,378)	(994,216)		(13,246,594)
Infrastructure.....	(22,580,531)	(230,043)		(22,810,574)
Machinery and equipment.....	(3,690,117)	(395,700)		(4,085,817)
Vehicles.....	(3,276,636)	(117,702)		(3,394,338)
Total accumulated depreciation	<u>(43,147,744)</u>	<u>(1,845,465)</u>	<u>-</u>	<u>(44,993,209)</u>
Net fixed assets	<u>\$ 54,235,594</u>	<u>\$ 1,774,191</u>	<u>\$ (11,955)</u>	<u>\$ 55,997,830</u>

(CONTINUED)

TOWN OF NORTH SMITHFIELD

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

6. FIXED ASSETS (Continued)

Activity for the Proprietary Funds capital assets is summarized below:

	Balances <u>7/1/10</u>	Additions	Deductions	Balances <u>6/30/11</u>
Construction in progress (not depreciated)	\$ 828,066	\$ 302,248	\$ (1,130,314)	\$ -
Land improvements.....	29,657			29,657
Building and improvements.....	2,331,276			2,331,276
Infrastructure.....	10,831,655	516,737		11,348,392
Machinery and equipment.....	18,495,601	613,578		19,109,179
Vehicles.....	49,607			49,607
Total cost	<u>32,565,862</u>	<u>1,432,563</u>	<u>(1,130,314)</u>	<u>32,868,111</u>
Less: accumulated depreciation				
Land improvements.....	(13,516)			(13,516)
Building and improvements.....	(515,318)	(46,625)		(561,943)
Infrastructure.....	(4,792,410)	(164,779)		(4,957,189)
Machinery and equipment.....	(10,105,925)	(623,980)		(10,729,905)
Vehicles.....	(49,604)			(49,604)
Total accumulated depreciation	<u>(15,476,773)</u>	<u>(835,384)</u>		<u>(16,312,157)</u>
Net fixed assets	<u>\$ 17,089,089</u>	<u>\$ 597,179</u>	<u>\$ (1,130,314)</u>	<u>\$ 16,555,954</u>

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

Governmental activities:

General government.....	\$ 46,416
Public safety.....	161,634
Public services.....	45,445
Public works.....	311,768
Education.....	<u>1,280,202</u>
Total	<u>\$1,845,465</u>

Business-type activities:

Sewer.....	\$ 759,512
Water.....	74,291
School lunch.....	<u>1,581</u>
Total	<u>\$ 835,384</u>

7. DEFERRED REVENUES

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

Property taxes receivable, net.....	\$1,144,932
Other.....	3,388
Less: current year 60 day accrual.....	<u>(341,410)</u>
Total deferred revenue	<u>\$ 806,910</u>

(CONTINUED)

TOWN OF NORTH SMITHFIELD

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

8. LONG-TERM OBLIGATIONS

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

General long-term debt

	<u>Amount</u>	<u>Percent</u>
School bonds	\$34,095,000	89%
General obligation bonds	1,810,000	5%
Capital budget project	432,952	1%
Compensated absences	795,750	2%
OPEB Liability	921,705	2%
Claims payable	85,000	1%
Total	<u>\$38,140,407</u>	<u>100%</u>

Proprietary funds

Water bonds	\$1,853,530	20%
Sewer bonds	7,340,775	80%
Total	<u>\$9,194,305</u>	<u>100%</u>

(CONTINUED)

TOWN OF NORTH SMITHFIELD

NOTES TO FINANCIAL STATEMENTS
June 30, 2011

8. LONG-TERM OBLIGATIONS (Continued)

At June 30, 2011, the Town's long-term debt outstanding is comprised of the following individual issues:

	<u>Date of Issue</u>	<u>Maturity Date</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Outstanding June 30, 2010</u>	<u>Additions (Deductions)</u>	<u>Retirements</u>	<u>Outstanding June 30, 2011</u>	<u>Current Portion</u>
Long-term debt									
General obligation bonds payable									
School revenue bond	09/02/10	05/15/26	\$ 3,550,000	3.84%		\$3,550,000		\$3,550,000	\$50,000
NSES school bond	10/15/01	10/15/21	4,000,000	3.00% - 5.00%	\$2,400,000		200,000	2,200,000	200,000
School bonds	05/14/08	04/01/29	30,000,000	2.50% - 5.50%	28,760,000		1,055,000	27,705,000	1,110,000
General obligation bonds	07/01/07	07/01/27	2,100,000	4.125%-5.50%	1,920,000		110,000	1,810,000	110,000
School general obligation bonds	12/15/08	6/30/29	<u>700,000</u>	5%	<u>680,000</u>		<u>40,000</u>	<u>640,000</u>	<u>40,000</u>
Total general obligation bonds payable			<u>40,350,000</u>		<u>33,760,000</u>	<u>3,550,000</u>	<u>1,405,000</u>	<u>35,905,000</u>	<u>1,510,000</u>
Capital leases payable									
Capital budget project	11/18/05	11/18/10	445,000	3.55%	50,253		50,253		
Capital budget project	12/21/07	12/21/12	745,000	3.85%	444,991		171,651	273,340	181,820
Capital budget project	11/25/08	11/25/13	<u>256,000</u>	3.97%	<u>208,744</u>		<u>49,132</u>	<u>159,612</u>	<u>51,083</u>
Total capital leases payable			<u>1,446,000</u>		<u>703,988</u>		<u>271,036</u>	<u>432,952</u>	<u>232,903</u>
Compensated absences					<u>833,215</u>	<u>(37,465)</u>		<u>795,750</u>	<u>79,575</u>
Claims payable					<u>85,000</u>			<u>85,000</u>	<u>85,000</u>
Net OPEB liability (Note 12)					<u>722,770</u>	<u>198,935</u>		<u>921,705</u>	<u>0</u>
Total long-term debt			<u>\$41,796,000</u>		<u>\$36,104,973</u>	<u>\$3,711,470</u>	<u>1,676,036</u>	<u>\$38,140,407</u>	<u>\$1,907,478</u>

