

THE TOWN OF NORTH SMITHFIELD, RHODE ISLAND

**BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2012**

TOWN OF NORTH SMITHFIELD

YEAR ENDED JUNE 30, 2012

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TOWN OF NORTH SMITHFIELD

YEAR ENDED JUNE 30, 2012

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(CONCLUDED)

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, 2012, 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 18 percent, respectively, of the assets and revenues of the governmental activities, 18 percent of the revenues of the business-type activities, 100 percent of the assets and revenues of the School unrestricted fund and 81 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, 2012, 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

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 50 through 53 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 and schedule of property taxes receivable are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the Combining and Individual Fund Financial Statements and schedule of property taxes receivable 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 as a whole.

A handwritten signature in cursive script that reads "Braver PC".

Providence, Rhode Island
December 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, 2012. 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 19 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 16 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 \$33,971,556 at the close of 2011.

	Governmental Activities	Business Activities	Total
Beginning net assets, as restated	\$22,477,774	\$11,493,782	\$33,971,556
Increase / (Decrease)	<u>843,080</u>	<u>(232,614)</u>	<u>610,466</u>
Ending net assets	<u>\$23,320,854</u>	<u>\$11,261,168</u>	<u>\$34,582,022</u>

The foregoing reflects an increase of 3.75% for governmental activities and a decrease of 2.02% for business-type activities, when compared to June 30, 2011 amounts. The total of both governmental activities & business activities reflects a modest increase of 1.91%.

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 2011-2012
	2011	2012	2011	2012	2011	2012	
Current and other assets	\$ 6,322,793	\$ 7,035,964	\$ 9,610,818	\$ 9,234,046	\$ 15,933,611	\$ 16,270,010	2.11%
Capital Assets	55,897,830	54,882,322	16,555,954	15,722,640	72,553,784	70,604,962	-2.69%
Total Assets	62,320,623	61,918,286	26,166,772	24,956,686	88,487,395	86,874,972	-1.82%
Long-term debt	38,055,407	36,838,730	9,194,305	8,351,801	47,249,712	\$ 45,190,531	-4.36%
Other liabilities	1,650,481	1,758,702	5,478,685	5,343,717	7,129,166	7,102,419	-0.38%
Total Liabilities	39,705,888	38,597,432	14,672,990	13,695,518	54,378,878	52,292,950	-3.84%
Net Assets							
Invested in capital assets	19,744,878	20,064,555	7,361,649	7,370,839	27,106,527	27,435,394	1.21%
Restricted for specific programs	924,990	676,345		10,914	924,990	687,259	-25.70%
Unrestricted	1,944,867	2,579,954	4,132,133	3,879,415	6,077,000	6,459,369	6.29%
Total net assets	\$ 22,614,735	\$ 23,320,854	\$ 11,493,782	\$ 11,261,168	\$ 34,108,517	\$ 34,582,022	1.39%

	2011	2012	2011	2012	2011	2012	Percentage Change 2011-2012
Revenues:							
Program revenues -							
Charges for services	458,416	471,828	2,545,685	2,718,973	3,004,101	3,190,801	6.21%
Operating grants	6,207,258	6,408,451	124,251	164,197	6,331,509	6,572,648	3.81%
Capital grants	49,665	9,948			49,665	9,948	-79.97%
General revenues -							
Property taxes	26,963,223	27,965,053			26,963,223	27,965,053	3.72%
Motor vehicle excise in lieu of tax	169,363	168,480			169,363	168,480	-0.52%
Grants	1,366,480	1,561,978			1,366,480	1,561,978	14.31%
Investment earnings	4,085	748	16,769	6,471	20,854	7,219	-65.38%
Proceeds from long term debt							
Miscellaneous	944,377	1,200,411	268,099	125,686	1,212,476	1,326,097	9.37%
Loss on abandonment of water project							
Transfer to primary government	(40,455)		40,455				
Total revenues	\$ 36,122,412	\$ 37,786,897	\$ 2,995,259	\$ 3,015,327	\$ 39,117,671	\$ 40,802,224	4.31%

Expenditures:							
General Government	1,271,164	1,163,625			1,271,164	1,163,625	-8.46%
Public services	121,885	130,160			121,885	130,160	6.79%
Financial administration	716,224	566,292			716,224	566,292	-20.93%
Public safety	5,419,155	4,947,485			5,419,155	4,947,485	-8.70%
Public works	2,115,008	1,777,019			2,115,008	1,777,019	-15.98%
School lunch fund			396,057	502,431	396,057	502,431	26.86%
Water fund			461,709	453,282	461,709	453,282	-1.83%
Sewer fund			1,879,976	2,292,228	1,879,976	2,292,228	21.93%
Education	24,697,515	24,940,402			24,697,515	24,940,402	0.98%
Debt service	1,636,022	1,823,890			1,636,022	1,823,890	11.48%
Capital and special appropriations	244,650				244,650		-100.00%
Other expenditures	541,970	1,594,944			541,970	1,594,944	194.29%
Total expenditures	\$ 36,763,593	\$ 36,943,817	\$ 2,737,742	\$ 3,247,941	\$ 39,501,335	\$ 40,191,758	1.75%

Transfers							
Increase/decrease in net assets	\$ (641,181)	\$ 843,080	\$ 257,517	\$ (232,614)	\$ (383,664)	\$ 610,466	-259.11%
Net assets, beginning of year, as restated	23,118,955	22,477,774	11,236,265	11,493,782	34,355,220	33,971,556	-1.12%
Net assets, end of year	\$ 22,477,774	\$ 23,320,854	\$ 11,493,782	\$ 11,261,168	\$ 33,971,556	\$ 34,582,022	1.80%

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 loss of \$232,614 which corresponds to the decrease 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, 2012, the Town of North Smithfield's governmental funds reported combined ending balances of \$4,635,116.

The General Fund and School Unrestricted Fund are the chief operating funds of the Town of North Smithfield. As of June 30, 2012, the total fund balance of the general fund was \$2,883,745 of which \$2,393,922 is unassigned. This unassigned fund balance represents approximately 6.49 percent of total general fund expenditures. There is a balance of \$489,823 of the fund balance which is committed. The total of the fund balance (committed & unassigned) represents 7.81 percent of the total general fund expenditures.

As of June 30, 2012, the fund balance of the School Unrestricted Fund was \$379,568 of which all or \$379,568 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 \$1,456,146 higher than budgeted revenues for the fiscal year. Property taxes were \$459,389 or 1.68% higher than the budget. Expenditures were below appropriations in total by \$140,507.

Capital Asset and Debt Administration

Capital Assets

At the end of June 30, 2012, the Town had \$54.9 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 \$36.8 million in outstanding bond principal and \$14.1 million of bonded interest. The business-type funds had \$8.4 million of bonded principal with \$1.4 million of interest.

Economic Factors and Next Year's Budgets and Rates

The budget for fiscal year 2012-2013 is \$36,249,006, an increase of \$1,504,304 or 4.33%. Education, at \$23,093,900 or 63.71% of the total budget had an increase of \$1,177,720 of which, the town appropriation was increased by \$691,418 & state aid was increased by \$486,302. The municipal budget therefore represents spending of \$13,155,106 or 36.29%.

For the fiscal year 2012-2013, the tax rate was broken down into three tiers residential, commercial and personnel property, with rates of \$15.29, \$17.59 and \$42.62, respectively. The breakdown consists of 36.29% for municipal and 63.71% for education. For the fiscal year 2011-2012, 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.

