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***TOWN OF NORTH SMITHFIELD,  
RHODE ISLAND***

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***Basic Financial Statements  
With Independent Auditors' Report***

***FOR THE PERIOD AND FISCAL YEAR ENDED  
June 30, 2014***

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***Parmelee, Poirier & Associates LLP***

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**TOWN OF NORTH SMITHFIELD, RHODE ISLAND  
ANNUAL FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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ANNUAL FINANCIAL STATEMENTS  
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## **FINANCIAL SECTION**

This Section Contains the Following Subsections:

Independent Auditors' Report  
Management's Discussion and Analysis  
Basic Financial Statements  
Required Supplementary Information  
Supplementary Information

## ***INDEPENDENT AUDITORS' REPORT***

The Honorable Town Council  
North Smithfield, Rhode Island

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Town of North Smithfield, Rhode Island (Town) as of and for the year ended June 30, 2014, 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.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. 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 auditor's 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 includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluating the overall financial statement 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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of the Town of North Smithfield, Rhode Island as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## 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 through 11, page 60 and pages 61 through 63 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 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 statement that collectively comprise the Town of North Smithfield's basic financial statements. The introductory section, combining and individual non-major fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements.

The combining and individual non-major fund financial statements 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. In our opinion, the combining and individual non-major funds financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*Parmelee Poirier & Associates, LLP*  
Parmelee, Poirier & Associates, LLP  
Warwick, Rhode Island  
December 2, 2014

## **Management's Discussion and Analysis**

## **TOWN OF NORTH SMITHFIELD, RHODE ISLAND**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Management of the Town of North Smithfield provides this Management's Discussion and Analysis of the Town's Annual Financial Report for the readers of the Town's financial statements. This narrative overview and analysis of the financial statements of the Town of North Smithfield is for fiscal year ended June 30, 2014.

Included within our discussion will be a series of comparative tables, serving to more clearly illustrate Changes in the Town's financial position. These tables will reflect governmental activities, business - type activities and total activities for the 2013 and 2014 fiscal years. 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 is intended to serve as an introduction to the Town's annual financial statements. The financial section of this report consists of four parts — management's discussion and analysis (this section), the basic financial statements, required supplementary information and other supplementary information that includes combining statements for non-major governmental funds and other fiduciary funds.

The first two statements are government-wide financial statements that provide both long-term and short-term information about the Town's overall status. The remaining statements are fund-financial statements that focus on individual parts of the Town government, reporting the Town's operations in more detail than the government wide statements.

The governmental fund statements tell how general government services like public safety were financed in the short term as well as what remains for future spending.

Proprietary fund statements offer short and long term financial information about the activities the Government operates like businesses, such as the water and sewer system.

Fiduciary fund statements provide information about assets that are held by the Town as a trustee or agent for the benefit of someone or something other than the Town itself. The Town cannot use these assets to support its own programs.

The financial statements also include notes that provide more detailed data about some of the information in the financial statements. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. In addition to these required elements, we have included a section with combining statements that provide details about our non-major governmental funds and fiduciary funds, which are added together and presented in a single column in the basic financial statements. The Town of North Smithfield adopted the provision of Governmental Accounting Standards Board Statement No. 33, Accounting and Financial Reporting for Non-exchange 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 Statements

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

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

Over time, increases or decreases in the Town's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

To assess the overall health of the Town, you need to consider additional non-financial factors such as changes in the Town's property tax base and the condition of the Town's roads.

The government-wide financial statements of the Town are divided into two categories:

***Governmental activities*** - Most of the Town's basic services are included here, such as the police, fire, library, public works, parks & recreation and general administration. Property taxes, charges for services and state funding finance most of these activities.

***Business-Type activities*** - The Town charges fees to customers to cover the costs of certain services it provides. The Town Water and Sewer Enterprise Funds are included here.

The government-wide financial statements are reported on pages 12 and 13.

## Fund Financial Statements

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

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

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

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 the governmental activities.