(CONTINUED)

TOWN OF NORTH SMITHFIELD

**NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

8. LONG-TERM OBLIGATIONS (Continued)

	<u>Date of Issue</u>	<u>Maturity Date</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Outstanding June 30, 2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>Outstanding June 30, 2011</u>	<u>Current Portion</u>
Enterprise Funds									
General obligation bonds payable									
Water:									
Water bond	05/11/82	05/11/22	\$50,000	5%	\$25,695		\$1,623	\$24,072	\$1,704
Water bond	05/16/95	05/16/00	500,000	6%	286,245		21,845	264,400	23,155
Water bond	08/26/99	08/26/39	790,900	5%	706,219		10,667	695,552	11,201
Shell oil bond	09/16/97	09/16/22	500,000	5.5%	338,090		18,584	319,506	19,606
Water bond	10/15/01	10/15/21	<u>1,010,000</u>	3.00% - 5.00%	<u>600,000</u>		<u>50,000</u>	<u>550,000</u>	<u>50,000</u>
Total water fund			<u>2,850,900</u>		<u>1,956,249</u>		<u>102,719</u>	<u>1,853,530</u>	<u>105,666</u>
Sewer:									
Sewer General Obligation Bond	12/15/08	6/30/29	1,000,000	5%	985,000		45,000	940,000	45,000
Mendon Road Project #1 bond ...	12/18/90	12/18/20	303,000	7.25%	182,958		11,593	171,365	12,433
Clean Water sewer project #1 loan	03/12/92	09/01/11	2,900,000	3.6759%	406,000		200,000	206,000	206,000
Mendon Road Project #2 bond ...	04/07/92	04/07/20	60,000	6.625%	35,739		2,329	33,410	2,483
Clean Water Revolving Fund.....	10/06/09	09/01/29	4,750,000	0.49%	4,750,000		201,000	4,549,000	203,000
...Clean Water sewer project #2 loan	03/10/93	09/01/15	<u>4,500,000</u>	3.11073%	<u>1,699,750</u>		<u>258,750</u>	<u>1,441,000</u>	<u>268,000</u>
Total sewer fund			<u>13,513,000</u>		<u>8,059,447</u>		<u>718,672</u>	<u>7,340,775</u>	<u>736,916</u>
Total enterprise funds			<u>\$16,363,900</u>		<u>\$10,015,696</u>		<u>\$821,391</u>	<u>\$9,194,305</u>	<u>\$842,582</u>

(CONTINUED)

TOWN OF NORTH SMITHFIELD

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

8. LONG-TERM OBLIGATIONS (Continued)

During the fiscal year ended June 30, 2011, the Town incurred and paid the following interest expense:

	<u>Incurred</u>	<u>Paid</u>
Water	\$94,908	\$97,735
Sewer	196,011	188,240
General fund	1,626,982	1,605,694
Total	<u>\$1,917,901</u>	<u>\$1,891,669</u>

At June 30, 2011, the Town was in compliance with Rhode Island General Law 45-12-2 which places a 3% cap on the ratio of the Town's maximum aggregate indebtedness to taxable property.

Capital Leases

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

The assets acquired through capital leases are as follows:

Governmental
Activities

Asset:

Equipment and vehicles.....	\$2,302,214
Less: accumulated depreciation	<u>(2,073,220)</u>
Total	<u>\$228,994</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2011 were as follows:

Year Ending June 30:

	<u>General Long-term Debt</u>
2012	\$254,233
2013	152,862
2014	<u>57,112</u>
Total minimum lease payments	464,207
Less: amount representing interest	<u>31,255</u>
Present value of minimum lease payments.....	<u>\$432,952</u>

(CONTINUED)

TOWN OF NORTH SMITHFIELD

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

8. LONG-TERM OBLIGATIONS (Continued)

Debt Service Requirements

Annual principal and interest requirements on general obligation bonds and capital leases for the year ending June 30, 2011 are as follows:

Year-ending, June 30	<u>General Long-Term Debt</u>			<u>Enterprise Funds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$1,742,903	\$1,717,433	\$3,460,336	\$842,582	\$201,719	\$1,044,301
2013	1,779,630	1,536,454	3,316,084	653,513	180,108	833,621
2014	1,750,419	1,462,579	3,212,998	674,942	160,251	835,193
2015	1,770,000	1,380,382	3,150,382	693,139	141,010	834,149
2016	1,845,000	1,302,283	3,147,283	713,118	121,063	834,181
2017	1,920,000	1,219,805	3,139,805	412,148	105,825	517,973
2018	2,005,000	1,148,703	3,153,703	421,745	95,496	517,241
2019	2,750,000	1,111,445	3,861,445	431,682	82,256	513,938
2020	1,990,000	941,760	2,931,760	446,293	71,073	517,366
2021	2,080,000	850,828	2,930,828	417,921	59,338	477,259
2022 - 2026	11,940,000	2,754,530	14,694,530	1,753,371	213,608	1,966,979
Thereafter	4,765,000	336,168	5,101,168	1,733,851	201,316	1,935,167
Total	<u>\$36,337,952</u>	<u>\$15,762,370</u>	<u>\$52,100,322</u>	<u>\$9,194,305</u>	<u>\$1,633,063</u>	<u>\$10,827,368</u>

(CONTINUED)

TOWN OF NORTH SMITHFIELD

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

9. FUND EQUITY BALANCES

As stated in Note 1, Fund Balance may be classified as one of five categories: Non-spendable, Restricted, Committed, Assigned, or Unassigned. Committed Fund Balance represents that amount of fund balance which can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision-making authority. The Town's Council is considered to be the highest level of decision-making authority. In accordance with the Town Charter, the Council votes on the annual budget and on any resolutions proposed by the Committees. The passage of the Council's annual budget and proposed resolutions may result in the commitment of fund balance.