Brenda J. MacDonald
Acting Finance Director

Statement of Net Assets
June 30, 2012

	Governmental Activities	Business-type Activities	Total
ASSETS			
<i>Current Assets:</i>			
Cash and cash equivalents	\$ 5,563,652	\$ 3,401,784	\$ 8,965,436
Accounts receivable, net	1,317,700	56,363	1,374,063
Assessments receivable (current)		490,577	490,577
Other receivables	67,449		67,449
Due from federal and state governments	203,055	814,799	1,017,854
Internal balances	(115,892)	115,892	-
Total Current Assets	7,035,964	4,879,415	11,915,379
<i>Noncurrent</i>			
Capital assets (non-depreciable)	7,941,141		7,941,141
Capital assets (net of depreciation)	46,941,181	15,722,640	62,663,821
Assessments receivable (noncurrent)		4,354,631	4,354,631
Total Non-Current Assets	54,882,322	20,077,271	74,959,593
TOTAL ASSETS	61,918,286	24,956,686	86,874,972
LIABILITIES			
<i>Current Liabilities:</i>			
Accounts payable	564,941	386,640	951,581
Accrued interest payable	384,092	98,997	483,089
Accrued expenses	520,790		520,790
Deferred revenue	203,879	503,025	706,904
Claims payable	85,000		85,000
Current portion of long-term debt	1,913,470	653,513	2,566,983
Total Current Liabilities	3,672,172	1,642,175	5,314,347
<i>Noncurrent Liabilities:</i>			
Deferred revenue	-	4,355,055	4,355,055
Long-term liabilities (net)	34,925,260	7,698,288	42,623,548
TOTAL LIABILITIES	38,597,432	13,695,518	52,292,950
NET ASSETS			
Invested in capital assets, net of related debt	20,064,555	7,370,839	27,435,394
Restricted for specific programs	676,345	10,914	687,259
Unrestricted	2,579,954	3,879,415	6,459,369
TOTAL NET ASSETS	\$ 23,320,854	\$ 11,261,168	\$ 34,582,022

TOWN OF NORTH SMITHFIELD

**Statement of Activities
For the year ended June 30, 2012**

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
Governmental activities:						
General government	\$ 1,163,625	\$ 423,356	\$ 15,935	\$ (724,334)		\$ (724,334)
Financial administration	566,292			(566,292)		(566,292)
Public safety	4,947,485	48,472	17,312	(4,881,701)		(4,881,701)
Public works	1,777,019			(1,777,019)		(1,777,019)
Public services	130,160		16,696	(113,464)		(113,464)
Education	24,940,402		6,358,508	(18,581,894)		(18,581,894)
Other expenses	1,594,944			(1,594,944)		(1,594,944)
Interest on long term debt	1,823,890			(1,823,890)		(1,823,890)
Capital and special appropriations	-			9,948		9,948
Total governmental activities	36,943,817	471,828	6,408,451	(30,053,590)		(30,053,590)
Business-type activity:						
School lunch fund	502,431	347,567	164,197		\$ 9,333	9,333
Water fund	453,282	427,001			(26,281)	(26,281)
Sewer fund	2,292,228	1,944,405			(347,823)	(347,823)
Total business type activity	3,247,941	2,718,973	164,197		(364,771)	(364,771)
Totals	\$ 40,191,758	\$ 3,190,801	\$ 6,572,648	\$ 9,948	(30,053,590)	(30,418,361)
General revenues:						
Property taxes				27,965,053		27,965,053
Motor vehicle excise in lieu of tax				168,480		168,480
Grants and contributions not restricted to specific programs				1,561,978		1,561,978
Investment earnings				748	6,471	7,219
Miscellaneous				1,200,411	125,686	1,326,097
Transfers				-	-	-
Total general revenues				30,896,670	132,157	31,028,827
Change in net Assets				843,080	(232,614)	610,466
Net Assets - beginning as restated				22,477,774	11,493,782	33,971,556
Net Assets - ending				\$ 23,320,854	\$ 11,261,168	\$ 34,582,022

See Notes to Financial Statements

Balance Sheet
Governmental Funds
June 30, 2012

	General Fund	School Unrestricted Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:					
Cash and cash equivalents	\$ 3,442,308	\$ 1,084,801	\$ 181,609	\$ 854,934	\$ 5,563,652
Accounts receivable, net	1,317,700				1,317,700
Due from federal and state governments		2,802		200,253	203,055
Other receivables	55,238			12,211	67,449
Due from other funds	149,363	171,514	367,590	208,781	897,248
TOTAL ASSETS	\$ 4,964,609	\$ 1,259,117	\$ 549,199	\$ 1,276,179	\$ 8,049,104
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 97,046	\$ 376,680		\$ 91,215	\$ 564,941
Accrued expenses	192,115	326,137		2,538	520,790
Due to other funds	515,531	176,732	\$ 96,308	224,569	1,013,140
Deferred revenue	1,276,172			38,945	1,315,117
TOTAL LIABILITIES	2,080,864	879,549	96,308	357,267	3,413,988
FUND BALANCES:					
Restricted			452,891	223,454	676,345
Committed	489,823	379,568		712,482	1,581,873
Assigned		-			-
Unassigned	2,393,922	-		(17,024)	2,376,898
TOTAL FUND BALANCES	2,883,745	379,568	452,891	918,912	4,635,116
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,964,609	\$ 1,259,117	\$ 549,199	\$ 1,276,179	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	54,882,322
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	(36,923,730)
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	1,111,238
Accrued interest on long-term liabilities have been included in the governmental activities in the Statement of Net Assets	(384,092)
Net Assets of governmental activities	<u>\$ 23,320,854</u>

TOWN OF NORTH SMITHFIELD

**Statement of Revenues, and Other financing sources,
Expenditures, and Other financing uses and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2012**

	General Fund	School Unrestricted Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
General property taxes	\$ 27,657,336				\$ 27,657,336
Motor vehicle excise in lieu of tax	168,480				168,480
Licenses, lines and fees	471,828				471,828
Interest and investment income	61		\$ 350	\$ 337	748
Intergovernmental	1,561,978	\$ 5,599,442	9,948	809,009	7,980,377
Other revenues	211,270	226,888	2,528	759,725	1,200,411
Total revenues	30,070,953	5,826,330	12,826	1,569,071	37,479,180
Expenditures					
<i>Current:</i>					
General government	1,084,134				1,084,134
Financial administration	566,292				566,292
Public safety	4,577,995				4,577,995
Public works	1,493,071				1,493,071
Public services				82,748	82,748
Education		22,685,067		876,690	23,561,757
Other expenditures	1,506,197			88,747	1,594,944
<i>Debt Service:</i>					
Principal, interest and other costs	3,460,326				3,460,326
<i>Capital:</i>					
Capital and special appropriations		94,721	480,603	211,928	787,252
Total expenditures	12,688,015	22,779,788	480,603	1,260,113	37,208,519
Excess of revenues over (under) expenditures before other financing sources (uses)	17,382,938	(16,953,458)	(467,777)	308,958	270,661
Other financing sources/uses					
Transfers in	396,350	17,290,622			17,686,972
Transfers out	(17,285,450)	(172,095)		(229,427)	(17,686,972)
Bond proceeds			270,000		270,000
Net other sources/uses	(16,889,100)	17,118,527	270,000	(229,427)	270,000
Net change in fund balance	493,838	165,069	(197,777)	79,531	540,661
Fund balance, beginning of the year, as restated	2,389,907	214,499	650,668	839,381	4,094,455
Fund balance - end of the year	\$ 2,883,745	\$ 379,568	\$ 452,891	\$ 918,912	\$ 4,635,116

*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, 2012*

Net change in fund balances - total governmental funds (B-2)	\$ 540,661
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.	(1,115,508)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences.	1,216,677
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds.	307,717
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>(106,467)</u>
Change in Net Assets of Governmental Activities in the Statement of Activities (A-2)	<u>\$ 843,080</u>

*Statement of Net Assets
Proprietary Funds
June 30, 2012*

	Business-type Activities Enterprise Funds			Total
	Water Fund	Sewer Fund	School Lunch Fund	
ASSETS				
<i>Current assets:</i>				
Cash and cash equivalents	\$ 178,274	\$ 3,223,510		\$ 3,401,784
Accounts receivable (net)	46,550	9,813		56,363
Due from other funds	37,612	5,309	\$ 72,971	115,892
Due from other governmental units		799,791	15,008	814,799
Assessments receivable (current)		490,577		490,577
Total current assets	262,436	4,529,000	87,979	4,879,415
Capital assets (net)	2,535,384	13,182,514	4,742	15,722,640
<i>Other assets:</i>				
Assessments receivable (noncurrent)		4,354,631		4,354,631
Total other assets		4,354,631		4,354,631
TOTAL ASSETS	2,797,820	22,066,145	92,721	24,956,686
LIABILITIES				
<i>Current liabilities:</i>				
Accounts payable	70,040	239,944	76,656	386,640
Accrued expenses	48,553	50,035	409	98,997
Deferred revenue		503,025		503,025
Current portion of long term debt	108,780	544,733		653,513
Total current liabilities	227,373	1,337,737	77,065	1,642,175
<i>Non-current liabilities:</i>				
Deferred revenue		4,355,055		4,355,055
Long-term debt	1,639,164	6,059,124		7,698,288
Total long-term debt	1,639,164	10,414,179		12,053,343
TOTAL LIABILITIES	1,866,537	11,751,916	77,065	13,695,518
NET ASSETS				
Invested in capital assets, net of related debt	787,440	6,578,657	4,742	7,370,839
Restricted			10,914	10,914
Unrestricted	143,843	3,735,572		3,879,415
TOTAL NET ASSETS	\$ 931,283	\$ 10,314,229	\$ 15,656	\$ 11,261,168

