

TOWN OF NORTH SMITHELD, RHODE ISLAND

**BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2013**

TOWN OF NORTH SMITHELD

YEAR ENDED JUNE 30, 2013

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TOWN OF NORTH SMITHFIELD

YEAR ENDED JUNE 30, 2013

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(CONCLUDED)

REPORT OF INDEPENDENT AUDITORS

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

Report on the Financial Statements

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, 2013, and the related notes to the financial statements which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 16 percent and 18 percent, respectively, of the assets and revenues of the governmental funds, 18 percent of the revenues of the business-type activities, 100 percent of the assets and revenues of the School unrestricted fund, and 87 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 opinion, insofar as it relates 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of North Smithfield, Rhode Island, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedules of Funding Progress, and budgetary comparison information, on Pages 3–8, Page 52 and Pages 53–55, respectively, 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 limited 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.

Other Information

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.

The Combining and Individual Fund Financial Statements and Schedule of Property Taxes Receivable are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the Combining and Individual Fund Financial Statements and the Schedule of Property Taxes Receivable are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2013, on our consideration of the Town of North Smithfield's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of North Smithfield, Rhode Island's internal control over financial reporting and compliance.

Braver P.C.

Providence, Rhode Island
December 31, 2013

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, 2013. 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 position presents information on all of the Town of North Smithfield's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between the two reported as net position. The Statement of Net Position 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 position - the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Over time, increases or decreases in the Town's net position 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 Position 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 position changed during the most recent fiscal year. All changes in net position 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 18 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 15 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 position may serve over time as a useful indicator of a government's financial position. In the case of the Town of North Smithfield, assets exceeded liabilities by \$34,582,022 at the close of 2012.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Beginning net position	\$23,320,854	\$11,261,168	\$34,582,022
Increase / (Decrease)	<u>207,127</u>	<u>(53,680)</u>	<u>153,447</u>
Ending net position	<u>\$23,527,981</u>	<u>\$11,207,488</u>	<u>\$34,735,469</u>

The foregoing reflects an increase of 1% for governmental activities and a decrease of (0.47%) for business-type activities, when compared to June 30, 2012 amounts. The total of both governmental activities & business activities reflects a modest increase of 1%.

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
	2012	2013	2012	2013	2012	2013	2012-2013
Current and other assets	\$ 7,035,984	\$ 8,042,827	\$ 9,234,046	\$ 8,999,371	\$ 16,270,010	\$ 17,041,998	4.74%
Capital Assets	54,882,322	53,268,805	15,722,640	14,864,366	70,604,962	68,134,171	-3.50%
Total Assets	61,918,286	61,312,432	24,956,686	23,863,737	86,874,972	85,176,169	-1.98%
Long-term debt	36,838,730	35,831,577	8,351,801	7,731,820	45,190,531	43,563,397	-3.60%
Other liabilities	1,758,702	1,952,874	5,343,717	4,924,429	7,102,419	6,877,303	-3.17%
Total Liabilities	38,597,432	37,784,451	13,695,518	12,656,249	52,292,950	50,440,700	-3.54%
Net Position							
Net investment in capital assets	20,064,555	19,711,400	7,370,839	7,132,546	27,435,394	26,843,946	-2.16%
Restricted for specific programs	676,345	884,046	10,914	59,267	687,259	943,313	37.26%
Unrestricted	2,579,954	2,932,535	3,879,415	4,015,675	6,459,369	6,948,210	7.57%
Total net position	\$ 23,320,854	\$ 23,527,981	\$ 11,261,168	\$ 11,207,488	\$ 34,582,022	\$ 34,735,469	0.44%
	2012	2013	2012	2013	2012	2013	Percentage Change 2012-2013
Revenues:							
Program revenues -							
Charges for services	\$ 471,828	\$ 604,124	\$ 2,718,973	\$ 2,547,024	\$ 3,190,801	\$ 3,151,148	-1.24%
Operating grants	6,408,451	7,302,049	164,197	166,129	6,572,648	7,468,178	13.63%
Capital grants	9,948	-	-	-	9,948	-	-100.00%
General revenues -							
Property taxes	27,965,053	28,577,231	-	-	27,965,053	28,577,231	2.19%
Motor vehicle excise in lieu of tax	168,480	166,413	-	-	168,480	166,413	-1.23%
Grants	1,561,978	1,572,295	-	-	1,561,978	1,572,295	0.66%
Investment earnings	748	938	6,471	7,219	7,219	938	-87.01%
Proceeds from long term debt	-	-	-	-	-	-	-
Miscellaneous	1,200,411	834,164	125,686	200,527	1,326,097	1,034,691	-21.97%
Total revenues	37,786,897	39,057,214	3,015,327	2,913,680	40,802,224	41,970,894	2.86%
Expenditures:							
General Government	1,163,825	1,355,299	-	-	1,163,825	1,355,299	16.47%
Public services	130,160	114,457	-	-	130,160	114,457	-12.08%
Financial administration	566,292	632,062	-	-	566,292	632,062	11.61%
Public safety	4,947,485	4,939,615	-	-	4,947,485	4,939,615	-0.16%
Public works	1,777,019	1,889,819	-	-	1,777,019	1,889,819	6.35%
School lunch fund	-	-	502,431	467,942	502,431	467,942	-8.86%
Water fund	-	-	453,282	445,091	453,282	445,091	-1.81%
Sewer fund	-	-	2,292,228	2,054,327	2,292,228	2,054,327	-10.38%
Education	24,940,402	26,088,441	-	-	24,940,402	26,088,441	4.60%
Debt service	1,823,890	1,498,735	-	-	1,823,890	1,498,735	-17.83%
Capital and special appropriations	-	156,256	-	-	-	156,256	0.00%
Other expenditures	1,594,944	2,175,403	-	-	1,594,944	2,175,403	36.39%
Total expenditures	36,943,817	38,850,087	3,247,941	2,967,360	40,191,758	41,817,447	4.04%
Transfers							
Increase/decrease in net position	843,080	207,127	(232,614)	(53,880)	610,466	153,447	-74.86%
Net position, beginning of year, as restated	22,477,774	23,320,854	11,493,782	11,261,168	33,971,556	34,582,022	1.80%
Net position, end of year	\$ 23,320,854	\$ 23,527,981	\$ 11,261,168	\$ 11,207,488	\$ 34,582,022	\$ 34,735,469	0.44%

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 \$53,680 which corresponds to the decrease in this fund's net position.

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, 2013, the Town of North Smithfield's governmental funds reported combined ending balances of \$5,200,269.

The General Fund and School Unrestricted Fund are the chief operating funds of the Town of North Smithfield. As of June 30, 2013, the total fund balance of the general fund was \$3,138,672 of which \$2,750,999 is unassigned. This unassigned fund balance represents approximately 7.60 percent of total general fund expenditures. There is a balance of \$387,673 of the fund balance which is committed. The total of the fund balance (committed & unassigned) represents 8.7 percent of the total general fund expenditures.

As of June 30, 2013, the fund balance of the School Unrestricted Fund was \$344,098 of which all of \$344,098 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 \$1,035,733 higher than budgeted revenues for the fiscal year. Property taxes were \$30,949 or .10% higher than the budget. Expenditures were above appropriations in total by \$771,930.

Capital Asset and Debt Administration

Capital Assets

At the end of June 30, 2013, the Town had \$53.3 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 \$33.6 million in outstanding bond principal and \$12.2 million of bonded interest. The business-type funds had \$7.7 million of bonded principal with \$2.0 million of interest.

Economic Factors and Next Year's Budgets and Rates

The budget for fiscal year 2013-2014 is \$37,809,954, an increase of \$1,560,948 or 4.33%. Education, at \$23,604,654 or 62% of the total budget had an increase of \$510,754 of which, the town appropriation was increased by \$261,132 & state aid was increased by \$249,622. The municipal budget therefore represents spending of \$14,205,300 or 38%.

For the fiscal year 2013-2014, the tax rate was broken down into three tiers residential, commercial and personnel property, with rates of \$15.57, \$17.59 and \$42.75, respectively. The breakdown consists of 36.29% for municipal and 63.71% for education. 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.

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
Finance Director

Statement of Net Position
June 30, 2013

	Governmental Activities	Business-type Activities	Total
ASSETS			
<i>Current Assets:</i>			
Cash and cash equivalents	\$ 6,785,970	\$ 3,113,033	\$ 9,899,003
Accounts receivable, net	1,428,791	117,915	1,546,706
Assessments receivable (current)		485,928	485,928
Other receivables	23,087		23,087
Due from federal and state governments	292,381	810,904	1,103,285
Internal balances	(487,602)	487,602	-
Total Current Assets	8,042,627	5,015,382	13,058,009
<i>Noncurrent</i>			
Capital assets (non-depreciable)	7,941,141		7,941,141
Capital assets (net of depreciation)	45,328,664	14,864,366	60,193,030
Assessments receivable (noncurrent)		3,983,989	3,983,989
Total Non-Current Assets	53,269,805	18,848,355	72,118,160
TOTAL ASSETS	61,312,432	23,863,737	85,176,169
LIABILITIES			
<i>Current Liabilities:</i>			
Accounts payable	933,923	356,485	1,290,408
Accrued interest payable	358,554	87,877	446,431
Accrued expenses	524,284		524,284
Unearned revenue	136,113		136,113
Unearned assessments		498,376	498,376
Current portion of long-term debt	2,001,966	682,942	2,684,908
Total Current Liabilities	3,954,840	1,625,680	5,580,520
<i>Noncurrent Liabilities:</i>			
Unearned assessments	-	3,981,691	3,981,691
Long-term liabilities (net)	33,829,611	7,048,878	40,878,489
TOTAL LIABILITIES	37,784,451	12,656,249	50,440,700
NET POSITION			
Net investment in capital assets	19,711,400	7,132,546	26,843,946
Restricted for specific programs	884,046	59,267	943,313
Unrestricted	2,932,535	4,015,675	6,948,210
TOTAL NET POSITION	\$ 23,527,981	\$ 11,207,488	\$ 34,735,469