The Town maintains 24 governmental funds; three are considered major funds for presentation purposes. That is, each major fund is presented in a separate column in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances. Data from the remaining 21 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 Town's three major governmental funds are:

1. General Fund
2. School Unrestricted Fund
3. Capital Projects Fund

The basic governmental fund financial statements can be found on pages 14 through 16 of this report.

***Proprietary Funds*** - The Town maintains three enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town maintains an enterprise fund to account for its Water, Sewer and School Lunch operations.

The basic proprietary fund financial statements can be found on pages 17 through 19 of this report.

***Fiduciary Funds*** - The Town maintains one private-purpose trust fund and eight agency funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary funds financial statements can be found on pages 20 and 21 of this report.

***Notes to the financial statements*** - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements follow the basic financial statements and can be found on pages 22 through 59 of this report.

***Other Information*** - In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. This section includes budgetary comparison schedules, which include reconciliation between the statutory revenues and expenditures for budgetary purposes and the revenues and expenditures for the General Fund and School Unrestricted Fund as presented in the governmental fund financial statements. Required supplementary information follows the notes to the financial statements and can be found beginning on page 60 of this report. 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

### Net position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Town's combined net position (government and business-type activities) totaled \$34,683,337 at the close of the most recent fiscal year.

#### Town of North Smithfield Net Position

|                                                    | June 30, 2014                   |                                 |                      | June 30, 2013                   |                                 |                      |
|----------------------------------------------------|---------------------------------|---------------------------------|----------------------|---------------------------------|---------------------------------|----------------------|
|                                                    | Govern-<br>mental<br>Activities | Business-<br>Type<br>Activities | Total                | Govern-<br>mental<br>Activities | Business-<br>Type<br>Activities | Total                |
| Current and other assets                           | \$ 8,382,678                    | \$ 8,866,737                    | \$ 17,249,415        | \$ 8,042,627                    | \$ 8,999,371                    | \$ 17,041,998        |
| Capital assets, net                                | 51,942,547                      | 14,046,761                      | 65,989,308           | 53,269,805                      | 14,864,366                      | 68,134,171           |
| <b>Total assets</b>                                | <b>60,325,225</b>               | <b>22,913,498</b>               | <b>83,238,723</b>    | <b>61,312,432</b>               | <b>23,863,737</b>               | <b>85,176,169</b>    |
| Current liabilities                                | 3,661,032                       | 1,725,740                       | 5,386,772            | 1,952,874                       | 4,924,429                       | 6,877,303            |
| Long-term liabilities                              | 33,368,734                      | 9,799,880                       | 43,168,614           | 35,831,577                      | 7,731,820                       | 43,563,397           |
| <b>Total liabilities</b>                           | <b>37,029,766</b>               | <b>11,525,620</b>               | <b>48,555,386</b>    | <b>37,784,451</b>               | <b>12,656,249</b>               | <b>50,440,700</b>    |
| <b>Net position:</b>                               |                                 |                                 |                      |                                 |                                 |                      |
| Invested in capital assets,<br>net of related debt | 19,191,171                      | 6,997,884                       | 26,189,055           | 19,711,400                      | 7,132,546                       | 26,843,946           |
| Restricted for specific use                        | -                               | 65,079                          | 65,079               | 884,046                         | 59,267                          | 943,313              |
| Unrestricted                                       | 4,104,288                       | 4,324,915                       | 8,429,203            | 2,932,535                       | 4,015,675                       | 6,948,210            |
| <b>Total net position</b>                          | <b>\$ 23,295,459</b>            | <b>\$ 11,387,878</b>            | <b>\$ 34,683,337</b> | <b>\$ 23,527,981</b>            | <b>\$ 11,207,488</b>            | <b>\$ 34,735,469</b> |

The largest portion of the Town's net assets, \$26,189,055 reflects its investment in capital such as land, building, equipment, and infrastructure, less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net assets, \$65,079 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$8,429,203 may be used to meet the Town's ongoing obligations to citizens and creditors. Internally imposed designations of resources are not presented as restricted net position.