TOWN OF NORTH SMITHFIELD

Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Fund
For the year ended June 30, 2012

	Business-type Activities Enterprise Funds			Total
	Water Fund	Sewer Fund	School Lunch Fund	
Operating Revenues:				
User fees and assessments	\$ 427,001	\$ 1,797,414		\$ 2,224,415
Intergovernmental		17,121	\$ 164,197	181,318
Other			347,567	347,567
Total operating revenues	427,001	1,814,535	511,764	2,753,300
Operating Expenses:				
Personnel services	24,540	145,769	16,395	186,704
Maintenance and servicing	228,646	90,819	5,050	324,515
Operating supplies		10,970	451,299	462,269
Fixed and general charges	34,824	1,054,545	28,106	1,117,475
Depreciation	74,291	812,873	1,581	888,745
Total operating Expenses	362,301	2,114,976	502,431	2,979,708
Income (loss) from operations	64,700	(300,441)	9,333	(226,408)
Non-operating revenues (expenses):				
Improvement/connection fees	45,900			45,900
Interest and miscellaneous income	31,301	184,826		216,127
Interest expense	(90,981)	(177,252)		(268,233)
Total non-operating revenues (expenses)	(13,780)	7,574	-	(6,206)
Transfer in				-
Change in net assets	50,920	(292,867)	9,333	(232,614)
Net assets, beginning of the year	880,363	10,607,096	6,323	11,493,782
Net assets - end of the year	\$ 931,283	\$ 10,314,229	\$ 15,656	\$ 11,261,168

See Notes To Financial Statements

TOWN OF NORTH SMITHFIELD

**Statement of Cash Flows
Proprietary Fund
For the year ended June 30, 2012**

	Business-type Activities Enterprise Funds			Total
	Water Fund	Sewer Fund	School Lunch Fund	
Cash flows from operating activities:				
Cash received from customers	\$ 445,091	\$ 1,849,064	\$ 347,567	\$ 2,641,722
Intergovernmental			82,097	82,097
Cash paid to employees	(24,540)	(145,769)	(16,395)	(186,704)
Cash payments to suppliers for goods and services	(255,466)	(1,136,321)	(413,269)	(1,805,056)
Net cash provided (used)by operating activities	165,085	566,974	-	732,059
Cash flows from noncapital financing activities:				
Change in inter-fund loans	26,561			26,561
Miscellaneous income	75,736	184,826		260,562
Net cash provided by non-capital financing activities	102,297	184,826	-	287,123
Cash flows from capital-related financing activities:				
Acquisition and construction of capital assets		(55,431)		(55,431)
Principal paid on bonds and loans	(105,586)	(736,918)		(842,504)
Interest paid on bonds and loans	(90,981)	(177,252)		(268,233)
Net cash used for capital-related financing activities	(196,567)	(969,601)	-	(1,166,168)
Cash flows from investing activities:				
Interest and dividends on investments	1,465			1,465
Net cash provided by investing activities	1,465	-	-	1,465
Net increase (decrease) in cash	72,280	(217,801)	-	(145,521)
Cash and cash equivalents, beginning of the year	105,994	3,441,311	-	3,547,305
Cash and cash equivalents, end of the year	\$ 178,274	\$ 3,223,510	\$ -	\$ 3,401,784
Reconciliation of net income to net cash provided by operating activities:				
Income (loss) from operations	\$ 64,700	\$ (300,441)	\$ 9,333	\$ (226,408)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation and amortization	74,291	812,873	1,581	888,745
Changes in assets and liabilities:				
Decrease (increase) in accounts receivable	18,090	28,137		46,227
Decrease (Increase) in due from other funds		(18,110)	(77,438)	(95,548)
Decrease in assessments receivable		258,673		258,673
Increase in due from other governmental units			(4,662)	(4,662)
Increase (decrease) in deferred revenue	0	(252,281)		(252,281)
Increase (decrease) in accrued expenses	(1,919)	(7,053)	409	(8,563)
Increase (decrease) in accounts payable	9,923	45,176	70,777	125,876
Total adjustments	100,385	867,415	(9,333)	958,467
Net cash provided (used) by operating activities	\$ 165,085	\$ 566,974	\$ -	\$ 732,059

TOWN OF NORTH SMITHFIELD

Statement of Net Assets
Fiduciary Funds
June 30, 2012

	Private Purpose Trust Buxton Family Association	Agency Funds
	<u> </u>	<u> </u>
<u>ASSETS</u>		
Cash	\$ 791	\$ 280,482
Other receivable		11,578
<u>TOTAL ASSETS</u>	<u>\$ 791</u>	<u>\$ 292,060</u>
<u>LIABILITIES</u>	<u>\$ -</u>	<u>\$ 292,060</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, 2012*

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

TOWN OF NORTH SMITHFIELD

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

Reporting Entity

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

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

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

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

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

(CONTINUED)

TOWN OF NORTH SMITHFIELD

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reporting Entity (Continued)

The following entities were considered for classification as component units for fiscal year 2012:

- * 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, 2012 the Town implemented the following accounting pronouncements:

- ✓ GASB Statement No. 64 – Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53, effective for the Authority's fiscal year ending June 30, 2012. The adoption of this Statement did not have an impact on the Authority's financial position or results of operation.

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

- ✓ GASB Statement No. 60 – Accounting and Financial Reporting for Service Concession Arrangement, effective for the Authority's 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 Authority's 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 Authority's 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 Authority's fiscal year ending June 30, 2013.
- ✓ GASB Statement No. 65 – Items Previously Reported as Assets and Liabilities, effective for the Corporation's fiscal year ending June 30, 2014.
- ✓ GASB Statement No. 66 – Technical Corrections – an amendment of GASB Statements No. 10 and No 62, effective for the Corporation's fiscal year ending June 30, 2014.
- ✓ GASB Statement No. 67 – Financial Reporting of Pension Plans – and amendment of GASB Statement No. 25, effective for the Corporation's fiscal year ending June 30, 2014.
- ✓ GASB Statement No. 68 – Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27, effective for the Corporation's fiscal year ending June 30, 2015.

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TOWN OF NORTH SMITHFIELD

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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, 2012

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>
<i>Major:</i>	
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, 2012

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, 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, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

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

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

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

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

Assets, Liabilities, and Fund Equity

Cash

Cash and cash equivalents are carried at cost. Cash equivalents are all highly liquid investments with a maturity of three months or less when purchased. Substantially, all of the Town's cash and cash equivalents are held in public deposit institutions, except for \$1,250 in unsecured petty cash. 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, 2012

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, 2012. 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, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Fund Equity (Continued)

Property, Plant and Equipment

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

Government-Wide Statements

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

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

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

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

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

Fund Financial Statements

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

Deferred Revenues

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

(CONTINUED)

TOWN OF NORTH SMITHFIELD
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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 \$17,285,450 for the year, representing the general fund's transfer to the school department. Interfund transfers to the general fund was \$396,350, which consists of \$224,255 from the EMS fund and \$172,095 from the school.