TOWN OF NORTH SMITHFIELD

A - 2

**Statement of Activities
For the year ended June 30, 2013**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 1,355,299	\$ 541,513	\$ 373,731		\$ (440,055)		\$ (440,055)
Financial administration	632,062				(632,062)		(632,062)
Public safety	4,939,615	62,611	3,707		(4,873,297)		(4,873,297)
Public works	1,889,819				(1,889,819)		(1,889,819)
Public services	114,457		25,061		(89,396)		(89,396)
Education	26,088,441		6,899,550		(19,188,891)		(19,188,891)
Other expenses	2,175,403				(2,175,403)		(2,175,403)
Interest on long term debt	1,498,735				(1,498,735)		(1,498,735)
Capital and special appropriations	156,256				(156,256)		(156,256)
Total governmental activities	38,850,087	604,124	7,302,049	\$ -	(30,943,914)		(30,943,914)
Business-type activity:							
School lunch fund	467,942	348,585	166,129			\$ 46,772	46,772
Water fund	445,091	463,117				18,026	18,026
Sewer fund	2,054,327	1,735,322				(319,005)	(319,005)
Total business type activity	2,967,360	2,547,024	166,129	-	-	(254,207)	(254,207)
Totals	\$ 41,817,447	\$ 3,151,148	\$ 7,468,178	\$ -	(30,943,914)	(254,207)	(31,198,121)
General revenues:							
Property taxes					28,577,231		28,577,231
Motor vehicle excise in lieu of tax					166,413		166,413
Grants and contributions not restricted to specific programs					1,572,295		1,572,295
Investment and interest income					938		938
Miscellaneous					834,164	200,527	1,034,691
Transfers					-	-	-
Total general revenues					31,151,041	200,527	31,351,568
Change in net position					207,127	(53,680)	153,447
Net position - beginning					23,320,854	11,261,168	34,582,022
Net position - ending					\$ 23,527,981	\$ 11,207,488	\$ 34,735,469

See Notes to Financial Statements

Balance Sheet
Governmental Funds
June 30, 2013

	General Fund	School Unrestricted Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:					
Cash and cash equivalents	\$ 4,977,226	\$ 596,901	\$ 268,792	\$ 943,051	\$ 6,785,970
Accounts receivable, net	1,428,791				1,428,791
Due from federal and state governments	-	15,614		276,767	292,381
Other receivables	23,087			-	23,087
Due from other funds	28,691	674,211	393,590	534,586	1,631,078
TOTAL ASSETS	\$ 6,457,795	\$ 1,286,726	\$ 662,382	\$ 1,754,404	\$ 10,161,307
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 158,152	\$ 416,979		\$ 358,792	\$ 933,923
Accrued expenses	109,124	402,621		12,539	524,284
Due to other funds	1,749,487	123,028		246,165	2,118,680
Unearned revenue	1,302,360			81,791	1,384,151
TOTAL LIABILITIES	3,319,123	942,628	\$ -	699,287	4,961,038
FUND BALANCES:					
Restricted			662,382	221,664	884,046
Committed	387,673	344,098		848,058	1,579,829
Unassigned	2,750,999	-		(14,605)	2,736,394
TOTAL FUND BALANCES	3,138,672	344,098	662,382	1,055,117	5,200,269
TOTAL LIABILITIES AND FUND BALANCES	\$ 6,457,795	\$ 1,286,726	\$ 662,382	\$ 1,754,404	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	53,269,805
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	(35,831,577)
Unearned 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 Position	1,248,038
Accrued interest on long-term liabilities have been included in the governmental activities in the Statement of Net Position	(358,554)
Net position of governmental activities	<u>\$ 23,527,981</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, 2013**

	General Fund	School Unrestricted Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
General property taxes	\$ 28,440,431				\$ 28,440,431
Motor vehicle excise in lieu of tax	166,413				166,413
Licenses, fines and fees	604,124				604,124
Interest and investment income	-		\$ 143	\$ 795	938
Intergovernmental	1,572,295	\$ 6,158,672		1,143,377	8,874,344
Other revenues	183,034	62,714		588,416	834,164
Total revenues	30,966,297	6,221,386	143	1,732,588	38,920,414
Expenditures					
<i>Current:</i>					
General government	1,244,319				1,244,319
Financial administration	632,062				632,062
Public safety	4,667,505				4,667,505
Public works	1,635,040				1,635,040
Public services	53,681			28,130	81,811
Education	-	23,651,621		780,136	24,431,757
Other expenditures	1,589,304			586,099	2,175,403
<i>Debt Service:</i>					
Principal, interest and other costs	3,303,808				3,303,808
<i>Capital:</i>					
Capital and special appropriations	-	423,869	195,543	37,035	656,447
Total expenditures	13,125,719	24,075,490	195,543	1,431,400	38,828,152
Excess of revenues over (under) expenditures before other financing sources (uses)	17,840,578	(17,854,104)	(195,400)	301,188	92,262
Other financing sources/uses					
Transfers in	373,217	17,976,868		50,000	18,400,085
Transfers out	(18,026,868)	(158,234)		(214,983)	(18,400,085)
Capital lease proceeds	-		404,891		404,891
Refunding of bond	(2,000,000)				(2,000,000)
Bond proceeds	2,068,000				2,068,000
Net other sources/uses	(17,585,651)	17,818,634	404,891	(164,983)	472,891
Net change in fund balance	254,927	(35,470)	209,491	136,205	565,153
Fund balance, beginning of the year	2,883,745	379,568	452,891	918,912	4,635,116
Fund balance - end of the year	\$ 3,138,672	\$ 344,098	\$ 662,382	\$ 1,055,117	\$ 5,200,269

See Notes to Financial Statements

***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, 2013***

Net change in fund balances - total governmental funds (B-2)	\$ 565,153
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.	(1,612,517)
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 position. This amount is the net effect of these differences.	1,092,153
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds.	136,800
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>25,538</u>
Change in Net Position of Governmental Activities in the Statement of Activities (A-2)	<u><u>\$ 207,127</u></u>

TOWN OF NORTH SMITHELD**Statement of Net Position
Proprietary Funds
June 30, 2013**

	Business-type Activities Enterprise Funds			
	Water Fund	Sewer Fund	School Lunch Fund	Total
ASSETS				
<i>Current assets:</i>				
Cash and cash equivalents	\$ 171,401	\$ 2,941,832		\$ 3,113,033
Accounts receivable (net)	112,680	5,235		117,915
Due from other funds	10,616	384,369	\$ 92,617	487,602
Due from other governmental units		799,791	11,113	810,904
Assessments receivable (current)		485,928		485,928
Total current assets	294,697	4,616,955	103,730	5,015,382
<i>Capital assets (net)</i>	2,489,388	12,371,817	3,161	14,864,366
<i>Other assets:</i>				
Assessments receivable (noncurrent)		3,983,989		3,983,989
Total other assets		3,983,989		3,983,989
TOTAL ASSETS	2,784,085	20,972,761	106,891	23,863,737
LIABILITIES				
<i>Current liabilities:</i>				
Accounts payable	84,544	227,900	44,041	356,485
Accrued expenses	43,327	44,128	422	87,877
Unearned assessments		498,376		498,376
Current portion of long term debt	120,067	562,875		682,942
Total current liabilities	247,938	1,333,279	44,463	1,625,680
<i>Non-current liabilities:</i>				
Unearned assessments		3,981,691		3,981,691
Long-term debt	1,552,678	5,496,200		7,048,878
Total long-term debt	1,552,678	9,477,891		11,030,569
TOTAL LIABILITIES	1,800,616	10,811,170	44,463	12,656,249
NET POSITION				
Net investment in capital assets	816,643	6,312,742	3,161	7,132,546
Restricted			59,267	59,267
Unrestricted	166,826	3,848,849		4,015,675
TOTAL NET POSITION	\$ 983,469	\$ 10,161,591	\$ 62,428	\$ 11,207,488

See Notes to Financial Statements

TOWN OF NORTH SMITHFIELD

**Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund
For the year ended June 30, 2013**

	Business-type Activities Enterprise Funds			
	Water Fund	Sewer Fund	School Lunch Fund	Total
Operating Revenues:				
User fees and assessments	\$ 463,117	\$ 1,722,001		\$ 2,185,118
Intergovernmental		13,321	\$ 166,129	179,450
Other			348,585	348,585
Total operating revenues	463,117	1,735,322	514,714	2,713,153
Operating Expenses:				
Personnel services	26,845	176,120	39,897	242,862
Maintenance and servicing	217,868	58,208	-	276,076
Operating supplies		6,354	416,259	422,613
Fixed and general charges	34,940	845,971	10,205	891,116
Depreciation	75,618	822,593	1,581	899,792
Total operating Expenses	355,271	1,909,246	467,942	2,732,459
Income (loss) from operations	107,846	(173,924)	46,772	(19,306)
Non-operating revenues (expenses):				
Improvement/connection fees	17,500			17,500
Interest and miscellaneous income	16,660	166,367		183,027
Interest expense	(89,820)	(145,081)		(234,901)
Total non-operating revenues (expenses)	(55,660)	21,286	-	(34,374)
Change in net position	52,186	(152,638)	46,772	(53,680)
Net position - beginning of the year	931,283	10,314,229	15,656	11,261,168
Net position - end of the year	\$ 983,469	\$ 10,161,591	\$ 62,428	\$ 11,207,488