## Changes in Net Position

### Town of North Smithfield Changes in Net Position

|                                             | June 30, 2014              |                                 |                      | June 30, 2013              |                                 |                      |
|---------------------------------------------|----------------------------|---------------------------------|----------------------|----------------------------|---------------------------------|----------------------|
|                                             | Governmental<br>Activities | Business-<br>Type<br>Activities | Total                | Governmental<br>Activities | Business-<br>Type<br>Activities | Total                |
| <b>Revenues</b>                             |                            |                                 |                      |                            |                                 |                      |
| <b>Program revenues</b>                     |                            |                                 |                      |                            |                                 |                      |
| Charges for services                        | \$ 1,948,700               | \$ 2,987,259                    | \$ 4,935,959         | \$ 1,438,288               | \$ 2,747,551                    | \$ 4,185,839         |
| Operating grants                            | 7,063,013                  | 197,254                         | 7,260,267            | 7,302,049                  | 166,129                         | 7,468,178            |
| Capital grants                              | 102,665                    | 13,498                          | 116,163              | -                          | -                               | -                    |
| <b>General Revenues/transfers</b>           |                            |                                 |                      |                            |                                 |                      |
| Property taxes, levied for general purposes | 29,310,336                 | -                               | 29,310,336           | 28,577,231                 | -                               | 28,577,231           |
| State aid                                   | 1,750,156                  | -                               | 1,750,156            | 1,738,708                  | -                               | 1,738,708            |
| Interest income                             | 850                        | -                               | 850                  | 938                        | -                               | 938                  |
| Bond disbursements for land trust           | (544,174)                  | -                               | (544,174)            | -                          | -                               | -                    |
| Transfers in (out)                          | (60,234)                   | 60,234                          | -                    | -                          | -                               | -                    |
| <b>Total revenues</b>                       | <u>39,571,312</u>          | <u>3,258,245</u>                | <u>42,829,557</u>    | <u>39,057,214</u>          | <u>2,913,680</u>                | <u>41,970,894</u>    |
| <b>Expenses</b>                             |                            |                                 |                      |                            |                                 |                      |
| General government                          | 1,777,431                  | -                               | 1,777,431            | 1,355,299                  | -                               | 1,355,299            |
| Financial administration                    | 661,705                    | -                               | 661,705              | 632,062                    | -                               | 632,062              |
| Public safety                               | 4,982,385                  | -                               | 4,982,385            | 4,939,615                  | -                               | 4,939,615            |
| Public works                                | 2,117,865                  | -                               | 2,117,865            | 2,004,276                  | -                               | 2,004,276            |
| Fixed charges                               | 1,885,211                  | -                               | 1,885,211            | 2,175,403                  | -                               | 2,175,403            |
| Grants & contributions                      | 20,550                     | -                               | 20,550               | 46,875                     | -                               | 46,875               |
| Education                                   | 26,848,161                 | -                               | 26,848,161           | 26,088,441                 | -                               | 26,088,441           |
| Capital outlay                              | -                          | -                               | -                    | -                          | -                               | -                    |
| Other                                       | 94,587                     | -                               | 94,587               | 109,381                    | -                               | 109,381              |
| Interest                                    | 1,457,872                  | -                               | 1,457,872            | 1,498,735                  | -                               | 1,498,735            |
| Water fund                                  | -                          | 490,791                         | 490,791              | -                          | 445,091                         | 445,091              |
| Sewer fund                                  | -                          | 2,109,461                       | 2,109,461            | -                          | 2,054,327                       | 2,054,327            |
| School lunch fund                           | -                          | 477,603                         | 477,603              | -                          | 467,942                         | 467,942              |
| <b>Total expenses</b>                       | <u>39,845,767</u>          | <u>3,077,855</u>                | <u>42,923,622</u>    | <u>38,850,087</u>          | <u>2,967,360</u>                | <u>41,817,447</u>    |
| Change in net assets                        | (274,455)                  | 180,390                         | (94,065)             | 207,127                    | (53,680)                        | 153,447              |
| Prior period adjustments                    | 41,933                     | -                               | 41,933               | -                          | -                               | -                    |
| <b>Net position - beginning</b>             | <u>23,527,981</u>          | <u>11,207,488</u>               | <u>34,735,469</u>    | <u>23,320,854</u>          | <u>11,261,168</u>               | <u>34,582,022</u>    |
| <b>Net position - ending</b>                | <u>\$ 23,295,459</u>       | <u>\$ 11,387,878</u>            | <u>\$ 34,683,337</u> | <u>\$ 23,527,981</u>       | <u>\$ 11,207,488</u>            | <u>\$ 34,735,469</u> |