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, 2012

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

- (a) 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, 2012

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 \$36,923,730 difference are as follows:

Bonds payable	\$ 34,395,000
Compensated absences	819,357
Net OPEB liability	1,154,324
Claims payable	85,000
Capital leases payable	<u>470,049</u>
Total	<u>\$ 36,923,730</u>

(CONTINUED)

TOWN OF NORTH SMITHFIELD

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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 \$1,115,508 difference are as follows:

Capital outlays (net of disposals).....	\$ 861,322
Depreciation expense.....	<u>(1,976,830)</u>
Net adjustment.....	<u>\$(1,115,508)</u>

Another element of that reconciliation states that "the issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net assets." The details of this \$1,216,677 difference are as follows:

Increase in other long term liabilities	\$(526,226)
Principal repayments	<u>1,742,903</u>
Net adjustment.....	<u>\$(1,216,677)</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 \$307,717 difference are as follows:

Deferred revenue - beginning.....	\$ (803,521)
Deferred revenue – ending.....	<u>1,111,238</u>
Net difference	<u>\$307,717</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. Encumbrances do not constitute expenditures or liabilities.

(CONTINUED)

TOWN OF NORTH SMITHFIELD

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

2. BUDGETARY AND LEGAL COMPLIANCE (Continued)

Excess of Expenditures Over Appropriations

For the year ended June 30, 2012, expenditures exceeded budget at the department level as follows:

<u>Department</u>	<u>Excess</u>
Police department	\$202,594
Street lights	\$ 19,270
Finance office.....	\$ 13,730
Animal control.....	\$ 3,013
Audits and computer service.....	\$ 2,244
Fire/rescue service	\$ 2,139
Probate.....	\$ 20

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, 2012, 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 2012 were based on an assessed value of approximately \$1,514,293,874 at December 31, 2010 and amounted to approximately \$27,592,721. Total collections through June 30, 2012, on the 2011 tax levy, amounted to approximately \$26,980,241, which represents approximately 97.8% of the net tax levy. Total collections including 60-day receipts (applicable to the 2011 tax levy) amounted to approximately \$27,186,703, which represents approximately 98.5% 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 \$1,317,700 as of June 30, 2012 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, 2012, are recorded as deferred revenue, net of the allowance of \$100,000 and amounted to \$1,111,238 at June 30, 2012. Property taxes recognized as revenue for the fiscal year ended June 30, 2012 (due to their collection within the 60 days immediately following June 30, 2012) amounted to \$206,462.

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, 2012

3. RECEIVABLE (Continued)

Receivables at June 30, 2012 consisted of the following:

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Business-type Activities</u>	<u>Total</u>
Receivables:				
2011 tax year	\$734,626			\$734,626
2010 and prior years	683,074			683,074
Accounts			\$56,363	56,363
Miscellaneous	55,238	\$12,211		67,449
Gross receivables	1,472,938	12,211	56,363	1,541,512
Less: allowance for uncollectibles	(100,000)	0	0	(100,000)
Total receivables	<u>\$1,372,938</u>	<u>\$12,211</u>	<u>\$56,363</u>	<u>\$1,441,512</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 \$9,245,459, excluding petty cash of \$1,250, while the bank balance was \$10,363,384 of which \$6,278,479 was covered by federal depository insurance. The remaining balance of \$4,084,905 was collateralized as of June 30, 2012.

(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, 2012.

(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, 2012 the Town has no investments.

(CONTINUED)

TOWN OF NORTH SMITHFIELD

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

5. INTERFUND BALANCES

Inter-fund receivable and payable are as follows:

	Due From Other Funds	Due To Other Funds
General Fund	\$ 149,363	\$ 515,530
School Unrestricted Fund	171,514	176,733
Capital Projects Fund	367,590	96,308
Non-Major Governmental Funds:		
School restricted	103,762	171,514
Substance Abuse Donations Fund	6,310	
Substance Abuse Prevention Council Fund		828
Park and Recreation Fund		13,156
Miscellaneous Revenue Fund		22,968
Community Development Block Grant		
Governor's Justice Commission Fund		16,103
Police Forfeiture Fund	13,675	
Miscellaneous Police & Fire Funds	8,835	
Record Retention Fund	76,199	
Non-Major Governmental funds	208,781	224,569
Sewer Fund	5,309	
Water Fund	37,612	
School Lunch Fund	72,971	
TOTALS	<u>\$ 1,013,140</u>	<u>\$ 1,013,140</u>

(CONTINUED)

TOWN OF NORTH SMITHFIELD
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

6. FIXED ASSETS

Activity for governmental activity capital assets is summarized below:

	Balances <u>7/1/11</u>	Additions	Deductions	Balances <u>6/30/12</u>
<u>Governmental activity fixed assets</u>				
Land (not being depreciated).....	\$ 7,941,141			\$ 7,941,141
Construction in progress (not depreciated)	3,468,212	\$ 63,668	\$ (3,531,880)	-
Land improvements.....	3,260,789	26,740		3,287,529
Building and improvements.....	52,406,471	3,941,528		56,347,999
Infrastructure.....	24,411,862			24,411,862
Machinery and equipment.....	5,633,367	92,915	(19,118)	5,707,164
Vehicles.....	3,869,197	268,350		4,137,547
Total cost	<u>100,991,039</u>	<u>4,393,201</u>	<u>(3,550,998)</u>	<u>101,833,242</u>
Less: accumulated depreciation				
Land improvements.....	(1,455,886)	(108,263)		(1,564,149)
Building and improvements.....	(13,246,594)	(1,146,673)		(14,393,267)
Infrastructure.....	(22,810,574)	(226,141)		(23,036,715)
Machinery and equipment.....	(4,085,817)	(343,758)	19,118	(4,410,457)
Vehicles.....	(3,394,338)	(151,994)		(3,546,331)
Total accumulated depreciation	<u>(44,993,209)</u>	<u>(1,976,830)</u>	<u>19,118</u>	<u>(46,950,920)</u>
Net fixed assets	<u>\$ 55,997,830</u>	<u>\$ 2,416,371</u>	<u>\$ (3,531,880)</u>	<u>\$ 54,882,322</u>

(CONTINUED)

TOWN OF NORTH SMITHFIELD

**NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

6. FIXED ASSETS (Continued)

Activity for the Proprietary Funds capital assets is summarized below:

	Balances <u>7/1/11</u>	<u>Additions</u>	<u>Deductions</u>	Balances <u>6/30/12</u>
Construction in progress (not depreciated)				
Land improvements..... \$	29,657			\$ 29,657
Building and improvements.....	2,331,276	\$ 15,013		2,346,289
Infrastructure.....	11,348,392			11,348,392
Machinery and equipment.....	19,109,179			19,109,179
Vehicles.....	49,607	40,415		90,022
Total cost	<u>32,868,111</u>	<u>55,428</u>	<u>-</u>	<u>32,923,539</u>
Less: accumulated depreciation				
Land improvements.....	(13,516)			(13,516)
Building and improvements.....	(561,943)	(46,625)		(608,568)
Infrastructure.....	(4,957,189)	(168,752)		(5,125,941)
Machinery and equipment.....	(10,729,905)	(669,997)		(11,399,902)
Vehicles.....	(49,604)	(3,368)		(52,972)
Total accumulated depreciation	<u>(16,312,157)</u>	<u>(888,742)</u>	<u>-</u>	<u>(17,200,899)</u>
Net fixed assets	<u>\$ 16,555,954</u>	<u>\$ (833,314)</u>	<u>\$ -</u>	<u>\$ 15,722,640</u>

Governmental activities:

General government.....	\$ 66,371
Public safety.....	192,044
Public services.....	47,412
Public works.....	316,036
Education.....	<u>1,354,967</u>
Total	<u>\$1,976,830</u>

Business-type activities:

Sewer.....	\$ 812,872
Water.....	74,290
School lunch.....	<u>1,580</u>
Total	<u>\$ 888,742</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.....	\$1,317,700
Other.....	150,636
Less: current year 60 day accrual.....	<u>(206,462)</u>
Total deferred revenue	<u>\$ 1,261,874</u>

(CONTINUED)

TOWN OF NORTH SMITHFIELD
NOTES TO FINANCIAL STATEMENTS
 June 30, 2012

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	\$32,695,000	88%
General obligation bonds	1,700,000	5%
Capital budget project	470,049	1%
Compensated absences	819,357	2%
OPEB Liability	1,154,324	3%
Claims payable	85,000	1%
Total	<u>\$36,923,730</u>	<u>100%</u>