See Notes To Financial Statements

TOWN OF NORTH SMITHFIELD

Statement of Cash Flows
Proprietary Fund
For the year ended June 30, 2013

	Business-type Activities Enterprise Funds			
	Water Fund	Sewer Fund	School Lunch Fund	Total
Cash flows from operating activities:				
Cash received from customers	\$ 395,987	\$ 1,737,178	\$ 348,585	\$ 2,482,750
Intergovernmental			150,378	150,378
Cash paid to employees	(26,845)	(176,120)	(39,897)	(242,862)
Cash payments to suppliers for goods and services	(243,530)	(1,307,544)	(459,066)	(2,010,140)
Net cash provided by operating activities	126,612	253,514	-	380,126
Cash flows from noncapital financing activities:				
Change in inter-fund loans	26,996			26,996
Miscellaneous income	32,695	166,367		199,062
Net cash provided by non-capital financing activities	59,691	166,367	-	226,058
Cash flows from capital-related financing activities:				
Acquisition and construction of capital assets	(29,622)	(11,896)		(41,518)
Principal paid on bonds and loans	(75,199)	(544,782)		(619,981)
Interest paid on bonds and loans	(89,820)	(145,081)		(234,901)
Net cash used for capital-related financing activities	(194,641)	(701,759)	-	(896,400)
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 decrease in cash and cash equivalents	(6,873)	(281,878)		(288,751)
Cash and cash equivalents, beginning of the year	178,274	3,223,510	-	3,401,784
Cash and cash equivalents, end of the year	\$ 171,401	\$ 2,941,632	\$ -	\$ 3,113,033
Reconciliation of net income (loss) to net cash provided by operating activities:				
Income (loss) from operations	\$ 107,846	\$ (173,924)	\$ 46,772	\$ (19,306)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation and amortization	75,618	822,593	1,581	899,792
Changes in assets and liabilities:				
Decrease (increase) in accounts receivable	(66,130)	4,578		(61,552)
Decrease (increase) in due from other funds		(379,060)	(19,646)	(398,706)
Decrease in assessments receivable		375,291		375,291
Increase in due from other governmental units			3,895	3,895
Increase (decrease) in unearned revenue	0	(378,013)		(378,013)
Increase (decrease) in accrued expenses	(5,226)	(5,907)	13	(11,120)
Increase (decrease) in accounts payable	14,504	(12,044)	(32,615)	(30,155)
Total adjustments	18,766	427,438	(46,772)	399,432
Net cash provided by operating activities	\$ 126,612	\$ 253,514	\$ -	\$ 380,126

See Notes to Financial Statements

TOWN OF NORTH SMITHFIELD**Statement of Net Position
Fiduciary Funds
June 30, 2013**

	Private Purpose Trust Buxton Family Association	Agency Funds
<u>ASSETS</u>		
Cash	\$ 791	\$ 256,961
Other receivable		10,299
TOTAL ASSETS	<u>\$ 791</u>	<u>\$ 267,260</u>
<u>LIABILITIES</u>	<u>\$ -</u>	<u>\$ 267,260</u>
<u>NET POSITION</u>		
Held in Trust for private purposes	<u>\$ 791</u>	<u>\$ -</u>

See Notes to Financial Statements

TOWN OF NORTH SMITHFIELD

**Statement of Changes in Net Position
Fiduciary Funds
For the year ended June 30, 2013**

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

See Notes to Financial Statements

TOWN OF NORTH SMITHFIELD

NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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"). GAAP includes all relevant Governmental Accounting Standards Board ("GASB") pronouncements. 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. 61. Under GASB Statement No. 61, a legally separate entity is required to be included as a component unit if it is fiscally dependent upon the primary government and there is a financial benefit or burden relationship present. The primary government is financially accountable if it appoints the voting majority of the organization's governing board and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A potential component unit has a financial benefit or burden relationship with the primary government if, for example, any one of the following conditions exists:

- a. The primary government is legally entitled to or can otherwise access the organization's resources.
- b. The primary government is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization.
- c. The primary government is obligated in some manner for the debt of the organization.

The following entities were considered for classification as component units for fiscal year 2013:

- * 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.

(CONTINUED)

TOWN OF NORTH SMITHFIELD

NOTES TO FINANCIAL STATEMENTS
June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Standards

During the fiscal year ended June 30, 2013 the Town implemented the following accounting pronouncements:

- GASB Statement No. 60 – Accounting and Financial Reporting for Service Concession Arrangements.
- GASB Statement No. 61 – The Financial Reporting entity: Omnibus an amendment of GASB Statements No. 14 and No. 34.
- GASB Statement No. 62 – Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.
- GASB Statement No. 63 – Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.

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

- GASB Statement No. 65 – Items Previously Reported as Assets and Liabilities, effective for the 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 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 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 fiscal year ending June 30, 2015.
- GASB Statement No. 69 – Government Combinations and Disposals of Government Operations, effective for the fiscal year ending June 30, 2015.
- GASB Statement No. 70 – Accounting and Financial Reporting for Nonexchange Financial Guarantees, effective for the fiscal year ending June 30, 2014.
- GASB Statement No. 71 – Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68, effective for the fiscal year ending June 30, 2015.

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

(CONTINUED)

TOWN OF NORTH SMITHFIELD

NOTES TO FINANCIAL STATEMENTS
June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

Government-Wide Financial Statements

The statement of net position 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, deferred outflow of resources, liabilities, deferred inflow of resources, 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 and deferred outflows of resources, liabilities and deferred inflows of resources, 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 and deferred outflows of resources, liabilities and deferred inflows of resources, 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, 2013**

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 SMITFIELD

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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
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Capital Project Funds:	School renovations
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Permanent Funds:	Record Retention
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Measurement Focus

On the government-wide Statement of Net Position 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 position.
- (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 Position 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, 2013

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, 2013

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 \$120,000 at June 30, 2013. 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. Open encumbrances are reported as restricted, committed or assigned, and should not result in separate display of the encumbered amount within those classifications. Encumbrances do not constitute expenditures or liabilities under GAAP. (See Note 2 for budgetary reporting of encumbrances).

(CONTINUED)

TOWN OF NORTH SMITHFIELD

NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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 Position. 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.

Unearned Revenues

Unearned 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, unearned revenues relate to property tax receivables which are assessed on December 31.

(CONTINUED)

TOWN OF NORTH SMITHFIELD

NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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 \$18,026,868 for the year, representing the general fund's transfer to the school department of \$17,976,868 and \$50,000 to non-major governmental funds. Interfund transfers to the general fund were \$373,217, which consists of \$214,983 from the EMS fund and \$158,234 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 position and displayed in three components:

- (a) Net investment in capital assets - 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, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity Classifications (Continued)

Government-Wide Statements (Continued)

- (b) Restricted net position - Consists of net position 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 position - All other net position that do not meet the definition of "restricted" or "net investment in capital assets".

Fund Statements

- (a) Governmental fund equity is classified as fund balance. 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, 2013

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 position – governmental activities* as reported in the government-wide statement of net position. 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 \$35,831,577 difference are as follows:

Bonds payable	\$ 32,880,000
Compensated absences	876,957
Net OPEB liability	1,396,215
Capital leases payable	<u>678,405</u>
Total	<u>\$ 35,831,577</u>

(CONTINUED)

TOWN OF NORTH SMITHFIELD
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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 position 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 \$(1,612,517) difference are as follows:

Capital outlays (net of disposals).....	\$ 500,191
Depreciation expense.....	<u>(2,112,708)</u>
Net adjustment.....	<u>\$(1,612,517)</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 position." The details of this \$1,092,153 difference are as follows:

Increase in other long term liabilities	\$(2,772,382)
Principal repayments	<u>3,864,535</u>
Net adjustment.....	<u>\$ 1,092,153</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 \$136,800 difference are as follows:

Unearned revenue - beginning.....	\$(1,111,238)
Unearned revenue – ending	<u>1,248,038</u>
Net adjustment.....	<u>\$ 136,800</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, 2013

2. BUDGETARY AND LEGAL COMPLIANCE (Continued)

Excess of Expenditures Over Appropriations

For the year ended June 30, 2013, expenditures exceeded budget at the department level as follows:

<u>Department</u>	<u>Excess</u>
Transfer to School	\$872,998
Police department.....	\$ 92,203
Contingency fund.....	\$ 35,993
Plant operations.....	\$ 19,229
Street lights.....	\$ 18,928
Highway department.....	\$ 5,091
Tax assessor.....	\$ 4,379
Fire/rescue service	\$ 3,136
Conservation commission	\$ 9

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, 2013, 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 2013 were based on an assessed value of approximately \$1,553,983,393 at December 31, 2011 and amounted to approximately \$28,611,366. Total collections through June 30, 2013, on the 2012 tax levy, amounted to approximately \$27,801,417, which represents approximately 97.2% of the net tax levy. Total collections including 60-day receipts (applicable to the 2012 tax levy) amounted to approximately \$27,982,170, which represents approximately 98.8% 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 \$1,428,791 as of June 30, 2013 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, 2013, are recorded as unearned revenue, net of the allowance of \$100,000 and amounted to \$1,248,038 at June 30, 2013. Property taxes recognized as revenue for the fiscal year ended June 30, 2013 (due to their collection within the 60 days immediately following June 30, 2013) amounted to \$180,753.

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 SMITHELD

NOTES TO FINANCIAL STATEMENTS
June 30, 2013

3. RECEIVABLES (Continued)

Receivables at June 30, 2013 consisted of the following:

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Business-type Activities</u>	<u>Total</u>
Receivables:				
2012 tax year	\$ 703,782			\$ 703,782
2011 and prior years	825,009			825,009
Accounts			\$137,915	137,915
Miscellaneous	23,087	\$0		23,087
Gross receivables	1,551,878	0	137,915	1,689,793
Less: allowance for uncollectibles	(100,000)	0	(20,000)	(120,000)
Total receivables	<u>\$1,451,878</u>	<u>\$0</u>	<u>\$117,915</u>	<u>\$1,569,793</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 \$10,155,755, excluding petty cash of \$1,000, while the bank balance was \$11,290,573 of which \$998,309 was covered by federal depository insurance. The remaining balance of \$10,292,264 was collateralized as of June 30, 2013.