**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, Expenditures 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 decreased the Town's net assets by \$274,455.

**Business-Type activities** - Business-type activities increased the Town's net assets by \$180,390.

### **Financial Analysis of the Government's Funds**

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

**Governmental Funds:** The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unassigned 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 the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$5,647,508 an increase of \$447,239 (8.6%) in comparison with the prior year. The General Fund and School Unrestricted Fund are the chief operating funds of the Town.

At the end of the current fiscal year, the total fund balance of the General Fund was \$3,241,709, of which \$2,452,067 is unassigned (75.6%). The General Fund total fund balance increased by \$103,037 (3.3%) during the current fiscal year. The unassigned fund balance in the General Fund represents 6.5% of the total General Fund budgeted expenditures.

At the end of the current fiscal year, the total fund balance of the School Unrestricted Fund was \$668,770, of which \$668,614 is committed for education and \$156 is assigned for encumbrances. There are no unassigned balances in the School Unrestricted Fund. The School Unrestricted Fund total fund balance has increased by \$324,672 (94.3%) during the current fiscal year.

**Proprietary Funds:** The Town's proprietary funds provide the same type of information found in the government-wide financial statements but in more detail.

At the end of the current fiscal year, net position of the Water Fund amounted to \$887,491, a decrease of \$95,978 (9.8%). In the Sewer Fund, net position amounted to \$10,435,308, an increase of \$273,717 (2.7%). In the School Lunch Fund, net position amounted to \$65,079, an increase of \$2,651 (4.2%). All of the School Lunch net position is restricted for specific use.

## **General Fund Budgetary Highlights**

The following Revenue Sources had revenue that was materially over/(under) budget for the fiscal year:

**Property taxes** - were \$606,504 under budget. This was due to the abatement issue in the amount of approximately \$753,000. For a more detailed review of this issue, please see Current Year Finding 2014-001 in the Findings Related to the Financial Statement Audit section in the single audit report located on page 84.

**Intergovernmental and grant revenue** – was under budget by 104,723 due to School Medicaid being budgeted in the amount of \$181,086. All Medicaid revenue collected by the School through Compuclaim is reported on the School Unrestricted fund.

**Other departmental fines and fees** – were under budget by \$74,487 due to School miscellaneous & rental revenue being budgeted in the amounts of \$40,000 and \$30,000, respectively. All miscellaneous and rental revenue collected by the School is reported on the School Unrestricted fund.

**Other revenue** – was over budget by \$160,428 due to EMS revenue collected over budgeted amounts, Parks & Recreation revenue being included, see public works explanation below, and a one-time payment of \$60,000 from National Grid to be committed for Fire Department expenditures.

The following Departments had expenditures that were materially over/(under) budget for the fiscal year:

**General governmental expenditures** - were under budget by \$40,181 due to contingency fund expenditures and plant operations line items being under spent.

**Financial administration expenditures** - were under budget by \$20,915 due to the insurance expenditure line item being under spent.

**Public safety expenditures** – were under budget by \$35,016 due to the reduction of personnel costs in the Police Department.

**Public works expenditures** – were over budget by \$64,205 due to the combination of unbudgeted expenditures and revenues for parks & recreation being included to show total parks & recreation operations. It must be noted that corresponding revenue was recorded in other revenue above that offsets this overage.