Proprietary funds

Water bonds	\$1,747,944	20%
Sewer bonds	6,603,857	80%
Total	<u>\$8,351,801</u>	<u>100%</u>

(CONTINUED)

TOWN OF NORTH SMITHFIELD

**NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

8. LONG-TERM OBLIGATIONS (Continued)

At June 30, 2012, 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, 2011</u>	<u>Additions (Deductions)</u>	<u>Retirements</u>	<u>Outstanding June 30, 2012</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		\$50,000	\$3,500,000	\$125,000
NSES school bond	10/15/01	10/15/21	4,000,000	3.00% - 5.00%	2,200,000		200,000	2,000,000	200,000
School bonds	05/14/08	04/01/29	30,000,000	2.50% - 5.50%	27,705,000		1,110,000	26,595,000	1,165,000
General obligation bonds	07/01/07	07/01/27	2,100,000	4.125%-5.50%	1,810,000		110,000	1,700,000	105,000
School general obligation bonds	12/15/08	6/30/29	<u>700,000</u>	5%	<u>640,000</u>		<u>40,000</u>	<u>600,000</u>	<u>40,000</u>
Total general obligation bonds payable.....			<u>40,350,000</u>		<u>35,905,000</u>		<u>1,510,000</u>	<u>34,395,000</u>	<u>1,635,000</u>
Capital leases payable									
Capital budget project	10/13/11	10/13/16	270,000	1.98%		\$270,000		270,000	51,904
Capital budget project	12/21/07	12/21/12	745,000	3.85%	273,340		181,820	91,520	91,520
Capital budget project	11/25/08	11/25/13	<u>256,000</u>	3.97%	<u>159,612</u>		<u>51,083</u>	<u>108,529</u>	<u>53,110</u>
Total capital leases payable.....			<u>1,271,000</u>		<u>432,952</u>	<u>270,000</u>	<u>232,903</u>	<u>470,049</u>	<u>196,534</u>
Compensated absences					<u>795,750</u>	<u>23,607</u>		<u>819,357</u>	<u>81,936</u>
Claims payable.....					<u>85,000</u>			<u>85,000</u>	<u>85,000</u>
Net OPEB liability (Note 12).....					<u>921,705</u>	<u>232,619</u>		<u>1,154,324</u>	<u>0</u>
Total long-term debt			<u>\$41,621,000</u>		<u>\$38,140,407</u>	<u>\$526,226</u>	<u>\$1,742,903</u>	<u>\$36,923,730</u>	<u>\$1,998,470</u>

(CONTINUED)

TOWN OF NORTH SMITHFIELD
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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, 2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Outstanding June 30, 2012</u>	<u>Current Portion</u>
Enterprise Funds									
General obligation bonds payable									
Water:									
Water bond	05/11/82	05/11/22	\$50,000	5%	\$24,072		\$1,623	\$22,449	\$1,789
Water bond	05/16/95	05/16/00	500,000	6%	264,400		23,006	241,394	24,545
Water bond	08/26/99	08/26/39	790,900	5%	695,552		11,351	684,201	11,761
Shell oil bond	09/16/97	09/16/22	500,000	5.5%	319,506		19,606	299,900	20,685
Water bond	10/15/01	10/15/21	<u>1,010,000</u>	3.00% - 5.00%	<u>550,000</u>		<u>50,000</u>	<u>500,000</u>	<u>50,000</u>
Total water fund			<u>2,850,900</u>		<u>1,853,530</u>	-	<u>105,586</u>	<u>1,747,944</u>	<u>108,780</u>
Sewer:									
Sewer General Obligation Bond	12/15/08	6/30/29	1,000,000	5%	940,000		45,000	895,000	45,000
Mendon Road Project #1 bond ...	12/18/90	12/18/20	303,000	7.25%	171,365		12,433	158,932	13,335
Clean Water sewer project #1 loan	03/12/92	09/01/11	2,900,000	3.6759%	206,000		206,000	0	0
Mendon Road Project #2 bond ...	04/07/92	04/07/20	60,000	6.625%	33,410		2,485	30,925	2,648
Clean Water Revolving Fund	10/06/09	09/01/29	4,750,000	0.49%	4,549,000		203,000	4,346,000	206,000
...Clean Water sewer project #2 loan	03/10/93	09/01/15	<u>4,500,000</u>	3.11073%	<u>1,441,000</u>		<u>268,000</u>	<u>1,173,000</u>	<u>277,750</u>
Total sewer fund			<u>13,513,000</u>		<u>7,340,775</u>	-	<u>736,918</u>	<u>6,603,857</u>	<u>544,733</u>
Total enterprise funds			<u>\$16,363,900</u>		<u>\$9,194,305</u>	\$ -	<u>\$842,504</u>	<u>\$8,351,801</u>	<u>\$653,513</u>

(CONTINUED)

TOWN OF NORTH SMITHFIELD

NOTES TO FINANCIAL STATEMENTS
June 30, 2012

8. LONG-TERM OBLIGATIONS (Continued)

During the fiscal year ended June 30, 2012, the Town incurred and paid the following interest expense:

	<u>Incurred</u>	<u>Paid</u>
Water	\$92,712	\$90,981
Sewer	184,087	177,252
General fund	1,717,431	1,717,423
Total	<u>\$1,994,230</u>	<u>\$1,985,656</u>

At June 30, 2012, 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.....	\$2,572,214
Less: accumulated depreciation	<u>(2,236,062)</u>
Total	<u>\$336,152</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2012 were as follows:

Year Ending June 30:

	<u>General</u> <u>Long-term Debt</u>
2013	\$210,412
2014	113,762
2015	57,250
2016	57,250
2017	<u>57,250</u>
Total minimum lease payments	495,924
Less: amount representing interest	<u>25,875</u>
Present value of minimum lease payments.....	<u>\$470,049</u>

(CONTINUED)

TOWN OF NORTH SMITHFIELD
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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, 2012 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>
2013	\$1,831,534	\$1,541,800	\$3,373,334	\$653,513	\$180,108	\$833,621
2014	1,803,350	1,466,897	3,270,247	674,942	160,251	835,193
2015	1,823,979	1,383,652	3,207,631	693,139	141,010	834,149
2016	1,900,048	1,304,484	3,204,532	713,118	121,063	834,181
2017	1,976,138	1,220,917	3,197,055	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	417,770	59,338	477,108
2022.....	2,175,000	753,708	2,928,708	400,456	51,254	451,710
2023 - 2027.....	12,080,000	2,223,314	14,303,314	1,700,431	192,037	1,892,468
Thereafter.....	2,450,000	113,676	2,563,676	1,386,564	171,633	1,558,197
Total	<u>\$34,865,049</u>	<u>\$14,061,184</u>	<u>\$48,926,233</u>	<u>\$8,351,801</u>	<u>\$1,431,344</u>	<u>\$9,783,145</u>

(CONTINUED)

TOWN OF NORTH SMITHFIELD

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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, 2012 Non-spendable Fund Balance consisted of the following:

Buxton Burial	<u>\$791</u>
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At June 30, 2012 Restricted Fund Balance consisted of the following:

Restricted for Education	\$38,748
Restricted for School Renovations	765
Restricted for Police and Fire Equipment.....	8,835
Restricted for Capital Improvements	452,891
Restricted for Public Safety.....	7,961
Restricted for Town Record Preservation	76,199
Restricted for Community Development Expenditures	77,060
Restricted for Public Service Expenditures	<u>13,886</u>
Total Restricted fund balance.....	<u>\$676,345</u>

At June 30, 2012 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	206,462
Committed for Education.....	379,568
Committed for Emergency Management Expenditures.....	323,435
Committed for Debt Service Expenditures	<u>389,047</u>
Total Committed Fund Balance.....	<u>\$1,581,873</u>

At June 30, 2012 Unassigned Fund Balance consisted of the following:

Miscellaneous Revenue Fund	\$(9,129)
Governor's Justice Fund.....	(5,177)
Parks and Recreation Fund.....	(2,718)
General Fund.....	<u>2,393,922</u>
Total Unassigned Fund Balance	<u>\$2,376,898</u>

(CONTINUED)

TOWN OF NORTH SMITHFIELD

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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, 50 Service Ave, Warwick, RI, or by accessing their website at www.ersri.org.