(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, 2013.

(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, 2013 the Town has no investments.

(CONTINUED)

TOWN OF NORTH SMITHELD

NOTES TO FINANCIAL STATEMENTS
June 30, 2013

5. INTERFUND BALANCES

Inter-fund receivable and payable are as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	<u>\$ 28,691</u>	<u>\$ 1,749,487</u>
School Unrestricted Fund	<u>674,211</u>	<u>123,028</u>
Capital Projects Fund	393,590	
Non-Major Governmental Funds:		
School restricted	110,597	217,474
Substance Abuse Donations Fund	6,310	
Substance Abuse Prevention Council Fund	1,656	
Miscellaneous Revenue Fund		10,757
Community Development Block Grant	325,000	
Governor's Justice Commission Fund		17,934
Police Forfeiture Fund	2,542	
Miscellaneous Police & Fire Funds	8,835	
Record Retention Fund	79,646	
Non-Major Governmental funds	<u>534,586</u>	<u>246,165</u>
Sewer Fund	384,369	
Water Fund	10,616	
School Lunch Fund	92,617	
TOTALS	<u>\$ 2,118,680</u>	<u>\$ 2,118,680</u>

(CONTINUED)

TOWN OF NORTH SMITHFIELD

NOTES TO FINANCIAL STATEMENTS
June 30, 2013

6. FIXED ASSETS

Activity for governmental activity capital assets is summarized below:

	Balances <u>7/1/12</u>	Additions	Deductions	Balances <u>6/30/13</u>
<u>Governmental activity fixed assets</u>				
Land (not being depreciated).....	\$ 7,941,141			\$ 7,941,141
Land improvements.....	3,287,529			3,287,529
Building and improvements.....	56,347,999	\$ 86,309		56,434,308
Infrastructure.....	24,411,862	41,280		24,453,142
Machinery and equipment.....	5,707,164	246,938	\$ (44,560)	5,909,542
Vehicles.....	4,137,547	159,670	(82,503)	4,214,714
Total cost.....	101,833,242	534,197	(127,063)	102,240,376
 Less: accumulated depreciation				
Land improvements.....	(1,564,149)	(109,141)		(1,673,290)
Building and improvements.....	(14,393,267)	(1,372,197)		(15,765,464)
Infrastructure.....	(23,036,715)	(149,942)		(23,186,657)
Machinery and equipment.....	(4,410,457)	(321,149)	44,557	(4,687,049)
Vehicles.....	(3,546,332)	(160,279)	48,500	(3,658,111)
Total accumulated depreciation.....	(46,950,920)	(2,112,708)	93,057	(48,970,571)
 Net fixed assets.....	 \$ 54,882,322	 \$ (1,578,511)	 \$ (34,006)	 \$ 53,269,805

(CONTINUED)

TOWN OF NORTH SMITHFIELD

NOTES TO FINANCIAL STATEMENTS
June 30, 2013

6. FIXED ASSETS (Continued)

Activity for the Proprietary Funds capital assets is summarized below:

	Balances 7/1/12	Additions	Deductions	Balances 6/30/13
<u>Proprietary funds fixed assets</u>				
Land improvements.....	\$ 29,657	\$ 18,889		\$ 48,546
Building and improvements.....	2,346,289			2,346,289
Infrastructure.....	11,348,392			11,348,392
Machinery and equipment.....	19,109,179	22,629		19,131,808
Vehicles.....	90,022			90,022
Total cost.....	32,923,539	41,518	\$ -	32,965,057
 Less: accumulated depreciation				
Land improvements.....	(13,516)			(13,516)
Building and improvements.....	(608,568)	(46,925)		(655,493)
Infrastructure.....	(5,125,941)	(173,376)		(5,299,317)
Machinery and equipment.....	(11,399,902)	(671,408)		(12,071,310)
Vehicles.....	(52,972)	(8,083)		(61,055)
Total accumulated depreciation.....	(17,200,899)	(899,792)		(18,100,691)
 Net fixed assets.....	\$ 15,722,640	\$ (858,274)	\$ -	\$ 14,864,366

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

Governmental activities:

General government.....	\$ 70,818
Public safety.....	184,117
Public services.....	32,646
Public works.....	244,715
Education.....	1,580,412
Total.....	\$2,112,708

Business-type activities:

Sewer.....	\$ 822,593
Water.....	75,618
School lunch.....	1,581
Total.....	\$ 899,792

7. UNEARNED REVENUES

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

Property taxes receivable, net.....	\$1,428,791
Other.....	54,322
Less: current year 60 day accrual.....	(180,753)
Total unearned revenue.....	\$1,302,360

(CONTINUED)

TOWN OF NORTH SMITHFIELD

NOTES TO FINANCIAL STATEMENTS
June 30, 2013

8. LONG-TERM OBLIGATIONS

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

General long-term debt

	<u>Amount</u>	<u>Percent</u>
School bonds	\$31,285,000	88%
General obligation bonds	1,595,000	4%
Capital budget project	678,405	2%
Compensated absences	876,957	2%
OPEB Liability	1,396,215	4%
Total	\$35,831,577	100%

Proprietary funds

Water bonds	\$1,672,745	22%
Sewer bonds	6,059,075	78%
Total	\$7,731,820	100%

(CONTINUED)

TOWN OF NORTH SMITHFIELD

**NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

8. LONG-TERM OBLIGATIONS (Continued)

At June 30, 2013, 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, 2012</u>	<u>Additions (Deductions)</u>	<u>Retirements</u>	<u>Outstanding June 30, 2013</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%	\$ 3,500,000		\$ 125,000	\$ 3,375,000	\$ 140,000
NSES school bond	10/15/01	10/15/21	4,000,000	3.00% - 5.00%	2,000,000		2,000,000	0	0
School bonds	05/14/08	04/01/29	30,000,000	2.50% - 5.50%	26,595,000		1,165,000	25,430,000	1,215,000
General obligation bonds	07/01/07	07/01/27	2,100,000	4.125% - 5.50%	1,700,000		105,000	1,595,000	105,000
School general obligation bonds	12/15/08	06/30/29	700,000	5.00%	600,000		40,000	560,000	35,000
Refunded GO bond	06/12/12	10/15/21	<u>2,068,000</u>	3.00% - 5.00%	<u>0</u>	<u>\$2,068,000</u>	<u>148,000</u>	<u>1,920,000</u>	<u>232,000</u>
Total general obligation bonds payable			<u>42,418,000</u>		<u>34,395,000</u>	<u>2,068,000</u>	<u>3,583,000</u>	<u>32,880,000</u>	<u>1,727,000</u>
Capital leases payable									
Capital budget project	10/02/12	09/05/17	404,891	1.29%		404,891		404,891	78,921
Capital budget project	10/13/11	10/13/16	270,000	1.98%	270,000		51,904	218,096	52,931
Capital budget project	12/21/07	12/21/12	745,000	3.85%	91,520		91,520	0	0
Capital budget project	11/25/08	11/25/13	<u>256,000</u>	3.97%	<u>108,529</u>		<u>53,111</u>	<u>55,418</u>	<u>55,418</u>
Total capital leases payable			<u>1,675,891</u>		<u>470,049</u>	<u>404,891</u>	<u>196,535</u>	<u>678,405</u>	<u>187,270</u>
Compensated absences					819,357	57,600		876,957	87,696
Claims payable					85,000		85,000	0	0
Net OPEB liability (Note 13)					<u>1,154,324</u>	<u>241,891</u>		<u>1,396,215</u>	<u>0</u>
Total long-term debt			<u>\$44,093,891</u>		<u>\$36,923,730</u>	<u>\$2,772,382</u>	<u>\$3,864,535</u>	<u>\$35,831,577</u>	<u>\$2,001,966</u>

(CONTINUED)

TOWN OF NORTH SMITHELD

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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, 2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>Outstanding June 30, 2013</u>	<u>Current Portion</u>
Enterprise Funds									
General obligation bonds payable									
Water:									
Water bond.....	05/11/82	05/11/22	\$ 50,000	5.00%	\$ 22,449		\$ 1,868	\$ 20,581	\$ 1,879
Water bond.....	05/16/95	05/16/00	500,000	6.00%	241,394		24,454	216,940	26,017
Water bond.....	08/26/99	08/26/39	790,900	5.00%	684,201		9,635	674,566	12,349
Shell oil bond.....	09/16/97	09/16/22	500,000	5.50%	299,900		19,242	280,658	21,822
Water bond.....	10/15/01	10/15/21	1,010,000	3.00% - 5.00%	500,000		500,000	0	0
Refunded GO bond.....	06/12/12	10/15/21	517,000	3.00% - 5.00%	0	\$517,000	37,000	480,000	58,000
Total water fund			<u>3,367,900</u>		<u>1,747,944</u>	<u>517,000</u>	<u>592,199</u>	<u>1,672,745</u>	<u>120,067</u>
Sewer:									
Sewer General Obligation Bond .	12/15/08	6/30/29	1,000,000	5.00%	895,000		45,000	850,000	50,000
Mendon Road Project #1 bond ...	12/18/90	12/18/20	303,000	7.25%	158,932		13,376	145,556	14,302
Mendon Road Project #2 bond ...	04/07/92	04/07/20	60,000	6.625%	30,925		2,656	28,269	2,823
Clean Water Revolving Fund	10/06/09	09/01/29	4,750,000	0.49%	4,346,000		206,000	4,140,000	208,000
Clean Water sewer project #2 loan	03/10/93	09/01/15	4,500,000	3.11073%	1,173,000		277,750	895,250	287,750
Total sewer fund			<u>10,613,000</u>		<u>6,603,857</u>	<u>-</u>	<u>544,782</u>	<u>6,059,075</u>	<u>562,875</u>
 Total enterprise funds			 <u>\$13,980,900</u>		 <u>\$8,351,801</u>	 <u>\$517,000</u>	 <u>\$1,136,981</u>	 <u>\$7,731,820</u>	 <u>\$682,942</u>