At June 30, 2011 Non-spendable Fund Balance consisted of the following:

Buxton Burial	<u>\$791</u>
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At June 30, 2011 Restricted Fund Balance consisted of the following:

Restricted for Education	\$89,508
Restricted for School Renovations	765
Restricted for Police and Fire Equipment	8,835
Restricted for Capital Improvements	650,668
Restricted for Public Safety	18,361
Restricted for Town Record Preservation	70,880
Restricted for Community Development Expenditures	77,060
Restricted for Public Service Expenditures	7,800
Restricted for Educational Scholarships	1,113
Total Restricted fund balance	<u>\$924,990</u>

At June 30, 2011 Committed Fund Balance consisted of the following:

Committed for Accrued Sick Time	\$194,304
Committed for Accrued Vacation	89,057
Committed for 60 Day Collections	341,410
Committed for Education	351,460
Committed for Emergency Management Expenditures	140,357
Committed for Debt Service Expenditures	448,006
Total Committed Fund Balance	<u>\$1,564,594</u>

At June 30, 2011 Unassigned Fund Balance consisted of the following:

Miscellaneous Revenue Fund	\$(9,129)
Governor's Justice Fund	(10,779)
Parks and Recreation Fund	(3,396)
General Fund	1,765,136
Total Unassigned Fund Balance	<u>\$1,741,832</u>

(CONTINUED)

TOWN OF NORTH SMITHFIELD

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

9. FUND EQUITY BALANCES (Continued)

The Town of North Smithfield does not currently have a spending policy regarding the order in which restricted, committed, assigned, and unassigned fund balances are spent when more than one amount is available for the expenditures incurred. Accordingly, by default, the Town is following the policy prescribed by GASB Statement No. 54 which specifies that fund balance is reduced first by committed, then by assigned, then by unassigned when expenditures are incurred for purposes for which any unrestricted fund balance could be used. In all situations, the Town considers restricted fund balance to be used first when available and when expenditures are incurred that meet the requirements of the restricted fund balance.

10. DEFINED BENEFIT PENSION PLANS

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

Plan Description

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

Funding Policy

MERS members are required to contribute 7.0% of their annual covered salary. The Town is required to contribute at an actuarially determined rate; the current rate is 0.19% of annual covered payroll. The contribution requirements of plan members and the Town are established and may be amended by State Statute.

Funded Status of Plan

The required supplementary information which follows the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Listed below are the details of the funding progress of the General Municipal Employee's Pension Plan with a valuation date of June 30, 2010, which is the most recent report available from the State who administers this plan.

Actuarial Value of Assets	\$12,859,535
Actuarial Accrued Liability	\$13,263,754
Unfunded actuarial accrued Liability	\$ 404,219
Funded Ratio	97.0%
Annual Covered Payroll	\$ 3,133,529
UAAL as percentage of payroll	12.9%

(CONTINUED)

TOWN OF NORTH SMITHFIELD

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

10. DEFINED BENEFIT PENSION PLANS (Continued)

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

Annual Pension Cost

For 2011, the Town's annual pension cost of \$3,375 for MERS was equal to the Town's required and actual contributions. The required contribution was determined as part of the June 30, 2008 actuarial valuation using the entry age normal cost method with frozen initial liability. Significant actuarial assumptions included (a) a net investment return of 8.25 percent compounded annually, (b) projected salary increases at an annual service related component plus a 3% inflation component compounded annually, (c) 3.0 percent per year cost-of-living adjustments, (d) mortality rates based on the 1994 Uninsured Pensioner Mortality Table and (e) a retirement age of 65 or completion of service requirements, if later. The actuarial value of MERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period. MERS unfunded actuarial accrued liability is being amortized over the remainder of a closed 30-year period from June 30, 2011.

Three-Year Trend Information

<u>Fiscal Annual Year Pension Cost Ending (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>	
6/30/09	\$34,706	100%	\$-0-
6/30/10	\$17,820	100%	\$-0-
6/30/11	\$ 3,375	100%	\$-0-

(b) Municipal Police Pension Plan

Plan Description

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

Funding Policy

Covered police employees are required to contribute 9% of their annual covered salary. The Town is required to contribute at an actuarially determined rate the remaining amounts necessary to fund the System; the current rate is 12.9% of annual covered payroll. The contribution requirements of plan members and the Town are established and may be amended by State Statute.

Annual Pension Cost

For 2011, the Town's annual pension cost of \$161,843 for the Police Pension System was equal to the Town's required and actual contributions. The required contribution was determined as part of the June 30, 2008 actuarial valuation using the entry age normal cost method with frozen initial liability. Significant actuarial assumptions included (a) net investment return of 8.25 percent compounded annually, (b) projected salary increases at an annual service related component plus a 3% inflation component compounded annually, (c) mortality rates based on the 1994 Uninsured Pensioner Mortality Table, and (d) a retirement age of 60, or completion of service requirements, if later. The actuarial value of MERS' assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period. Any MERS unfunded actuarial accrued liability is being amortized using the weighted average method over a 25 year period

(CONTINUED)

TOWN OF NORTH SMITHFIELD

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

10. DEFINED BENEFITS PENSION PLANS (Continued)

(b) Municipal Police Pension Plan (Continued)

Funded Status of Plan

The required supplementary information which follows the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Listed below are the details of the funding progress of the General Municipal Employee's Pension Plan with a valuation date of June 30, 2010, which is the most recent report available from the State who administers this plan.

Actuarial Value of Assets	\$7,868,300
Actuarial Accrued Liability	\$9,785,357
Unfunded (excess) actuarial accrued Liability	\$1,917,057
Funded Ratio	80.4%
Annual Covered Payroll	\$1,148,376
UAAL (excess) as percentage of payroll	166.9%

Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/09	\$137,229	100%	\$-0-
6/30/10	\$163,511	100%	\$-0-
6/30/11	\$155,651	100%	\$-0-

(c) Teacher's Pension Plan

All full-time teachers including superintendents, principals, school nurses and certain other school officials ("classified employees") in the North Smithfield School District participate in the Employees Retirement System of the State of Rhode Island (ERSRI), a cost-sharing multiple-employer public employee retirement system. In addition to classified employees, the System covers substantially all employees of the State of Rhode Island. The payroll for employees covered by the System for the year ended June 30, 2011, was \$10,996,811; the total payroll for the Town was approximately \$16,200,000.