Funding Policy

MERS members are required to contribute 7.0% of their annual covered salary. The Town is required to contribute at an actuarially determined rate; the current rate is 1.77% 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, 2011, which is the most recent report available from the State who administers this plan.

Actuarial Value of Assets	\$12,574,900
Actuarial Accrued Liability	\$11,642,141
Unfunded actuarial accrued Liability	\$ (932,759)
Funded Ratio	108.0%
Annual Covered Payroll	\$ 3,050,274
UAAL as percentage of payroll	(30.6%)

(CONTINUED)

TOWN OF NORTH SMITHFIELD

NOTES TO FINANCIAL STATEMENTS
June 30, 2012

10. DEFINED BENEFIT PENSION PLANS (Continued)

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

Annual Pension Cost

For 2012, the Town's annual pension cost of \$5,878 for MERS was equal to the Town's required and actual contributions. The required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age normal cost method with frozen initial liability. Significant actuarial assumptions included (a) a net investment return of 7.50 percent compounded annually, (b) projected salary increases at an annual service related component plus a 2.75% 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, 2012.

Three-Year Trend Information

<u>Fiscal Annual Year Pension Cost Ending(APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>	
6/30/10	\$17,820	100%	\$-0-
6/30/11	\$ 3,375	100%	\$-0-
6/30/12	\$ 5,878	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 15.71% 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 2012, the Town's annual pension cost of \$189,042 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, 2009 actuarial valuation using the entry age normal cost method with frozen initial liability. Significant actuarial assumptions included (a) net investment return of 7.50 percent compounded annually, (b) projected salary increases at an annual service related component plus a 2.75% 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, 2012

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, 2011, which is the most recent report available from the State who administers this plan.

Actuarial Value of Assets	\$7,883,005
Actuarial Accrued Liability	\$9,055,506
Unfunded (excess) actuarial accrued Liability	\$1,172,501
Funded Ratio	87.1%
Annual Covered Payroll	\$1,145,587
UAAL (excess) as percentage of payroll	102.3%

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>
6/30/10	\$163,511	100%	\$-0-
6/30/11	\$155,651	100%	\$-0-
6/30/12	\$189,042	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, 2012, was \$10,903,903; the total payroll for the Town was approximately \$16,900,000.

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, 50 Service Ave., Warwick, RI, 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, 2012

10. DEFINED BENEFIT PENSION PLANS (Continued)

(c) Teacher's Pension Plan (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, 2011 which can be found at www.ersri.org.

(CONTINUED)

TOWN OF NORTH SMITHFIELD

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

10. DEFINED BENEFIT PENSION PLANS (Continued)

(c) 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 13.23%, 11.25%, and 11.25% for all full-time employees for fiscal years 2012, 2011 and 2010, 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** – RP-2000 Combined Mortality Tables
- B. **Investment return** – 7.5 percent, compounded annually.
- C. **Salary increase** - Salaries will increase at a rate of 4.0% to 12.75%, 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** – 2.0%.

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 9.09% of non-federally reimbursable payrolls totaling \$942,097 for the year ended June 30, 2012.

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

Years Ending June 30,

2012	\$1,389,413
2011	\$1,183,730
2010	\$1,213,075

In November 2011, the State enacted The Rhode Island Retirement Security Act of 2011 (the Act) as described in S1111A and H6319A. The Act makes significant changes to the Employee Retirement System and becomes effective July 1, 2012. Two of the most significant changes resulting from the Act are a change in structure from a defined benefit plan to a hybrid plan that includes a smaller defined benefit plan and a supplemental defined contribution plan. In addition, there was a re-amortization of the Unfunded Actuarial Accrued Liability to 25 years from the current 19 year schedule as of June 30, 2010.

(CONCLUDED)

TOWN OF NORTH SMITHFIELD

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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, 2011 annual financial report, which may be obtained from the administrative offices of the State of Rhode Island Retirement Board, 50 Service Ave., Warwick, 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 41 employees during 2012. These benefits were funded on a pay as you go basis. For 2012, contributions were approximately \$251,860 for the Town and \$142,001 for the School Department for a total of \$393,861. These benefits are provided as part of the employee's contract.

(CONTINUED)

TOWN OF NORTH SMITHFIELD

NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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 2.5% per year, and compensation increases of 3.5% per year. Healthcare medical trend rates range from 9.0% during fiscal year 2011 to 5% for 2017. The unfunded actuarial accrued liability was determined using the level dollar thirty year open amortization basis. The remaining amortization period was 25 years at June 30, 2012.

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>
6/30/2012	\$626,480	65.8%	\$1,154,324
6/30/2011	\$581,609	65.8%	\$921,705
6/30/2010	\$572,000	57.3%	\$722,770

The Town's annual OPEB cost and net OPEB obligation for the year ended June 30, 2012 was as follows:

Annual required contribution	\$644,687
Interest on net OPEB obligation	36,869
Adjustment to annual required contribution	<u>(55,076)</u>
Annual OPEB cost (expense)	626,480
Contributions made	<u>(393,861)</u>
Increase in net OPEB obligation	232,619
Net OPEB obligation-beginning of year	<u>921,705</u>
Net OPEB obligation-end of year	<u>\$1,154,324</u>

Schedule of Funding Progress

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

(CONTINUED)

TOWN OF NORTH SMITHFIELD

NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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

Schedule of Funding Progress (Continued)

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (AVA) (1)</u>	<u>Actuarial Accrued Liability (AAL) (2)</u>	<u>UAAL as a Unfunded AAL (UAAL) (2)-(1) (3)</u>	<u>AVA as a Percent of AAL (1)/(2) (4)</u>	<u>Covered Payroll (5)</u>	<u>Percent of Covered Payroll (3)/(5) (6)</u>
07/01/07	N/A	\$5,793,469	\$5,793,469	N/A	\$12,367,086	46.8%
07/01/09	N/A	\$5,796,707	\$5,796,707	N/A	\$15,979,607	36.3%
07/01/11	N/A	\$6,291,808	\$6,291,808	N/A	\$14,929,351	42.1%

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

The Town of North Smithfield School Department has determined certain liabilities not previously reported are required to be reported as the School is obligated to repay Woonsocket Vocational Tech for services provided to North Smithfield students. Accordingly, fund balance reclassifications made by the School Department have resulted in a decrease in beginning fund balance of the General Fund's Medicaid in the amount of \$136,961.

Government wide

Government wide fund balance at June 30, 2011, as originally stated	\$22,614,735
Correction of error due to overstatement of assets at June 30, 2011	<u>(136,961)</u>
Government wide fund balance at June 30, 2011, as restated	\$22,477,774

Governmental School unrestricted fund

School unrestricted fund at June 30, 2011, as originally stated	\$351,460
Correction of error due to overstatement of assets at June 30, 2011	<u>(136,961)</u>
School unrestricted fund at June 30, 2011, as restated	\$214,499

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SUPPLEMENTARY INFORMATION

Town of North Smithfield

**SCHEDULE OF FUNDING PROGRESS
June 30, 2012**

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)
6/30/2009	\$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%
6/30/2011	\$12,574,900	\$11,642,141	\$ 932,759	108.01%	\$3,050,274	30.58%

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)
6/30/2009	\$ 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%
6/30/2011	\$ 7,883,005	\$ 9,055,506	(\$1,172,501)	87.05%	\$ 1,145,587	-102.35%

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%
7/1/2011	-	\$ 6,291,808	\$ 6,291,808	-	\$ 14,929,351	42.1%