(CONTINUED)

TOWN OF NORTH SMITHFIELD

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

8. LONG-TERM OBLIGATIONS (Continued)

During the fiscal year ended June 30, 2013, the Town incurred and paid the following interest expense:

	<u>Incurred</u>	<u>Paid</u>
Water	\$ 89,820	\$ 95,046
Sewer	145,081	150,432
General fund	1,552,308	1,577,846
Total	<u>\$1,787,209</u>	<u>\$1,823,324</u>

At June 30, 2013, 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	\$ 2,977,105
Less: accumulated depreciation	<u>(2,411,088)</u>
Total	<u>\$ 566,017</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2013 were as follows:

Year Ending June 30:

	<u>General Long-term Debt</u>
2014	\$197,893
2015	141,381
2016	141,381
2017	141,381
2018	<u>84,131</u>
Total minimum lease payments	706,167
Less: amount representing interest	<u>27,762</u>
Present value of minimum lease payments	<u>\$678,405</u>

(CONTINUED)

TOWN OF NORTH SMITHFIELD

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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, 2013 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>
2014	\$ 1,914,270	\$ 1,429,854	\$ 3,344,124	\$ 682,942	\$ 227,476	\$ 910,418
2015	1,931,915	1,349,372	3,281,287	700,139	206,318	906,457
2016	2,005,013	1,271,278	3,276,291	719,118	186,810	905,928
2017	2,078,145	1,193,097	3,271,242	417,148	169,156	586,304
2018	2,104,062	1,107,957	3,212,019	425,745	156,416	582,161
2019	2,158,000	1,015,745	3,173,745	433,682	143,224	576,906
2020	2,194,000	926,996	3,120,996	447,533	129,259	576,792
2021	2,276,000	841,609	3,117,609	416,721	114,559	531,280
2022	2,367,000	750,522	3,117,522	398,376	101,578	499,954
2023	2,270,000	655,118	2,925,118	355,176	90,656	445,832
2024 – 2028	12,225,000	1,681,356	13,906,356	1,701,149	305,815	2,006,964
2029 – 2033	35,000	875	35,875	767,860	103,019	870,879
2034 – 2038				181,052	49,418	230,470
Thereafter				85,179	6,461	91,640
Total	<u>\$33,558,405</u>	<u>\$12,223,779</u>	<u>\$45,782,184</u>	<u>\$7,731,820</u>	<u>\$1,990,165</u>	<u>\$9,721,985</u>

(CONTINUED)

TOWN OF NORTH SMITHFIELD

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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, 2013 Restricted Fund Balance consisted of the following:

Restricted for Education.....	\$ 48,552
Restricted for School Renovations.....	765
Restricted for Police and Fire Equipment.....	8,835
Restricted for Capital Improvements	662,382
Restricted for Public Safety	8,074
Restricted for Town Record Preservation.....	79,646
Restricted for Community Development Expenditures	73,039
Restricted for Public Service Expenditures	<u>2,753</u>
Total Restricted fund balance.....	<u>\$884,046</u>

At June 30, 2013 Committed Fund Balance consisted of the following:

Committed for Accrued Sick Time	\$ 134,141
Committed for Accrued Vacation	72,779
Committed for 60 Day Collections	180,753
Committed for Education.....	344,098
Committed for Emergency Management Expenditures	526,735
Committed for Debt Service Expenditures	<u>321,323</u>
Total Committed Fund Balance.....	<u>\$1,579,829</u>

At June 30, 2013 Unassigned Fund Balance consisted of the following:

Miscellaneous Revenue Fund.....	\$ (9,129)
Governor's Justice Fund.....	(5,476)
General Fund.....	<u>2,750,999</u>
Total Unassigned Fund Balance	<u>\$2,736,394</u>

(CONTINUED)

TOWN OF NORTH SMITHFIELD

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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) General Municipal Employees' Pension Plan

The Town of North Smithfield participates in the Municipal Employees' Retirement System of the State of Rhode Island ("System"), an agent multiple employer defined benefit plan. The System includes a normal plan for general employees and both a normal and optional plan for police and fire personnel.

Effective July 1, 2012, the State administered retirement system was modified to include both defined benefit and defined contribution plan components. General employees participate in a hybrid plan that combines both a defined benefit plan and a defined contribution plan. Police and fire employees participate only in the defined benefit plan unless they do not participate in Social Security in which case they also participate in the defined contribution plan.

Plan Description

All full-time Town and non-certified School Department general employees participate in MERS, an agent multiple-employer defined benefit plan administered by the Employees' Retirement System of Rhode Island (the "System"). The plan provides retirement, death and disability benefits and an optional cost of living adjustment (COLA) as outlined in Chapter 45-21 and Chapter 45-21.2 of the Rhode Island General Laws (RIGL). The benefits may be amended by the Rhode Island General Assembly.

Service credits accrued at June 30, 2012 are protected under the Rhode Island Retirement Security Act. Beginning July 1, 2012, members receive a benefit accrual of 1.0% per year. Effective July 1, 2012 the retirement age mirrors the Social Security Normal Retirement Age not to exceed age 67. Benefits are based on the five-year average compensation multiplied by the accumulated service credit percentage. Joint and survivor retirement benefit options are available.

Pursuant to the Rhode Island Retirement Security Act, the Cost of Living Adjustment (COLA) has been suspended for any unit whose funding level is less than 80%. The COLA provision can be reviewed in a five-year interval. When the funding level of a plan exceeds 80%, eligible retirees may receive a COLA annually effective on their date of retirement plus one month. The COLA will be calculated as the five (5) year smoothed investment rate of return less 5.50%, with a 0.00% floor and a 4.00% cap. COLA will be delayed until the later of age 55 or three years after retirement. The COLA will be applied to the first \$25,000 of benefits indexed annually.

The plan also provides nonservice-connected disability benefits after 5 years of service; service-connected disability pensions with no minimum service requirement.

(CONTINUED)

TOWN OF NORTH SMITHFIELD

NOTES TO FINANCIAL STATEMENTS
June 30, 2013

10. DEFINED BENEFIT PENSION PLANS (Continued)

(a) General Municipal Employees' Pension Plan (Continued)

Plan Funding Policy

The funding policy is outlined in RIGL sections 45-21-41, 45-21-42, and 45-21-52 (which can be amended by the Rhode Island General Assembly).

Effective July 1, 2012 general employees are required by State Statute to contribute 1 percent of their annual earnings. The Town has opted for the optional cost-of-living provisions under plan B and accordingly, general employees (including noncertified school employees) are required to contribute an additional 1% of the annual earnings resulting in a total contribution of 2% by the employee.

The Town is required to contribute at an actuarially determined rate expressed as a percentage of total compensation paid to the active membership. The rate for the fiscal year ended June 30, 2013 was 6.12%.

Annual Pension Cost

The Town's annual pension cost of \$97,320 for MERS was equal to the Town's required and actual contributions for the year ended June 30, 2013.

Three-Year Trend Information – General MERS

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/11	\$ 3,375	100%	\$-0-
6/30/12	\$ 5,878	100%	\$-0-
6/30/13	\$97,320	100%	\$-0-

The required contribution for fiscal 2013 was determined as part of the actuarial valuation performed as of June 30, 2010. The most recent valuation of the plans within the system was performed as of June 30, 2012. The actuarial methods and assumptions used in those valuations are summarized in the following table.

(CONTINUED)

TOWN OF NORTH SMITHEFIELD

NOTES TO FINANCIAL STATEMENTS
June 30, 2013

10. DEFINED BENEFIT PENSION PLANS (Continued)

(a) General Municipal Employees' Pension Plan (Continued)

Annual Pension Cost (Continued)

Summary of Actuarial Assumptions Used in the MERS June 30, 2010 and June 30, 2012 Valuations	
Actuarial Cost Method	Entry Age Normal - the Individual Entry Age Actuarial Cost methodology is used.
Amortization Method	Level Percent of Payroll - Closed
Equivalent Single Remaining Amortization Period	25 years as of June 30, 2010 23 years as of June 30, 2012
Asset Valuation Method	5 Year Smoothed Market
Actuarial Assumptions:	
Investment Rate of Return	7.50%
Projected Salary Increases	<u>General Employees</u> 4.00% to 8.00%
	<u>Police & Fire Employees</u> 4.25% to 14.25%
Inflation	2.75%

Cost of Living Adjustments are equal to the average five-year fund asset performance (percent) greater than 5.5% up to a maximum of 4% - the COLA is to be applied to the first \$25,000 of benefits, indexed over time. COLA is delayed until the later of Social Security eligibility age or 3 years after retirement. For MERS Police and Fire, COLA is delayed until the later of age 55 or 3 years after retirement. A 2% COLA is assumed after July 1, 2012.

Funded Status and Funding Progress

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year 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 Employees' Pension Plan with a valuation date of June 30, 2012 which is the most recent report available from the State who administers this plan.

Actuarial Value of Assets	\$12,856,790
Actuarial Accrued Liability	\$11,878,920
Unfunded actuarial accrued Liability	\$ (977,870)
Funded Ratio	108.2%
Annual Covered Payroll	\$ 3,354,622
UAAL as percentage of payroll	(29.1%)

The System issues an annual financial report that includes financial statements and required supplementary information for all of the plans it administers. The reports can be obtained at www.ersri.org.

(CONTINUED)

TOWN OF NORTH SMITHFIELD

NOTES TO FINANCIAL STATEMENTS
June 30, 2013

10. DEFINED BENEFIT PENSION PLANS (Continued)

(b) Municipal Police Pension Plan

The Town of North Smithfield participates in the Municipal Employees' Retirement System of the State of Rhode Island ("System"), an agent multiple employer defined benefit plan. The System includes a normal plan for general employees and both a normal and optional plan for police and fire personnel.