## **Capital Assets and Debt Administration**

**Capital Assets** - The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2014 amounted to \$65,989,308 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, roads and construction in progress.

Additional information on the Town's capital assets can be found in the notes to the financial statements of this report. A summary of the Town's capital assets is presented below:

**Town of North Smithfield**  
**Capital Assets (Net of Accumulated Depreciation)**

|                                    | June 30, 2014                   |                                |                      | June 30, 2013                   |                                |                      |
|------------------------------------|---------------------------------|--------------------------------|----------------------|---------------------------------|--------------------------------|----------------------|
|                                    | Govern-<br>mental<br>Activities | Business<br>Type<br>Activities | Total                | Govern-<br>mental<br>Activities | Business<br>Type<br>Activities | Total                |
| Land                               | \$ 7,941,141                    | \$ -                           | \$ 7,941,141         | \$ 7,941,141                    | \$ -                           | \$ 7,941,141         |
| Land improvements                  | 1,516,443                       | 34,166                         | 1,550,609            | 1,614,239                       | 35,030                         | 1,649,269            |
| Buildings and improvements         | 39,323,573                      | 1,643,871                      | 40,967,444           | 40,668,844                      | 1,690,796                      | 42,359,640           |
| Infrastructure                     | 1,374,771                       | 5,885,663                      | 7,260,434            | 1,266,485                       | 6,049,075                      | 7,315,560            |
| Machinery, equipment and furniture | 1,197,045                       | 6,416,203                      | 7,613,248            | 1,222,493                       | 7,060,498                      | 8,282,991            |
| Vehicles                           | 589,574                         | 66,858                         | 656,432              | 556,603                         | 28,967                         | 585,570              |
| <b>Total</b>                       | <b>\$ 51,942,547</b>            | <b>\$ 14,046,761</b>           | <b>\$ 65,989,308</b> | <b>\$ 53,269,805</b>            | <b>\$ 14,864,366</b>           | <b>\$ 68,134,171</b> |

**Long-Term Obligations** – At the end of the fiscal year, the Town had total debt outstanding of \$42,655,462. General obligation bonds are backed by the full faith and credit of the Town, including the Town's power to levy additional taxes to ensure repayment of the debt. Accordingly, all general obligation debt currently outstanding was approved by a vote of the citizens. A summary of the Town's Long-Term Obligations is presented below:

**Town of North Smithfield**  
**Long-Term Obligations**

|                                  | June 30, 2014                   |                                 |                      | June 30, 2013                   |                                 |                      |
|----------------------------------|---------------------------------|---------------------------------|----------------------|---------------------------------|---------------------------------|----------------------|
|                                  | Govern-<br>mental<br>Activities | Business-<br>Type<br>Activities | Total                | Govern-<br>mental<br>Activities | Business-<br>Type<br>Activities | Total                |
| General Obligation Bonds & Loans | \$ 31,698,000                   | \$ 7,048,877                    | \$ 38,746,877        | \$ 32,880,000                   | \$ 7,731,820                    | \$ 40,611,820        |
| Capital leases payable           | 1,053,376                       | -                               | 1,053,376            | 678,405                         | -                               | 678,405              |
| Accrued compensated absences     | 832,479                         | -                               | 832,479              | 876,957                         | -                               | 876,957              |
| Claims payable                   | 413,212                         | -                               | 413,212              | -                               | -                               | -                    |
| Net OPEB obligation              | 1,609,518                       | -                               | 1,609,518            | 1,396,215                       | -                               | 1,396,215            |
| <b>Totals</b>                    | <b>\$ 35,606,585</b>            | <b>\$ 7,048,877</b>             | <b>\$ 42,655,462</b> | <b>\$ 35,831,577</b>            | <b>\$ 7,731,820</b>             | <b>\$ 43,563,397</b> |

The Town retired bond debt of \$1,727,000 for Governmental Activities and \$682,943 for Business-Type Activities during the current fiscal year. State statute limits the amount of bonds a governmental entity can issue to 3% of its total assessed valuation. The current debt limitation for Town bonds is \$5,930,157.