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, 2012

	General Fund				Annually Budgeted Special Revenue Fund		
	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)	Budget	Actual on Budgetary Basis	Variance
Revenues:							
Property taxes	\$ 27,332,895	\$ 27,332,895	\$ 27,792,284	\$ 459,389			
Motor vehicle excise in lieu of tax	173,847	173,847	168,480	(5,367)			
Intergovernmental and grant revenue	1,496,897	1,496,897	1,561,978	65,081	\$ 3,551,863	\$ 4,764,233	\$ 1,212,370
Town clerk licenses and fees	284,500	284,500	292,917	8,417			
Other departmental fines and fees	223,100	223,100	178,911	(44,189)			
Interest on investments	112,600	112,600	61	(112,539)			
Other revenue	490,133	490,133	607,620	117,487	120,000	120,000	-
Total revenues	30,113,972	30,113,972	30,602,251	488,279	3,671,863	4,884,233	1,212,370
General Government							
Town council	10,600	10,600	10,148	452			
Administrator's office	99,348	99,348	94,437	4,911			
Probate	8,464	8,464	8,484	(20)			
Town solicitor	170,644	170,644	152,818	17,826			
Board of canvassers	5,405	5,405	4,727	678			
Town clerk's office	130,501	130,501	118,229	12,272			
Municipal court	27,532	27,532	27,198	334			
Zoning board	5,879	5,879	3,757	2,122			
Personnel Board	1	1	-	1			
Juvenile Hearing Board	3,249	3,249	980	2,269			
Regional industrial development	1,000	1,000	-	1,000			
Conservation commission	1	1	-	1			
Housing Authority	1	1	-	1			
Town hall	9,890	9,890	9,686	204			
Plant operations	36,500	36,500	32,676	3,824			
Planning division	98,829	98,829	95,053	3,776			
Printing and advertising	15,000	15,000	12,460	2,540			
Contingency fund	172,538	172,538	168,374	4,164			
Scouters Hall	4,232	4,232	2,183	2,049			
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	1,142,541	1,142,541	1,084,134	58,407			

(CONTINUED)

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, 2012

	General Fund				Annually Budgeted Special Revenue Fund		
	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)	School Department		Variance
					Budget	Actual on Budgetary Basis	
Financial administration							
Finance office	180,286	180,286	194,016	(13,730)			
Tax assessor	125,822	125,822	115,361	10,461			
Tax collection	77,761	77,761	74,244	3,517			
Board of review	1	1	-	1			
Insurance	190,000	190,000	140,527	49,473			
Audits and computer service	39,900	39,900	42,144	(2,244)			
Total financial administration	613,770	613,770	566,292	47,478	-	-	-
Public Works							
Highway department	662,323	662,323	572,733	89,590			
Parks and recreation	126,047	126,047	125,869	178			
Tree warden	3,480	3,480	1,730	1,750			
Street lights	185,000	185,000	204,270	(19,270)			
Rubbish disposal	610,974	610,974	588,469	22,505			
Sealer of weights and measures	1	1	-	1			
Total public works	1,587,825	1,587,825	1,493,071	94,754	-	-	-
Public Safety							
Police Department	1,773,950	1,773,950	1,976,544	(202,594)			
North Smithfield fire/rescue service	2,379,768	2,379,768	2,381,907	(2,139)			
Hydrant rental	45,000	45,000	45,000	-			
Animal control	55,000	55,000	58,013	(3,013)			
Civil defense	11,572	11,572	9,710	1,862			
Inspection division	110,955	110,955	106,821	4,134			
Total public safety	4,376,245	4,376,245	4,577,995	(201,750)	-	-	-

(CONTINUED)

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, 2012

	General Fund				Annually Budgeted Special Revenue Fund		
	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)	Budget	Actual on Budgetary Basis	Variance
Debt Service	3,535,604	3,535,604	3,460,326	75,278			
Fixed charges							
Medical, retirement and other employee benefits	1,528,787	1,528,787	1,460,947	67,840			
Grants and contributions	43,750	43,750	45,250	(1,500)			
Transfers from (to) other funds							
Town Contribution to school	(17,285,450)	(17,285,450)	(17,285,450)	-	17,285,450	17,285,450	-
Total expenditures	30,113,972	30,113,972	29,973,465	140,507	20,957,313	22,314,430	(1,357,117)
Other financing sources (uses)						5,172	5,172
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ -	\$ -	628,786	\$ 628,786	\$ -	(139,575)	\$ (139,575)
Adjustments required under generally accepted accounting principles:							
Increase in encumbrances						304,644	
Property tax revenue - sixty day rule			206,462				
Prior years property tax revenue- sixty day rule			(341,410)				
			\$ 493,838			\$ 165,069	

(CONCLUDED)

TOWN OF NORTH SMITHFIELD
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2012

	<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	\$ 10,926	\$ 3,382	\$ 12,180	\$ 10,438
Other receivables						
Due from federal and state governments	\$ 200,253					
Due from other funds	103,762			6,310		
TOTAL ASSETS	304,015	765	10,926	9,692	12,180	10,438
LIABILITIES						
Accounts payable	91,215					
Accrued expenses	2,538					
Due to federal and state governments						
Due to other funds	171,514		16,103		828	13,156
Deferred revenue				2,038	11,352	
TOTAL LIABILITIES	265,267	-	16,103	2,038	12,180	13,156
FUND BALANCE						
Nonspendable						
Restricted	38,748	765		7,654		
Committed						
Unassigned			(5,177)			(2,718)
TOTAL FUND BALANCE	\$ 38,748	\$ 765	\$ (5,177)	\$ 7,654	\$ -	\$ (2,718)

(CONTINUED)

TOWN OF NORTH SMITHFIELD
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2012

	<u>Miscellaneous Revenue Fund</u>	<u>Project D.A.R.E. Fund</u>	<u>Business Revolving Loan Fund</u>	<u>CDBG Fund</u>	<u>Police Forfeiture Funds</u>	<u>Miscellaneous Police/Fire Funds</u>
ASSETS						
Cash and cash equivalents	\$ 1,628	\$ 307	\$ 54,058	\$ 48,557	\$ 211	
Other receivables	12,211					
Due from federal and state governments						
Due from other funds			-		13,675	\$ 8,835
TOTAL ASSETS	<u>13,839</u>	<u>307</u>	<u>54,058</u>	<u>48,557</u>	<u>13,886</u>	<u>8,835</u>
LIABILITIES						
Accounts payable						
Accrued expenses						
Due to federal and state governments						
Due to other funds	22,968					
Deferred revenue				25,555		
TOTAL LIABILITIES	<u>22,968</u>	<u>-</u>	<u>-</u>	<u>25,555</u>	<u>-</u>	<u>-</u>
FUND BALANCE						
Nonspendable						
Restricted		307	54,058	23,002	13,886	8,835
Committed						
Unassigned	(9,129)					
TOTAL FUND BALANCE	<u>\$ (9,129)</u>	<u>\$ 307</u>	<u>\$ 54,058</u>	<u>\$ 23,002</u>	<u>\$ 13,886</u>	<u>\$ 8,835</u>

(CONTINUED)

TOWN OF NORTH SMITHFIELD
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2012

	<u>EMS Fund</u>	<u>Debt Reserve Fund</u>	<u>Record Retention Fund</u>	<u>J. Harold Monroe Jr. Scholarship Account</u>	<u>GRAND TOTALS</u>
ASSETS					
Cash and cash equivalents	\$ 323,435	\$ 389,047			\$ 854,934
Other receivables					12,211
Due from federal and state governments					200,253
Due from other funds			\$ 76,199		208,781
TOTAL ASSETS	<u>323,435</u>	<u>389,047</u>	<u>76,199</u>	<u>-</u>	<u>1,276,179</u>
LIABILITIES					
Accounts payable					91,215
Accrued expenses					2,538
Due to federal and state governments					-
Due to other funds					224,569
Deferred revenue					38,945
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>357,267</u>
FUND BALANCE					
Nonspendable					-
Restricted			76,199	-	223,454
Committed	323,435	389,047			712,482
Unassigned					(17,024)
TOTAL FUND BALANCE	<u>\$ 323,435</u>	<u>\$ 389,047</u>	<u>\$ 76,199</u>	<u>\$ -</u>	<u>\$ 918,912</u>

(CONCLUDED)