Plan Description

All full-time police officers participate in MERS, an agent multiple-employer defined benefit plan administered by the Employees' Retirement System of Rhode Island (the "System"). The plan provides retirement, death and disability benefits and an optional cost of living adjustment (COLA) as outlined in Chapter 45-21 and Chapter 45-21.2 of the Rhode Island General Laws (RIGL). The benefits may be amended by the Rhode Island General Assembly.

Effective July 1, 2012 the benefit accrual for all plans is 2.0% per year based on the five-year average compensation, exclusive of overtime. Retirement age is 55 years old with 25 years of total service or for members with five years of service but less than 25 years of service the new retirement age will mirror the Social Security Normal Retirement Age not to exceed 67. Police employees who were at least 45 years old, had 10 or more years of contributing service and were eligible to retire prior to age 52 under the law in effect on June 30, 2012, may retire at age 52. Police employees may retire with a reduced pension benefit if they have 20 years of service and are within five years of their retirement eligibility. The actuarially reduced benefit is calculated based on how close the member is to the eligibility date that is prescribed in the Rhode Island Retirement Security Act. Joint and survivor retirement benefit options are available.

Pursuant to the Rhode Island Retirement Security Act, the Cost of Living Adjustment (COLA) has been suspended for any unit whose funding level is less than 80%. The COLA provision can be reviewed in a five-year interval. When the funding level of a plan exceeds 80%, eligible retirees may receive a COLA annually effective on their date of retirement plus one month. The COLA will be calculated as the five (5) year smoothed investment rate of return less 5.50%, with a 0.00% floor and a 4.00% cap. COLA will be delayed until the later of age 55 or three years after retirement. The COLA will be applied to the first \$25,000 of benefits indexed annually.

The plan also provides nonservice-connected disability benefits after 5 years of service; service-connected disability pensions with no minimum service requirement.

Plan Funding Policy

The funding policy is outlined in RIGL sections 45-21-41, 45-21-42, 45-21-52, and 45-21.2-14 (which can be amended by the Rhode Island General Assembly).

Active police members must contribute 8% of his/her compensation.

The Town is required to contribute at an actuarially determined rate expressed as a percentage of total compensation paid to the active membership. The rate for the fiscal year ended June 30, 2013 was 11.56% of annual covered payroll.

Annual Pension Cost

The Town's annual pension cost of \$225,365 for MERS police employees was equal to the Town's required and actual contributions for the year ended June 30, 2013.

(CONTINUED)

TOWN OF NORTH SMITHFIELD

NOTES TO FINANCIAL STATEMENTS
June 30, 2013

10. DEFINED BENEFIT PENSION PLANS (Continued)

(b) Municipal Police Pension Plan (Continued)

Annual Pension Cost (Continued)

Three-Year Trend Information – Police Officers MERS Plan

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/11	\$155,651	100%	\$-0-
6/30/12	\$189,042	100%	\$-0-
6/30/13	\$225,365	100%	\$-0-

The required contribution for fiscal 2013 was determined as part of the actuarial valuation performed as of June 30, 2010. The most recent valuation of the plans within the system was performed as of June 30, 2012. The actuarial methods and assumptions used in those valuations for the police and fire plans are summarized and presented in the table on Page 44.

Funded Status and Funding Progress

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year 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 Police and Fire Employees' Pension Plan with a valuation date of June 30, 2012 which is the most recent report available from the State who administers this plan.

Actuarial Value of Assets	\$ 8,065,603
Actuarial Accrued Liability	\$10,007,964
Unfunded (excess) actuarial accrued Liability	\$ 1,942,361
Funded Ratio	80.6%
Annual Covered Payroll	\$ 1,310,742
UAAL (excess) as percentage of payroll	148.2%

The System issues an annual financial report that includes financial statements and required supplementary information for all of the plans it administers. The reports can be obtained at www.ersri.org.

Notes to the Schedule of Funding Progress

Changes affecting the June 30, 2012 actuarial valuation:

The assumptions for the Municipal Employees' Retirement System are consistent with the 2011 valuation, with the exception of certain assumption changes that resulted from the enactment of the Rhode Island Retirement Security Act of 2011. The marriage assumption was modified to reflect the expected percentage of members that will be eligible for survivor benefits upon their death, the incidence of disability was lowered to incorporate a continued trend of significantly fewer incidents of disability than anticipated by the current assumption, and the missing data assumption was updated to incorporate an assumption for missing beneficiary data.

(CONTINUED)

TOWN OF NORTH SMITHFIELD

**NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

10. DEFINED BENEFIT PENSION PLANS (Continued)

Notes to the Schedule of Funding Progress (Continued)

The method used to determine the actuarial value of assets is the five-year smoothed market method. A small adjustment was made to the method used to smooth investment gains and losses to allow gains and losses to offset each other immediately. This modification will reduce future volatility in the actuarial value of assets while ensuring that the actuarial value always trends directly towards the market value of assets.

Changes affecting the June 30, 2011 actuarial valuation:

The retirement rates were modified to be consistent with the retirement eligibility changes instituted by the Rhode Island Retirement Security Act of 2011. Members that were assumed to retire prior to the Act, but before the earliest allowable age under the Act, are assumed to retire once eligible.

(c) Teacher's Pension Plan - Employees Retirement System (ERS)

Effective July 1, 2012, the State administered retirement system which covers local teachers and certain municipal employees was modified to include both defined benefit and defined contribution plan components.

Plan Description

All full-time teachers, principals, school nurses and certain other school officials (including the superintendent) in the Johnston School Department must participate in ERS, a cost-sharing multiple-employer defined benefit plan administered by the Employees' Retirement System of Rhode Island (the "System"). The plan provides retirement, death and disability benefits (as well as annual cost of living allowances if certain conditions have been met) as outlined in Chapters 36-10 and 16-16 of the Rhode Island General Laws (RIGL). The benefits may be amended by the Rhode Island General Assembly.

Plan Funding Policy

The funding policy is outlined in RIGL sections 16-16-22 and 36-10-2 (which can be amended by the Rhode Island General Assembly). Active plan members must contribute 3.75% of his/her compensation. The Town and the State are collectively required to contribute at an actuarially determined rate expressed as a percentage of total compensation paid to the active membership. The employer contribution is split and paid 40% by the State and 60% by the Town with the exception of teachers who work in federally funded programs where 100% is paid by the Town and reimbursed by the federal government. For fiscal 2013, the total employer rate was 17.87% (7.15% State share and 10.72% local share). The State share of the employer contribution rate includes the total cost of prior contribution deferrals which was .28% for fiscal 2013.

The plan provides a survivor benefit to public school teachers in lieu of Social Security as outlined in sections 16-16-25 through 16-16-38 of the Rhode Island General Laws (RIGL). Spouse, parents, family or children's benefits are payable upon death of a member. In lieu of a survivor benefit, members may opt to receive a lump sum return of their contributions plus interest upon retirement. The benefits may be amended by the Rhode Island General Assembly.

The cost of the benefits provided by the plan are two percent (2%) of the member's annual salary up to but not exceeding an annual salary of \$9,600; one-half (1/2) of the cost is contributed by the member by deductions from his or her salary, and the other half (1/2) is contributed and paid by the Town. These contributions are in addition to the contributions required for regular pension benefits.

(CONTINUED)

TOWN OF NORTH SMITHFIELD

NOTES TO FINANCIAL STATEMENTS
June 30, 2013

10. DEFINED BENEFIT PENSION PLANS (Continued)

(c) Teacher's Pension Plan - Employees Retirement System (ERS) (Continued)

Plan Funding Policy (Continued)

The Town contributed \$1,188,595, \$1,389,413, and \$1,183,730 during the fiscal years 2013, 2012 and 2011, respectively, equal to 100% of the actuarially required contributions for those respective years. For financial reporting purposes, the State's share of contributions are reflected as on behalf-payments and are included as both revenue and expenditures in the accompanying financial statements.

The System issues an annual financial report that includes financial statements and required supplementary information for all of the plans it administers. The reports can be obtained at www.ersri.org.

11. DEFINED CONTRIBUTION PLAN

Plan Description

General municipal, certified school, and noncertified school employees participating in the defined benefit plans (of the System), as described above, also participate in a defined contribution plan of the Employees' Retirement System as authorized by General Law Chapter 36-10.3. The defined contribution plan is established under IRS section 401(a) and is administered by TIAA-CREF and the Employees' Retirement System of Rhode Island (the System). Employees may choose among various investment options available to plan participants.

Employee contributions are immediately vested while employer contributions are vested after three years of contributory service. Contributions required under the plan by both the employee and employer are established by the General Laws, which are subject to amendment by the General Assembly.

Amounts in the defined contribution plan are available to participants in accordance with Internal Revenue Service guidelines for such plans.

Plan Funding Policy

The funding policy is outlined in RIGL chapter 36-10.3 (which can be amended by the Rhode Island General Assembly). Active plan members must contribute 5% (7% for teachers that do not contribute to Social Security) of his/her compensation and the Town is required to contribute 1% (3% for teachers that do not contribute to Social Security). The plan members and Town contributed \$940,153 and \$364,379, respectively, during the fiscal year ended June 30, 2013. The employer contribution of \$364,379 consisted of \$14,690 for general municipal employees, \$19,045 for school employees that contribute to Social Security, and \$330,644 for teachers that do not contribute to Social Security.

Although the Town (School Department) is required to contribute 3% towards the plan for teachers that do not contribute to Social Security, the School Department receives reimbursement from the State of Rhode Island for .4% of 1% of the required contributions. For financial reporting purposes, the State's share of the contribution is reflected as on-behalf payments and is included as both revenue and expenditures in the accompanying financial statements.

The System issues an annual financial report that includes financial statements and required supplementary information for all of the plans it administers. The reports can be obtained at www.ersri.org.