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

Plan Description

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

(CONTINUED)

TOWN OF NORTH SMITHFIELD

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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

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

Plan Description (Continued)

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

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

The ERS plan also provides a survivor benefit to public school teachers via a "Teachers Survivor Benefits Fund" in lieu of Social Security. The details of the survivor death benefits and other death benefits are provided in the financial section of the Annual Financial Report of the Employees' Retirement System of Rhode Island for the fiscal year ending June 30, 2010 which can be found at www.ersri.org.

(CONTINUED)

TOWN OF NORTH SMITHFIELD

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

10. DEFINED BENEFIT PENSION PLANS (Continued)

(d) Teacher's Pension Plan (Continued)

Funding Policy

Rhode Island general laws set the contribution rates for participating plan employees at 9.5% of salary. Annual contributions by both employers and the State on behalf of those employees are determined by actuaries and assessed as percentage of participants' payroll. The School Department was required to contribute 11.25%, 11.25%, and 11.89% for all full-time employees for fiscal years 2011, 2010 and 2009, respectively. The required contributions include (a) normal costs; (b) payments to amortize the unfunded frozen actuarial accrued liability as of June 30, 1999 over 30 years; and (c) interest on the unfunded frozen actuarial liability. Normal cost is determined using the entry age normal cost method with frozen initial liability. A variety of significant actuarial assumptions are used to determine the standardized measure of the pension benefit obligation and these assumptions are summarized below:

- A. **Mortality** – 1994 Group Annuity Mortality Table
- B. **Investment return** – 8.25 percent, compounded annually.
- C. **Salary increase** - Salaries will increase at a rate of 4.0% to 12.75% (previously 4.5% to 13.25%), compounded annually.
- D. **Retirement age** – 75% of Schedule B members who reach the age of 59 with 29 years of service before age 65 are assumed to retire when first eligible. 75% of other members are expected to retire when first eligible, at age 65 with 10 years of service. Because of enactment of Article 7 in 2009, the retirement assumption was modified for members not eligible for retirement by October 1, 2009. Members who would have been assumed to retire prior to age 62 under the rules in effect before the enactment of Article 7 are assumed to retire when first eligible for an unreduced benefit under Article 7.
- E. **Cost of living adjustments** – Schedule A Members: 3.0% compounded annually.
Schedule B Members: 2.5%.

As prescribed by Rhode Island general law, the State pays the entire portion of the annual required contribution attributable to the costs of contributions deferred by the State in prior years plus 40% of contributions assessed to employers on payroll not reimbursable through Federal programs. This resulted in contribution rates paid by the State on behalf of the School Department of 7.75% of non-federally reimbursable payrolls totaling \$804,967 for the year ended June 30, 2011.

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

Years Ending June 30,

2011	\$1,183,730
2010	\$1,213,075
2009	\$1,224,753

Subsequent to June 30, 2011, the State of Rhode Island passed legislation under the Pension Reform Security Act (Act) of 2011. The legislation made changes to the current pension plan provisions noted above and such changes will be effective July 1, 2012.

(CONTINUED)

TOWN OF NORTH SMITHFIELD

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

10. DEFINED BENEFIT PENSION PLANS (Continued)

(c) Teacher's Pension Plan (Continued)

Funding Policy (Continued)

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

Trend information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented in the State of Rhode Island's Employee Retirement System's June 30, 2010 annual financial report, which may be obtained from the administrative offices of the State of Rhode Island Retirement Board, 40 Fountain Street, Providence, Rhode Island. This report is the most recent report available from the State, who administers the Plan. The report can also be found at www.ersri.org.

11. CONTINGENT LIABILITIES/COMMITMENTS

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

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

12. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

The "Town of North Smithfield Retiree Welfare Plan" is a single-employer defined benefit postretirement health and dental insurance plan. The Town provides lifetime health care and dental insurance benefits to eligible employees. This plan is offered to all certified teachers, Town employees and public safety employees who meet certain age and service requirements. Benefits were paid to forty employees during 2011. These benefits were funded on a pay as you go basis. For 2011, contributions were approximately \$246,421 for the Town and \$136,250 for the School Department for a total of \$382,671. These benefits are provided as part of the employee's contract.

(CONTINUED)

TOWN OF NORTH SMITHFIELD

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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

Funding Policy

The Town's funding policy provides for actuarially determined periodic contributions to the plans at rates that, increase gradually over time so that sufficient assets will be available to pay benefits when due. For retired school teachers, covered participants must contribute \$562 per year for individual coverage and \$1,400 per year for family coverage. For retired town employees hired after July 1, 2005, covered participants must pay 5% of the gross premiums for Medical and Dental costs, subject to an annual maximum of \$300 for single coverage and \$750 for family coverage. Those town employees hired before July 1, 2005 shall not be required to pay for coverage in retirement if they retire with at least 20 years of service. Retired public safety employees shall pay the co-share in effect as of the date of their retirement and this amount shall not increase during their retirement. Those public safety employees who retired prior to July 1, 2007 shall not be required to pay for coverage in retirement. The annual OPEB cost was determined as part of the July 1, 2009 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included a 4.00% investment rate of return, inflation adjustment of 3.5% per year, and compensation increases of 4.5% per year. Healthcare trend rates range from 11% for medical and 8.5% for dental during fiscal year 2008 to 5% for medical and dental for 2015. The unfunded actuarial accrued liability was determined using the level dollar thirty year open amortization basis. The remaining amortization period was 26 years at June 30, 2011.