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, 2012**

	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						
Intergovernmental	\$ 759,066		\$ 17,312		\$ 16,696	
Other	50,311			\$ 500		\$ 53,681
TOTAL REVENUES	809,377	-	17,312	500	16,696	53,681
EXPENDITURES:						
Public services			11,710		16,696	53,003
Education	852,213					
Capital outlays	2,752					
Other						
TOTAL EXPENDITURES	854,965	-	11,710	-	16,696	53,003
Excess of revenue over(under) expenditures before transfers	(45,588)	-	5,602	500	-	678
Other financing sources (uses):						
Transfers in						
Transfers out	(5,172)					
Notes proceeds						
Proceeds from capital lease						
Net other financing sources (uses)	(5,172)	-	-	-	-	-
Excess of revenues and other sources over (under) expenditures and other uses	(50,760)	-	5,602	500	-	678
FUND BALANCE, BEGINNING OF YEAR	89,508	\$ 765	(10,779)	7,154	-	(3,396)
FUND BALANCE, END OF YEAR	\$ 38,748	\$ 765	\$ (5,177)	\$ 7,654	\$ -	\$ (2,718)

(CONTINUED)

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, 2012**

	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						
Intergovernmental				\$ 15,935		
Other	\$ 1,000					
TOTAL REVENUES	-	1,000	-	15,935	-	-
EXPENDITURES:						
Public services		1,339				
Education						
Capital outlays				15,935	\$ 4,475	
Other						
TOTAL EXPENDITURES	-	1,339	-	15,935	4,475	-
Excess of revenue over(under) expenditures before transfers	-	(339)	-	-	(4,475)	-
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	-	(339)	-	-	(4,475)	-
FUND BALANCE, BEGINNING OF YEAR	\$ (9,129)	646	\$ 54,058	23,002	18,361	\$ 8,835
FUND BALANCE, END OF YEAR	\$ (9,129)	\$ 307	\$ 54,058	\$ 23,002	\$ 13,886	\$ 8,835

(CONTINUED)

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, 2012**

	<u>EMS Fund</u>	<u>Debt Reserve Fund</u>	<u>Record Retention Fund</u>	<u>J. Harold Monroe Jr. Scholarship Account</u>	<u>GRAND TOTALS</u>
REVENUES:					
Interest and investment income	\$ 337				\$ 337
Intergovernmental					809,009
Other	509,491	\$ 115,000	\$ 29,742		759,725
TOTAL REVENUES	<u>509,828</u>	<u>115,000</u>	<u>29,742</u>	<u>-</u>	<u>1,569,071</u>
EXPENDITURES:					
Public services					82,748
Education	24,477				876,690
Capital outlays	35,217	173,959			211,928
Other	42,801		24,423	\$ 1,113	88,747
TOTAL EXPENDITURES	<u>102,495</u>	<u>173,959</u>	<u>24,423</u>	<u>1,113</u>	<u>1,260,113</u>
Excess of revenue over(under) expenditures before transfers	<u>407,333</u>	<u>(58,959)</u>	<u>5,319</u>	<u>(1,113)</u>	<u>308,958</u>
Other financing sources (uses):					
Transfers in					-
Transfers out	(224,255)				(229,427)
Notes proceeds					-
Proceeds from capital lease					-
Net other financing sources (uses)	<u>(224,255)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(229,427)</u>
Excess of revenues and other sources over (under) expenditures and other uses	183,078	(58,959)	5,319	(1,113)	79,531
FUND BALANCE, BEGINNING OF YEAR	140,357	448,006	70,880	1,113	839,381
FUND BALANCE, END OF YEAR	<u>\$ 323,435</u>	<u>\$ 389,047</u>	<u>\$ 76,199</u>	<u>\$ -</u>	<u>\$ 918,912</u>

(CONCLUDED)

TOWN OF NORTH SMITHFIELD

**Statement of Changes in Assets and Liabilities
Agency Funds
For the year ended June 30, 2012**

	<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	\$ 15,413	\$ -	\$ -	\$ 15,413
<u>LIABILITY</u>				
Deposits Held in Custody for Others	\$ 15,413	\$ -	\$ -	\$ 15,413
<u>Police Uniforms</u>				
<u>ASSET</u>				
Cash and cash equivalents	\$ 6,944	\$ 34,568	\$ -	\$ 41,512
<u>LIABILITY</u>				
Deposits Held in Custody for Others	\$ 6,944	\$ 34,568	\$ -	\$ 41,512
<u>Junior/Senior High School Fund</u>				
<u>ASSET</u>				
Cash and cash equivalents	\$ 182,090	\$ 174,345	\$ 196,424	\$ 160,011
Other receivables	7,539	4,039		11,578
	<u>\$ 189,629</u>	<u>\$ 178,384</u>	<u>\$ 196,424</u>	<u>\$ 171,589</u>
<u>LIABILITY</u>				
Deposits Held in Custody for Others	\$ 189,629	\$ 178,384	\$ 196,424	\$ 171,589
<u>Middle School Fund</u>				
<u>ASSET</u>				
Cash and cash equivalents	\$ 38,261	\$ 64,806	\$ 71,290	\$ 31,777
<u>LIABILITY</u>				
Deposits Held in Custody for Others	\$ 38,261	\$ 64,806	\$ 71,290	\$ 31,777
<u>Halliwell School Fund</u>				
<u>ASSET</u>				
Cash and cash equivalents	\$ 13,475	\$ 34,388	\$ 34,254	\$ 13,609
<u>LIABILITY</u>				
Deposits Held in Custody for Others	\$ 13,475	\$ 34,388	\$ 34,254	\$ 13,609
<u>Athletic Account</u>				
<u>ASSET</u>				
Cash and cash equivalents	\$ 5,156	\$ 44,834	\$ 46,842	\$ 3,148
<u>LIABILITY</u>				
Deposits Held in Custody for Others	\$ 5,156	\$ 44,834	\$ 46,842	\$ 3,148

(CONTINUED)

TOWN OF NORTH SMITHFIELD

**Statement of Changes in Assets and Liabilities
Agency Funds
For the year ended June 30, 2012**

	<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	\$ 6,877	\$ 28,403	\$ 20,268	\$ 15,012
<u>LIABILITY</u>				
Deposits Held in Custody for Others	\$ 6,877	\$ 28,403	\$ 20,268	\$ 15,012
<u>TOTAL AGENCY FUNDS</u>				
<u>ASSET</u>				
Cash	\$ 268,216	\$ 381,344	\$ 369,078	280,482
Other receivables	7,539	4,039	-	11,578
TOTAL ASSETS	\$ 275,755	\$ 385,383	\$ 369,078	\$ 292,060
<u>LIABILITY</u>				
Deposits Held in Custody for Others	\$ 275,755	\$ 385,383	\$ 369,078	\$ 292,060
TOTAL LIABILITIES	\$ 275,755	\$ 385,383	\$ 369,078	\$ 292,060

(CONCLUDED)

TOWN OF NORTH SMITHFIELD

**SCHEDULE OF PROPERTY TAXES RECEIVABLE
YEAR ENDED JUNE 30, 2012**

Year	Balance Uncollected July 1, 2011	2011 Assessment	Additions	Abatements & Adjustments	Amount to be Collected	Current Year Collections	Balance June 30, 2012
2011		\$ 27,592,721	\$ 320,481	\$ 198,335	\$ 27,714,867	\$ 26,980,241	\$ 734,626
2010	744,204		(107)	(46,275)	790,372	570,153	220,219
2009	154,148		260	186	154,222	30,236	123,986
2008	94,716			(12)	94,728	5,821	88,907
2007	68,876				68,876	584	68,292
2006	37,616				37,616	6	37,610
2005	37,056				37,056	181	36,875
2004	33,270				33,270	601	32,669
2003	36,214				36,214	491	35,723
2002	25,636				25,636	22	25,614
2001	12,494				12,494	17	12,477
2000	43				43		43
1999	312				312		312
1998	347			(12)	359	12	347
Total	1,244,932	\$ 27,592,721	\$ 320,634	\$ 152,222	\$ 29,006,065	\$ 27,588,365	1,417,700
Less: Allowance for Uncollectible accounts Net	<u>(100,000)</u> <u>\$ 1,144,932</u>						<u>(100,000)</u> <u>\$ 1,317,700</u>

Schedule of property valuation assessed as of December 31, 2010:

Real estate	\$ 1,382,798,761
Tangibles	58,549,242
Motor vehicles	117,439,634
Less: exemptions	(38,359,277)
State phase out	(6,134,486)
	<u>\$ 1,514,293,874</u>