(CONTINUED)

TOWN OF NORTH SMITHFIELD

NOTES TO FINANCIAL STATEMENTS
June 30, 2013

12. CONTINGENT LIABILITIES/COMMITMENTS

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

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

13. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

The "Town of North Smithfield Retiree Welfare Plan" is a single-employer defined benefit postretirement health and dental insurance plan. The Town provides lifetime health care and dental insurance benefits to eligible employees. This plan is offered to all certified teachers, Town employees and public safety employees who meet certain age and service requirements. Benefits were paid to 36 employees during 2013. These benefits were funded on a pay as you go basis. For 2013, contributions were approximately \$297,059 for the Town and \$106,146 for the School Department for a total of \$403,205. These benefits are provided as part of the employee's contract.

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, 2011 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 24 years at June 30, 2013.

(CONTINUED)

TOWN OF NORTH SMITHELD

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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

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>
6/30/2013	\$645,096	62.5%	\$1,398,215
6/30/2012	\$626,480	62.9%	\$1,154,324
6/30/2011	\$581,609	65.8%	\$ 921,705

The Town's annual OPEB cost and net OPEB obligation for the year ended June 30, 2013 was as follows:

Annual required contribution.....	\$ 671,558
Interest on net OPEB obligation	50,930
Adjustment to annual required contribution	<u>(77,392)</u>
Annual OPEB cost (expense).....	645,096
Contributions made.....	<u>(403,205)</u>
Increase in net OPEB obligation.....	241,891
Net OPEB obligation-beginning of year.....	<u>1,154,324</u>
Net OPEB obligation-end of year	<u>\$1,396,215</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.

Schedule of Funding Progress

<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%

(CONTINUED)

TOWN OF NORTH SMITHFIELD

NOTES TO FINANCIAL STATEMENTS
June 30, 2013

14. RISK MANAGEMENT

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

(CONCLUDED)

Town of North Smithfield**SCHEDULE OF FUNDING PROGRESS
June 30, 2013****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 (UAAL) as a percentage Of Covered Payroll ((a-b)/c)
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%
6/30/2012	\$12,856,790	\$11,878,920	\$ 977,870	108.23%	\$ 3,354,622	29.15%

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)
6/30/2010	\$ 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%
6/30/2012	\$ 8,065,603	\$ 10,007,964	(\$1,942,361)	80.60%	\$ 1,310,742	-148.19%

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, 2013**

	General Fund			
	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)
Revenues:				
Property taxes	\$ 28,435,191	\$ 28,435,191	\$ 28,466,140	\$ 30,949
Motor vehicle excise in lieu of tax	173,847	173,847	166,413	(7,434)
Intergovernmental and grant revenue	6,579,378	6,579,378	7,562,325	982,947
Town clerk licenses and fees	285,000	285,000	339,610	54,610
Other departmental fines and fees	199,800	199,800	264,514	64,714
Other revenue	575,790	575,790	485,737	(90,053)
Total revenues	36,249,006	36,249,006	37,284,739	1,035,733
General Government				
Town council	10,950	10,950	9,946	1,004
Administrator's office	110,079	110,079	105,898	4,181
Probate	8,554	8,554	8,334	220
Town solicitor	200,644	200,644	146,607	54,037
Board of canvassers	17,190	17,190	12,198	4,992
Town clerk's office	123,532	123,532	122,310	1,222
Municipal court	28,860	28,860	28,076	784
Zoning board	5,330	5,330	3,601	1,729
Personnel Board	1	1	-	1
Juvenile Hearing Board	3,141	3,141	1,496	1,645
Economic Development	1	1	-	1
Conservation commission	200	200	209	(9)
Housing Authority	1	1	-	1
Town hall	10,500	10,500	9,084	1,416
Plant operations	137,825	137,825	157,054	(19,229)
Planning division	95,318	95,318	92,484	2,834
Printing and advertising	17,000	17,000	11,896	5,104
Contingency fund	204,000	204,000	239,993	(35,993)
Scouters Hall	1,250	1,250	1,224	26
North Smithfield Public Library	343,909	343,909	343,909	-
Historic District commission	1	1	-	1
Public Safety Commission	1	1	-	1
Budget Committee	1	1	-	1
Total general government	1,318,288	1,318,288	1,294,319	23,969
Financial administration				
Finance office	185,807	185,807	182,093	3,714
Tax assessor	119,086	119,086	123,465	(4,379)
Tax collection	91,511	91,511	69,822	21,689
Board of review	1	1	-	1
Insurance	175,000	175,000	160,672	14,328
Audits and computer service	115,560	115,560	96,010	19,550
Total financial administration	686,965	686,965	632,062	54,903

(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, 2013**

	General Fund			
	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)
Public Works				
Highway department	678,645	678,645	683,736	(5,091)
Administration	79,498	79,498	78,399	1,099
Parks and recreation	67,345	67,345	60,519	6,826
Tree warden	3,730	3,730	1,730	2,000
Street lights	200,000	200,000	218,928	(18,928)
Rubbish disposal	610,974	610,974	591,728	19,246
Sealer of weights and measures	1	1	-	1
Total public works	1,640,193	1,640,193	1,635,040	5,153
Public Safety				
Police Department	1,986,323	1,986,323	2,078,526	(92,203)
North Smithfield fire/rescue service	2,381,768	2,381,768	2,384,904	(3,136)
Hydrant rental	45,000	45,000	45,000	-
Animal control	54,265	54,265	50,762	3,503
Civil defense	11,880	11,880	9,672	2,208
Inspection division	103,720	103,720	98,641	5,079
Total public safety	4,582,956	4,582,956	4,667,505	(84,549)
Debt Service	3,279,067	3,279,067	3,235,808	43,259
Fixed charges				
Medical, retirement and other employee benefits	1,599,287	1,599,287	1,542,429	56,858
Grants and contributions	48,350	48,350	46,875	1,475
Transfers from (to) other funds				
Town Contribution to school	(23,093,900)	(23,093,900)	(23,966,898)	(872,998)
Total expenditures	36,249,008	36,249,008	37,020,936	(771,930)
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ -	\$ -	263,803	\$ 263,803
Adjustments required under generally accepted accounting principles				
Non-major fund combined with general fund				
Parks and recreation			16,833	
Property tax revenue - sixty day rule			180,753	
Prior years property tax revenue- sixty day rule			(206,462)	
			\$ 254,927	

(CONCLUDED)

TOWN OF NORTH SMITHFIELD

SCHOOL FUND

**SCHEDULE OF REVENUES EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
YEAR ENDED JUNE 30, 2013**

	Special Revenue Fund - Operational Restricted			
	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)
Revenues:				
Local appropriations	\$ 17,976,868	\$ 17,976,868	\$ 17,976,868	\$ -
State of Rhode Island - General Aid	4,997,032	4,997,032	4,997,032	-
State of Rhode Island - Group Home	120,000	120,000	120,000	-
Medicaid	-	-	209,519	209,519
Rental income - fields and buildings	-	-	62,714	62,714
Total revenues	23,093,900	23,093,900	23,366,133	272,233
Expenditures				
Salaries	13,395,020	13,395,020	13,449,208	(54,188)
Employee benefits	4,620,927	4,620,927	4,525,365	95,562
Purchased services	3,515,515	3,515,515	3,578,430	(62,915)
Supplies and materials	1,186,356	1,186,356	997,653	188,703
Capital outlays	187,797	187,797	314,195	(126,398)
Other costs	188,285	188,285	30,464	157,821
Total expenditures	23,093,900	23,093,900	22,895,315	198,585
Excess of revenues over expenditures	-	-	470,818	470,818
Other financing uses				
Transfer to Town	-	-	(158,234)	158,234
Total other financing uses	-	-	(158,234)	158,234
Excess of revenues over expenditures and other financing uses	\$ -	\$ -	312,584	\$ 312,584
Adjustments required under generally accepted accounting principles				
Change in encumbrances			(348,054)	
			\$ (35,470)	

(CONTINUED)

TOWN OF NORTH SMITHFIELD
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2013

	<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	\$ 12,458	\$ 835	\$ 5,128	
Due from federal and state governments	\$ 276,767					
Due from other funds	110,597			6,310	1,656	
TOTAL ASSETS	387,364	765	12,458	7,145	6,784	\$ -
LIABILITIES						
Accounts payable	33,792					
Accrued expenses	12,539					
Due to other funds	217,474		17,934			
Unearned revenue	75,007				6,784	
TOTAL LIABILITIES	338,812	-	17,934	-	6,784	-
FUND BALANCE						
Restricted	48,552	765		7,145		
Committed						-
Unassigned			(5,476)			
TOTAL FUND BALANCE	\$ 48,552	\$ 765	\$ (5,476)	\$ 7,145	\$ -	\$ -

(CONTINUED)

TOWN OF NORTH SMITHFIELD
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2013

	Miscellaneous Revenue <u>Fund</u>	Project D.A.R.E. <u>Fund</u>	Business Revolving <u>Loan Fund</u>	CDBG <u>Fund</u>	Police Forfeiture <u>Funds</u>	Miscellaneous Police/Fire <u>Funds</u>
ASSETS						
Cash and cash equivalents	\$ 1,628	\$ 929	\$ 54,058	\$ 18,981	\$ 211	
Due from federal and state governments						
Due from other funds				325,000	2,542	\$ 8,835
TOTAL ASSETS	<u>1,628</u>	<u>929</u>	<u>54,058</u>	<u>343,981</u>	<u>2,753</u>	<u>8,835</u>
LIABILITIES						
Accounts payable				325,000		
Accrued expenses						
Due to other funds	10,757					
Unearned revenue						
TOTAL LIABILITIES	<u>10,757</u>	<u>-</u>	<u>-</u>	<u>325,000</u>	<u>-</u>	<u>-</u>
FUND BALANCE						
Restricted		929	54,058	18,981	2,753	8,835
Committed						
Unassigned	(9,129)					
TOTAL FUND BALANCE	<u>\$ (9,129)</u>	<u>\$ 929</u>	<u>\$ 54,058</u>	<u>\$ 18,981</u>	<u>\$ 2,753</u>	<u>\$ 8,835</u>