Additional information on the Town's long-term obligations can be found in the notes to the financial statements.

## **Independent Audit**

State statutes and the Town Charter require an annual audit by independent certified public accountants. The accounting firm of Parmelee Poirier & Associates provided this service for the purpose of issuing basic financial statements and supplementary information for the year ended June 30, 2014. In addition to meeting the requirements set forth in state statutes, the audit is also designed to meet the requirements of the federal Single Audit Act of 1984 as amended by the Single Audit Act Amendments of 1996 and related OMB Circular A-133. The auditors' reports related specifically to the single audit are located at the end of this report in the single audit section.

## **Economic Factors and Next Year's Budgets and Rates**

The budget for fiscal year 2014-2015 is \$39,347,660, an increase of \$1,537,706 of 4.07% from the prior year. Education, at \$24,471,857 or 62.2% of the total budgeted expenditures, had an increase of \$627,203. This increase is made up of State Aid increases of \$195,464, miscellaneous revenue increases of \$6,384 and Town appropriation increases of \$425,355.

For the fiscal year 2014-2015, the tax rate was broken down into three tiers: residential, commercial and personal property, with rates of \$16.02, \$17.77 and \$42.805, respectively. The breakdown consists of 37.80% for municipal and 62.20% for education. For the fiscal year 2013-2014, the tax rate was broken down into the same three tiers, with rates of \$15.57, \$17.59 and \$42.75, respectively. The breakdown consists of 36.29% for municipal and 63.71% for education.

## **Requests for Information**

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to the Finance Director, Town Hall, 1 Main Street, Slatersville, Rhode Island 02876.

Brenda J. MacDonald  
Finance Director



## **BASIC FINANCIAL STATEMENTS**

## **Government-Wide Financial Statements**

**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**  
**Statement of Net Position**  
**June 30, 2014**

|                                                 | Primary Government         |                             |                      |
|-------------------------------------------------|----------------------------|-----------------------------|----------------------|
|                                                 | Governmental<br>Activities | Business-Type<br>Activities | Total                |
| <b>ASSETS</b>                                   |                            |                             |                      |
| <b>Current assets:</b>                          |                            |                             |                      |
| Cash and cash equivalents                       | \$ 5,943,176               | \$ 3,971,461                | \$ 9,914,637         |
| <b>Accounts receivable:</b>                     |                            |                             |                      |
| Accounts receivable - net                       | 1,926,355                  | 172,566                     | 2,098,921            |
| Other receivables                               | 521,665                    | 812,974                     | 1,334,639            |
| Internal balances                               | (8,518)                    | 8,518                       | -                    |
| Assessments receivable (current)                | -                          | 450,076                     | 450,076              |
| <b>Total current assets</b>                     | <u>8,382,678</u>           | <u>5,415,595</u>            | <u>13,798,273</u>    |
| <b>Non-current assets:</b>                      |                            |                             |                      |
| <b>Capital assets, net:</b>                     |                            |                             |                      |
| Not being depreciated                           | 7,941,141                  | 16,141                      | 7,957,282            |
| Property, plant and equipment - net             | 44,001,406                 | 14,030,620                  | 58,032,026           |
| <b>Total capital assets, net</b>                | <u>51,942,547</u>          | <u>14,046,761</u>           | <u>65,989,308</u>    |
| Assessments receivable (noncurrent)             | -                          | 3,451,142                   | 3,451,142            |
| <b>Total non-current assets</b>                 | <u>51,942,547</u>          | <u>17,497,903</u>           | <u>69,440,450</u>    |
| <b>TOTAL ASSETS</b>                             | <u>60,325,225</u>          | <u>22,913,498</u>           | <u>83,238,723</u>    |
| <b>LIABILITIES</b>                              |                            |                             |                      |
| <b>Current liabilities:</b>                     |                            |                             |                      |
| Accounts payable                                | 710,986                    | 390,625                     | 1,101,611            |
| Accrued expenses                                | 657,965                    | 184,900                     | 842,865              |
| Unearned revenue (current)                      | 54,230                     | 450,076                     | 504,306              |
| <b>Long-term obligations</b>                    |                            |                             |                      |
| Due within one year                             | 2,237,851                  | 700,139                     | 2,937,990            |
| <b>Total current liabilities</b>                | <u>3,661,032</u>           | <u>1,725,740</u>            | <u>5,386,772</u>     |
| <b>Non-current liabilities</b>                  |                            |                             |                      |
| <b>Long-term obligations</b>                    |                            |                             |                      |
| Due in more than one year                       | 33,368,734                 | 6,348,738                   | 39,717,472           |
| Unearned revenue (noncurrent)                   | -                          | 3,451,142                   | 3,451,142            |
| <b>Total non-current liabilities</b>            | <u>33,368,734</u>          | <u>9,799,880</u>            | <u>43,168,614</u>    |
| <b>NET POSITION</b>                             |                            |                             |                      |
| Invested in capital assets, net of related debt | 19,191,171                 | 6,997,884                   | 26,189,055           |
| Restricted for specific use                     | -                          | 65,079                      | 65,079               |
| Unrestricted                                    | 4,104,288                  | 4,324,915                   | 8,429,203            |
| <b>Total net position</b>                       | <u>\$ 23,295,459</u>       | <u>\$ 11,387,878</u>        | <u>\$ 34,683,337</u> |