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

Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2011	\$581,609	65.8%	\$921,705
6/30/2010	\$572,000	57.3%	\$722,770
6/30/2009	\$562,414	57.5%	\$478,262

The Town's annual OPEB cost and net OPEB obligation for the year ended June 30, 2011 was as follows:

Annual required contribution	\$580,468
Interest on net OPEB obligation	28,739
Adjustment to annual required contribution	<u>(27,598)</u>
Annual OPEB cost (expense)	581,609
Contributions made	<u>(382,674)</u>
Increase in net OPEB obligation	198,935
Net OPEB obligation-beginning of year	<u>722,770</u>
Net OPEB obligation-end of year	<u>\$921,705</u>

(CONTINUED)

TOWN OF NORTH SMITHFIELD

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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

Schedule of Funding Progress

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

Schedule of Funding Progress (Continued)

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (1)	Actuarial Accrued Liability (AAL) (2)	UAAL as a Unfunded AAL (UAAL) (2)-(1) (3)	AVA as a Percent of AAL (1)/(2) (4)	Covered Payroll (5)	Percent of Covered Payroll (3)/(5) (6)
07/01/09	N/A	\$5,796,707	\$5,796,707	N/A	\$15,979,607	36.3%

13. RISK MANAGEMENT

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

14. RESTATEMENT

Government wide, governmental and propriety net assets at June 30, 2010 have been restated due to an error. The details of the restatement and impact on net assets is as follows:

Government wide

Government wide fund balance at June 30, 2010, as originally stated	\$ 23,465,906
Correction of error due to overstated assets at June 30, 2010	<u>(346,951)</u>
Government wide fund balance at June 30, 2010, as restated	<u>\$ 23,118,955</u>

(CONTINUED)

TOWN OF NORTH SMITHFIELD

NOTES TO FINANCIAL STATEMENTS
June 30, 2011

14. RESTATEMENT (Continued)

Governmental

Governmental net assets at June 30, 2010, as originally stated	3,048,598
Correction of error due to overstated of assets at June 30, 2010	<u>(346,951)</u>
Governmental net assets at June 30, 2010, as restated	2,701,647

Proprietary

Sewer

Sewer net assets at June 30, 2010, as originally stated	10,553,236
Correction of error due to overstated of assets at June 30, 2010	<u>(162,778)</u>
Sewer net assets at June 30, 2010, as restated	10,390,458

Water

Water net assets at June 30, 2010, as originally stated	875,956
Correction of error due to overstated of assets at June 30, 2010	<u>(38,052)</u>
Water net assets at June 30, 2010, as restated	837,904

(CONCLUDED)

SUPPLEMENTARY INFORMATION

Town of North Smithfield

**SCHEDULE OF FUNDING PROGRESS
June 30, 2011**

Schedule of funding progress for the Municipal Employees' Retirement System

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	AAL as a percentage Of Covered Payroll ((a-b)/c)
6/30/2008	\$13,716,901	\$10,980,041	\$2,736,860	124.93%	\$2,983,170	91.74%
6/30/2009	\$13,501,632	\$11,489,027	\$2,012,605	117.52%	\$2,856,531	70.46%
6/30/2010	\$12,859,535	\$13,263,754	\$ (404,219)	96.95%	\$3,133,529	-12.90%

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	AAL (UAAL) as a percentage Of Covered Payroll ((a-b)/c)
6/30/2008	\$ 7,833,344	\$ 7,993,420	(\$160,076)	98.00%	\$ 1,170,908	-13.67%
6/30/2009	\$ 7,928,277	\$ 8,661,456	(\$733,179)	91.54%	\$ 1,154,239	-63.52%
6/30/2010	\$ 7,868,300	\$ 9,785,357	(\$1,917,057)	80.41%	\$ 1,148,376	-166.94%

Schedule of funding progress for the OPEB liability

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	AAL (UAAL) as a percentage Of Covered Payroll ((a-b)/c)
7/1/2007	-	5,793,469	5,793,469	-	12,367,086	46.8%
7/1/2009	-	5,796,707	5,796,707	-	15,979,607	36.3%

TOWN OF NORTH SMITHFIELD

GENERAL FUND

SCHEDULE OF REVENUE AND OTHER FINANCING SOURCES, EXPENDITURES AND OTHER FINANCING USES- BUDGET AND ACTUAL - BUDGETARY BASIS
YEAR ENDED JUNE 30, 2011

	General Fund				Annually Budgeted Special Revenue Fund School Department		
	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)	Budget	Actual on Budgetary Basis	Variance
Revenues:							
Property taxes	\$ 26,496,873	\$ 26,496,873	26,802,254	\$ 305,381			
Motor vehicle excise in lieu of tax	164,861	164,861	169,363	4,502			
Intergovernmental and grant revenue	1,456,704	1,456,704	1,366,480	(90,224)	\$ 3,930,434	\$ 4,065,332	\$ 134,898
Town clerk licenses and fees	250,000	250,000	281,267	31,267			
Other departmental fines and fees	322,500	322,500	177,149	(145,351)			
Interest on investments	92,600	92,600	3,125	(89,475)			
Other revenue	241,412	241,412	343,526	102,114	120,000	120,000	-
Utilization of surplus	-	-	-	-			
Total revenues	29,024,950	29,024,950	29,143,164	118,214	4,050,434	4,185,332	134,898
General Government							
Town council	12,845	12,845	12,381	464			
Administrator's office	154,632	154,632	141,934	12,698			
Probate	8,740	8,740	8,248	492			
Town solicitor	190,644	190,644	151,183	39,461			
Board of canvassers	15,424	15,424	14,067	1,357			
Town clerk's office	175,187	175,187	176,245	(1,058)			
Municipal court	44,988	44,988	30,565	14,423			
Zoning board	9,292	9,292	3,722	5,570			
Personnel Board	1	1	-	1			
Juvenile Hearing Board	3,443	3,443	1,766	1,677			
Regional industrial development	3,000	3,000	-	3,000			
Conservation commission	800	800	565	235			
Housing Authority	1	1	-	1			
Town hall	9,800	9,800	10,104	(304)			
Plant operations	36,172	36,172	33,453	2,719			
Planning division	129,740	129,740	124,983	4,757			
Printing and advertising	18,500	18,500	18,219	281			
Contingency fund	206,000	206,000	123,153	82,847			
Scouters Hall	3,890	3,890	3,436	454			
North Smithfield Public Library	342,924	342,924	342,924	-			
Historic District commission	1	1	-	1			
Public Safety Commission	1	1	-	1			
Budget Committee	1	1	-	1			
Total general government	1,366,026	1,366,026	1,196,948	169,078	-	-	-