(CONTINUED)

TOWN OF NORTH SMITHFIELD
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2013

	<u>EMS</u> <u>Fund</u>	<u>Debt</u> <u>Reserve</u> <u>Fund</u>	<u>Record</u> <u>Retention</u> <u>Fund</u>	<u>GRAND</u> <u>TOTALS</u>
ASSETS				
Cash and cash equivalents	\$ 526,735	\$ 321,323		\$ 943,051
Due from federal and state governments				276,767
Due from other funds			\$ 79,646	534,586
TOTAL ASSETS	526,735	321,323	79,646	1,754,404
LIABILITIES				
Accounts payable				358,792
Accrued expenses				12,539
Due to other funds				246,165
Unearned revenue				81,791
TOTAL LIABILITIES	-	-	-	699,287
FUND BALANCE				
Restricted			79,646	221,664
Committed	526,735	321,323		848,058
Unassigned				(14,605)
TOTAL FUND BALANCE	\$ 526,735	\$ 321,323	\$ 79,646	\$ 1,055,117

(CONCLUDED)

TOWN OF NORTH SMITHFIELD

F - 2

**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, 2013**

	<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>
REVENUES:						
Interest and investment income						
Intergovernmental	\$ 740,878		\$ 3,707		\$ 25,061	
Other	49,651					
TOTAL REVENUES	790,529	\$ -	3,707	\$ -	25,061	\$ -
EXPENDITURES:						
Public services			4,006	509	25,061	(2,718)
Education	779,972					
Capital outlays	753					
Other						
TOTAL EXPENDITURES	780,725	-	4,006	509	25,061	(2,718)
Excess of revenue over(under) expenditures before transfers	9,804	-	(299)	(509)	-	2,718
Other financing sources (uses):						
Transfers in						
Transfers out						
Net other financing sources (uses)	-	-	-	-	-	-
Excess of revenues and other sources over (under) expenditures and other uses	9,804	-	(299)	(509)	-	2,718
FUND BALANCE, BEGINNING OF YEAR	38,748	765	(5,177)	7,654		(2,718)
FUND BALANCE, END OF YEAR	\$ 48,552	\$ 765	\$ (5,476)	\$ 7,145	\$ -	\$ -

(CONTINUED)

TOWN OF NORTH SMITHFIELD

F - 2

**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, 2013**

	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				\$ 373,731		
Other		\$ 1,894				
TOTAL REVENUES	\$ -	1,894	\$ -	373,731	\$ -	\$ -
EXPENDITURES:						
Public services		1,272				
Education						
Capital outlays						
Other				377,752	11,133	
TOTAL EXPENDITURES	-	1,272	-	377,752	11,133	-
Excess of revenue over(under) expenditures before transfers	-	622	-	(4,021)	(11,133)	
Other financing sources (uses):						
Transfers in						
Transfers out						
Net other financing sources (uses)	-	-	-	-	-	-
Excess of revenues and other sources over (under) expenditures and other uses	-	622	-	(4,021)	(11,133)	
FUND BALANCE, BEGINNING OF YEAR	(9,129)	307	54,058	23,002	13,886	8,835
FUND BALANCE, END OF YEAR	\$ (9,129)	\$ 929	\$ 54,058	\$ 18,981	\$ 2,753	\$ 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, 2013**

F - 2

	<u>EMS Fund</u>	<u>Debt Reserve Fund</u>	<u>Record Retention Fund</u>	<u>GRAND TOTALS</u>
REVENUES:				
Interest and investment income	\$ 795			\$ 795
Intergovernmental				1,143,377
Other	506,726		\$ 30,145	588,416
TOTAL REVENUES	<u>507,521</u>	<u>\$ -</u>	<u>30,145</u>	<u>1,732,588</u>
EXPENDITURES:				
Public services				28,130
Education	164			780,136
Capital outlays	36,282			37,035
Other	52,792	117,724	26,698	586,099
TOTAL EXPENDITURES	<u>89,238</u>	<u>117,724</u>	<u>26,698</u>	<u>1,431,400</u>
Excess of revenue over(under) expenditures before transfers	<u>418,283</u>	<u>(117,724)</u>	<u>3,447</u>	<u>301,188</u>
Other financing sources (uses):				
Transfers in		50,000		50,000
Transfers out	(214,983)			(214,983)
Net other financing sources (uses)	<u>(214,983)</u>	<u>50,000</u>	<u>-</u>	<u>(164,983)</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>203,300</u>	<u>(67,724)</u>	<u>3,447</u>	<u>136,205</u>
FUND BALANCE, BEGINNING OF YEAR	<u>323,435</u>	<u>389,047</u>	<u>76,199</u>	<u>918,912</u>
FUND BALANCE, END OF YEAR	<u>\$ 526,735</u>	<u>\$ 321,323</u>	<u>\$ 79,646</u>	<u>\$ 1,055,117</u>

(CONCLUDED)

Statement of Changes in Assets and Liabilities
Agency Funds
For the year ended June 30, 2013

	<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	\$ 41,512	\$ 2,000	\$ 23,122	\$ 20,390
<u>LIABILITY</u>				
Deposits Held in Custody for Others	\$ 41,512	\$ 2,000	\$ 23,122	\$ 20,390
<u>Junior/Senior High School Fund</u>				
<u>ASSET</u>				
Cash and cash equivalents	\$ 160,011	\$ 194,533	\$ 194,075	\$ 160,469
Other receivables	11,578	10,299	11,578	10,299
	<u>\$ 171,589</u>	<u>\$ 204,832</u>	<u>\$ 205,653</u>	<u>\$ 170,768</u>
<u>LIABILITY</u>				
Deposits Held in Custody for Others	\$ 171,589	\$ 204,832	\$ 205,653	\$ 170,768
<u>Middle School Fund</u>				
<u>ASSET</u>				
Cash and cash equivalents	\$ 31,777	\$ 35,118	\$ 39,586	\$ 27,309
<u>LIABILITY</u>				
Deposits Held in Custody for Others	\$ 31,777	\$ 35,118	\$ 39,586	\$ 27,309
<u>Hall/Well School Fund</u>				
<u>ASSET</u>				
Cash and cash equivalents	\$ 13,610	\$ 36,246	\$ 37,310	\$ 12,546
<u>LIABILITY</u>				
Deposits Held in Custody for Others	\$ 13,610	\$ 36,246	\$ 37,310	\$ 12,546
<u>Athletic Account</u>				
<u>ASSET</u>				
Cash and cash equivalents	\$ 3,148	\$ 48,448	\$ 50,957	\$ 639
<u>LIABILITY</u>				
Deposits Held in Custody for Others	\$ 3,148	\$ 48,448	\$ 50,957	\$ 639

(CONTINUED)

Statement of Changes in Assets and Liabilities
Agency Funds
For the year ended June 30, 2013

	<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	<u>\$ 15,012</u>	<u>\$ 27,087</u>	<u>\$ 21,904</u>	<u>\$ 20,195</u>
<u>LIABILITY</u>				
Deposits Held in Custody for Others	<u>\$ 15,012</u>	<u>\$ 27,087</u>	<u>\$ 21,904</u>	<u>\$ 20,195</u>
<u>TOTAL AGENCY FUNDS</u>				
<u>ASSET</u>				
Cash	\$ 280,483	\$ 343,432	\$ 366,954	\$ 256,961
Other receivables	11,578	10,299	11,578	10,299
TOTAL ASSETS	<u>\$ 292,061</u>	<u>\$ 353,731</u>	<u>\$ 378,532</u>	<u>\$ 267,260</u>
<u>LIABILITY</u>				
Deposits Held in Custody for Others	\$ 292,061	\$ 353,731	\$ 378,532	\$ 267,260
TOTAL LIABILITIES	<u>\$ 292,061</u>	<u>\$ 353,731</u>	<u>\$ 378,532</u>	<u>\$ 267,260</u>

(CONCLUDED)

TOWN OF NORTH SMITHFIELD

SCHEDULE OF PROPERTY TAXES RECEIVABLE
YEAR ENDED JUNE 30, 2013

<u>Year</u>	<u>Balance Uncollected July 1, 2012</u>	<u>2012 Assessment</u>	<u>Additions</u>	<u>Abatements & Adjustments</u>	<u>Amount to be Collected</u>	<u>Current Year Collections</u>	<u>Balance June 30, 2013</u>
2012		\$28,611,366	\$ 92,089	\$ 198,256	\$ 28,505,199	\$ 27,801,417	\$ 703,782
2011	\$ 734,626		11,612	9,737	736,501	513,153	223,348
2010	220,219			14,554	205,665	24,868	180,797
2009	123,986			(273)	124,259	4,255	120,004
2008	88,907			221	88,686	4,364	84,322
2007	68,292			269	68,023	1,624	66,399
2006	37,610			14	37,596	224	37,372
2005	36,875				36,875		36,875
2004	32,669			19	32,650	73	32,577
2003	35,723				35,723	512	35,211
2002	25,614			18,286	7,328		7,328
2001	12,477			12,403	74		74
2000	43				43		43
1999	659				659		659
Total	1,417,700	\$28,611,366	\$ 103,701	\$ 253,486	\$ 29,879,281	\$ 28,350,490	1,528,791
Less: Allowance for Uncollectible accounts	(100,000)						(100,000)
Net	<u>\$ 1,317,700</u>						<u>\$ 1,428,791</u>

Schedule of property valuation assessed as of December 31, 2011:

Real estate	\$ 1,403,195,010
Tangibles	64,842,310
Motor vehicles	123,945,917
Less: exemptions	(31,851,651)
State phase out	<u>(6,148,193)</u>
	<u>\$ 1,553,983,393</u>