TOWN OF NORTH SMITHFIELD

GENERAL FUND

SCHEDULE OF REVENUE AND OTHER FINANCING SOURCES, EXPENDITURES AND OTHER
FINANCING USES- BUDGET AND ACTUAL - BUDGETARY BASIS
YEAR ENDED JUNE 30, 2011

	General Fund				Annually Budgeted Special Revenue Fund School Department		
	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)	Budget	Actual on Budgetary Basis	Variance
	Financial administration						
Finance office	247,739	247,739	260,372	(12,633)			
Tax assessor	137,981	137,981	124,181	13,800			
Tax collection	111,733	111,733	103,583	8,150			
Board of review	1	1	-	1			
Insurance	200,000	200,000	158,389	41,611			
Audits and computer service	102,700	102,700	69,699	33,001			
Total financial administration	800,154	800,154	716,224	83,930	-	-	-
Public Works							
Highway department	699,743	699,743	849,066	(149,323)			
Parks and recreation	120,061	120,061	107,753	12,308			
Tree warden	3,611	3,611	1,862	1,749			
Street lights	171,100	171,100	212,083	(40,983)			
Rubbish disposal	636,800	636,800	615,183	21,617			
Sealer of weights and measures	1	1	-	1			
Total public works	1,631,316	1,631,316	1,785,947	(154,631)	-	-	-
Public Safety:							
Police Department	2,337,208	2,337,208	2,513,653	(176,445)			
North Smithfield fire/rescue service	2,389,760	2,389,760	2,388,141	1,619			
Hydrant rental	45,000	45,000	45,000	-			
Animal control	72,849	72,849	71,527	1,322			
Civil defense	11,955	11,955	9,169	2,786			
Inspection division	150,047	150,047	148,145	1,902			
Total public safety	5,006,819	5,006,819	5,175,635	(168,816)	-	-	-

TOWN OF NORTH SMITHFIELD

GENERAL FUND

**SCHEDULE OF REVENUE AND OTHER FINANCING SOURCES, EXPENDITURES AND OTHER
FINANCING USES- BUDGET AND ACTUAL - BUDGETARY BASIS
YEAR ENDED JUNE 30, 2011**

	General Fund				Annually Budgeted Special Revenue Fund School Department		
	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)	Budget	Actual on Budgetary Basis	Variance
Debt Service	3,290,009	3,290,009	3,251,094	38,915			
Fixed charges							
Medical, retirement and other employee benefits	317,255	317,255	368,783	(51,528)			
Grants and contributions	45,550	45,550	46,051	(501)			
Transfers from (to) other funds							
Town Contribution to school	(16,567,821)	(16,567,821)	(16,946,392)	(378,571)	16,567,821	16,946,392	378,571
Total expenditures	29,024,950	29,024,950	29,487,074	(462,124)	20,618,255	20,978,689	(360,434)
Other financing uses						(40,455)	(40,455)
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	(343,910)	<u>\$ (343,910)</u>	<u>\$ -</u>	112,580	<u>\$ 112,580</u>
Adjustments required under generally accepted accounting principles							
Decrease in encumbrances						(459,549)	
Property tax revenue - sixty day rule			341,410				
Prior years property tax revenue- sixty day rule			(309,240)				
			<u>\$ (311,740)</u>			<u>\$ (346,969)</u>	

TOWN OF NORTH SMITHFIELD
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2011

	<u>School Restricted Fund</u>	<u>School Renovations</u>	<u>Governor's Justice Commission Fund</u>	<u>Substance Abuse Donations Fund</u>	<u>Substance Abuse Prevention Council Fund</u>	<u>Park and Recreation Fund</u>
ASSETS						
Cash and cash equivalents		\$ 765	\$ 18,185	\$ 5,990	\$ 14,567	\$ 9,418
Other receivables						
Due from federal and state governments	\$ 238,657					
Due from other funds	93,798			6,310		
TOTAL ASSETS	\$ 332,455	\$ 765	\$ 18,185	\$ 12,300	\$ 14,567	\$ 9,418
LIABILITIES						
Accounts payable	12,791					
Accrued expenses						
Due to federal and state governments						
Due to other funds	230,156		28,964		1,306	12,814
Deferred revenue				5,146	13,261	
TOTAL LIABILITIES	242,947	-	28,964	5,146	14,567	12,814
FUND BALANCE						
Nonspendable						
Restricted	89,508	765		7,154		
Committed						
Unassigned			(10,779)			(3,396)
TOTAL FUND BALANCE	\$ 89,508	\$ 765	\$ (10,779)	\$ 7,154	\$ -	\$ (3,396)

TOWN OF NORTH SMITHFIELD
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2011

	Miscellaneous Revenue <u>Fund</u>	Project D.A.R.E. <u>Fund</u>	Business Revolving Loan <u>Fund</u>	CDBG <u>Fund</u>	Police Forfeiture <u>Funds</u>	Miscellaneous Police/Fire <u>Funds</u>
ASSETS						
Cash and cash equivalents	\$ 1,628	\$ 646	\$ 54,058	\$ 58,071	\$ 211	
Other receivables	12,211					
Due from federal and state governments						
Due from other funds			-		18,150	\$ 8,835
TOTAL ASSETS	\$ 13,839	\$ 646	\$ 54,058	\$ 58,071	\$ 18,361	\$ 8,835
LIABILITIES						
Accounts payable						
Accrued expenses						
Due to federal and state governments						
Due to other funds	22,968					
Deferred revenue				35,069		
TOTAL LIABILITIES	22,968	-	-	35,069	-	-
FUND BALANCE						
Nonspendable						
Restricted		646	54,058	23,002	18,361	8,835
Committed						
Unassigned	(9,129)					
TOTAL FUND BALANCE	\$ (9,129)	\$ 646	\$ 54,058	\$ 23,002	\$ 18,361	\$ 8,835

TOWN OF NORTH SMITHFIELD
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2011

	<u>EMS</u> <u>Fund</u>	<u>Debt</u> <u>Reserve</u> <u>Fund</u>	<u>Record</u> <u>Retention</u> <u>Fund</u>	<u>Michael F.</u> <u>Lovett</u> <u>Scholarship</u> <u>Account</u>	<u>J. Harold</u> <u>Monroe Jr.</u> <u>Scholarship</u> <u>Account</u>	<u>GRAND</u> <u>TOTALS</u>
ASSETS						
Cash and cash equivalents	\$ 140,357	\$ 448,006		\$ -	\$ 1,113	\$ 753,015
Other receivables						12,211
Due from federal and state governments						238,657
Due from other funds			\$ 70,880			197,973
TOTAL ASSETS	\$ 140,357	\$ 448,006	\$ 70,880	\$ -	\$ 1,113	\$ 1,201,856
LIABILITIES						
Accounts payable						12,791
Accrued expenses						-
Due to federal and state governments						-
Due to other funds						296,208
Deferred revenue						53,476
TOTAL LIABILITIES	-	-	-	-	-	362,475
FUND BALANCE						
Nonspendable						-
Restricted			70,880		1,113	274,322
Committed	140,357	448,006				588,363
Unassigned						(23,304)
TOTAL FUND BALANCE	\$ 140,357	\$ 448,006	\$ 70,880	\$ -	\$ 1,113	\$ 839,381

TOWN OF NORTH SMITHFIELD**Combining Statement of Revenues and other Financing Sources, Expenditures and other Financing Uses and Changes in Fund Balance
Non-Major Governmental Funds
For the Year Ended June 30, 2011**

F - 2

	School Restricted Fund	School Renovations	Governor's Justice Commission Fund	Substance Abuse Donations Fund	Substance Abuse Prevention Council Fund	Park and Recreation Fund
REVENUES:						
Interest and investment income		\$ 1	\$ 1	\$ 8	\$ 8	\$ 7
Intergovernmental	\$ 1,212,650		20,931		18,787	
Other	57,980					50,794
TOTAL REVENUES	1,270,630	1	20,932	8	18,795	50,801
EXPENDITURES:						
Public services			4,372	3,453	18,795	48,143
Education	1,113,842					
Capital outlays	129,861					
Other						
TOTAL EXPENDITURES	1,243,703	-	4,372	3,453	18,795	48,143
Excess of revenue over(under) expenditures before transfers	26,927	1	16,560	(3,445)	-	2,658
Other financing sources (uses):						
Transfers in						
Transfers out						
Notes proceeds						
Proceeds from capital lease						
Net other financing sources (uses)	-	-	-	-	-	-
Excess of revenues and other sources over (under) expenditures and other uses	26,927	1	16,560	(3,445)	-	2,658
FUND BALANCE, BEGINNING OF YEAR	62,581	764	(27,339)	10,599	-	(6,054)
FUND BALANCE, END OF YEAR	\$ 89,508	\$ 765	\$ (10,779)	\$ 7,154	\$ -	\$ (3,396)

TOWN OF NORTH SMITHFIELD

**Combining Statment of Revenues and other Financing Sources, Expenditures and other Financing Uses and Changes in Fund Balance
Non-Major Governmental Funds
For the Year Ended June 30. 2011**

	Miscellaneous Revenue Fund	Project D.A.R.E. Fund	Business Revolving Loan Fund	CDBG Fund	Police Forfeiture Funds	Miscellaneous Police/Fire Funds
REVENUES:						
Interest and investment income	\$ 1	\$ 1	\$ 37	\$ 27		
Intergovernmental				7,188	18,130	
Other	4,051	1,000				
TOTAL REVENUES	4,052	1,001	37	7,215	18,130	-
EXPENDITURES:						
Public services		1,677				
Education						
Capital outlays						
Other	15,206			7,215		
TOTAL EXPENDITURES	15,206	1,677	-	7,215	-	-
Excess of revenue over(under) expenditures before transfers	(11,154)	(676)	37	-	18,130	-
Other financing sources (uses):						
Transfers in						
Transfers out						
Notes proceeds						
Proceeds from capital lease						
Net other financing sources (uses)	-	-	-	-	-	-
Excess of revenues and other sources over (under) expenditures and other uses	(11,154)	(676)	37	-	18,130	-
FUND BALANCE, BEGINNING OF YEAR	2,025	1,322	54,021	23,002	231	8,835
FUND BALANCE, END OF YEAR	\$ (9,129)	\$ 646	\$ 54,058	\$ 23,002	\$ 18,361	\$ 8,835

TOWN OF NORTH SMITHFIELD

**Combining Statement of Revenues and other Financing Sources, Expenditures and other Financing Uses and Changes in Fund Balance
Non-Major Governmental Funds
For the Year Ended June 30, 2011**

	EMS Fund	Debt Reserve Fund	Record Retention Fund	Michael F. Lovett Scholarship Account	J. Harold Monroe Jr. Scholarship Account	GRAND TOTALS
REVENUES:						
Interest and investment income	\$ 95	\$ 197			\$ 1	\$ 384
Intergovernmental						1,277,686
Other	375,133	205,385	\$ 25,102			719,445
TOTAL REVENUES	375,228	205,582	25,102	-	1	1,997,515
EXPENDITURES:						
Public services						76,440
Education	280					1,114,122
Capital outlays	35,821					165,682
Other	41,269		23,215	\$ 52		86,957
TOTAL EXPENDITURES	77,370	-	23,215	52	-	1,443,201
Excess of revenue over(under) expenditures before transfers	297,858	205,582	1,887	(52)	1	554,314
Other financing sources (uses):						
Transfers in						-
Transfers out	(179,321)					(179,321)
Notes proceeds						-
Proceeds from capital lease						-
Net other financing sources (uses)	(179,321)	-	-	-	-	(179,321)
Excess of revenues and other sources over (under) expenditures and other uses	118,537	205,582	1,887	(52)	1	374,993
FUND BALANCE, BEGINNING OF YEAR	21,820	242,424	68,993	52	1,112	464,388
FUND BALANCE, END OF YEAR	\$ 140,357	\$ 448,006	\$ 70,880	\$ -	\$ 1,113	\$ 839,381

TOWN OF NORTH SMITHFIELD

**Statement of Changes in Assets and Liabilities
Agency Funds
For the year ended June 30, 2011**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<u>Subdivision Bond Account</u>				
<u>ASSET</u>				
Cash and cash equivalents	\$ 15,402	\$ 11		\$ 15,413
<u>LIABILITY</u>				
Deposits Held in Custody for Others	\$ 15,402	\$ 11		\$ 15,413
<u>Police Uniforms</u>				
<u>ASSET</u>				
Cash and cash equivalents	\$ 445	6,499		\$ 6,944
<u>LIABILITY</u>				
Deposits Held in Custody for Others	\$ 445	\$ 6,499		\$ 6,944
<u>Junior/Senior High School Fund</u>				
<u>ASSET</u>				
Cash and cash equivalents	\$ 169,565	\$ 248,676	\$ 236,151	\$ 182,090
Other receivables	12,511	7,539	12,511	7,539
	<u>\$ 182,076</u>	<u>\$ 256,215</u>	<u>\$ 248,662</u>	<u>\$ 189,629</u>
<u>LIABILITY</u>				
Deposits Held in Custody for Others	\$ 182,076	\$ 256,215	\$ 248,662	\$ 189,629
<u>Middle School Fund</u>				
<u>ASSET</u>				
Cash and cash equivalents	\$ 28,857	\$ 57,384	\$ 47,980	\$ 38,261
<u>LIABILITY</u>				
Deposits Held in Custody for Others	\$ 28,857	\$ 57,384	\$ 47,980	\$ 38,261
<u>Halliwell School Fund</u>				
<u>ASSET</u>				
Cash and cash equivalents	\$ 12,213	\$ 34,899	\$ 33,637	\$ 13,475
<u>LIABILITY</u>				
Deposits Held in Custody for Others	\$ 12,213	\$ 34,899	\$ 33,637	\$ 13,475
<u>Athletic Account</u>				
<u>ASSET</u>				
Cash and cash equivalents	\$ 12,455	\$ 39,000	\$ 46,299	\$ 5,156
<u>LIABILITY</u>				
Deposits Held in Custody for Others	\$ 12,455	\$ 39,000	\$ 46,299	\$ 5,156

TOWN OF NORTH SMITHFIELD

**Statement of Changes in Assets and Liabilities
Agency Funds
For the year ended June 30, 2011**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<u>Elementary School Fund</u>				
<u>ASSET</u>				
Cash and cash equivalents	\$ 3,630	\$ 26,437	\$ 23,190	\$ 6,877
<u>LIABILITY</u>				
Deposits Held in Custody for Others	\$ 3,630	\$ 26,437	\$ 23,190	\$ 6,877
<u>TOTAL AGENCY FUNDS</u>				
<u>ASSET</u>				
Cash	\$ 242,567	\$ 412,906	\$ 387,257	268,216
Other receivables	12,511	7,539	12,511	7,539
TOTAL ASSETS	\$ 255,078	\$ 420,445	\$ 399,768	\$ 275,755
<u>LIABILITY</u>				
Deposits Held in Custody for Others	\$ 255,078	\$ 420,445	\$ 399,768	\$ 275,755
TOTAL LIABILITIES	\$ 255,078	\$ 420,445	\$ 399,768	\$ 275,755

TOWN OF NORTH SMITHFIELD

**SCHEDULE OF PROPERTY TAXES RECEIVABLE
YEAR ENDED JUNE 30, 2011**

<u>Year</u>	<u>Balance Uncollected July 1, 2010</u>	<u>2010 Assessment</u>	<u>Additions</u>	<u>Abatements & Adjustments</u>	<u>Amount to be Collected</u>	<u>Current Year Collections</u>	<u>Balance June 30, 2011</u>
2010	\$ -	\$27,034,554	\$ 370,941	\$ 537,807	\$ 26,867,688	\$ 26,123,484	\$ 744,204
2009	622,203		8,753	(56,940)	687,896	533,748	154,148
2008	131,193			2,589	128,604	33,888	94,716
2007	83,165			78	83,087	14,211	68,876
2006	40,416			2,257	38,159	543	37,616
2005	37,784			39	37,745	689	37,056
2004	34,371				34,371	1,101	33,270
2003	39,033				39,033	2,819	36,214
2002	26,755				26,755	1,119	25,636
2001	14,814			1,623	13,191	697	12,494
2000	14,591			14,160	431	388	43
1999	18,447			17,569	878	566	312
1998	21,189			20,499	690	343	347
Total	1,083,961	\$27,034,554	\$ 379,694	\$ 539,681	\$ 27,958,528	\$ 26,713,596	1,244,932
Less: Allowance for Uncollectible accounts	(100,000)						(100,000)
Net	\$ 983,961						\$ 1,144,932

Schedule of property valuation assessed as of December 31, 2009:

Real estate	\$ 1,380,074,258
Tangibles	50,843,100
Motor vehicles	114,673,445
Less: exemptions	(42,811,830)
State phase out	(6,147,892)
	<u>\$ 1,496,631,081</u>