*See auditor's report and accompanying notes to these financial statements*

**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2014**

| Functions/ Programs                         | Program revenues     |                      |                                    |                                  | Net (Expense) Revenue and Changes in Net Assets |                          |                     |
|---------------------------------------------|----------------------|----------------------|------------------------------------|----------------------------------|-------------------------------------------------|--------------------------|---------------------|
|                                             | Expenses             | Charges for Services | Operating Grants and Contributions |                                  | Primary Government                              |                          | Total               |
|                                             |                      |                      | Grants and Contributions           | Capital Grants and Contributions | Governmental Activities                         | Business-type Activities |                     |
| <b>Primary government</b>                   |                      |                      |                                    |                                  |                                                 |                          |                     |
| Governmental activities:                    |                      |                      |                                    |                                  |                                                 |                          |                     |
| General government                          | \$ 1,777,431         | \$ 889,228           | \$ 4,652                           | \$ -                             | \$ (883,551)                                    |                          | \$ (883,551)        |
| Financial administration                    | 661,705              | -                    | -                                  | -                                | (661,705)                                       |                          | (661,705)           |
| Public safety                               | 4,982,385            | 666,817              | 37,602                             | -                                | (4,277,966)                                     |                          | (4,277,966)         |
| Public works                                | 2,117,865            | 70,594               | 14,992                             | -                                | (2,032,279)                                     |                          | (2,032,279)         |
| Fixed charges                               | 1,885,211            | -                    | -                                  | -                                | (1,885,211)                                     |                          | (1,885,211)         |
| Grants & contributions                      | 20,550               | -                    | -                                  | -                                | (20,550)                                        |                          | (20,550)            |
| Education                                   | 26,848,161           | 321,926              | 7,005,767                          | 102,665                          | (19,417,803)                                    |                          | (19,417,803)        |
| Capital outlay                              | -                    | 135                  | -                                  | -                                | 135                                             |                          | 135                 |
| Other                                       | 94,587               | -                    | -                                  | -                                | (94,587)                                        |                          | (94,587)            |
| Interest                                    | 1,457,872            | -                    | -                                  | -                                | (1,457,872)                                     |                          | (1,457,872)         |
| <b>Total governmental activities</b>        | <b>39,845,767</b>    | <b>1,948,700</b>     | <b>7,063,013</b>                   | <b>102,665</b>                   | <b>(30,731,389)</b>                             |                          | <b>(30,731,389)</b> |
| <b>Business-type activities:</b>            |                      |                      |                                    |                                  |                                                 |                          |                     |
| Water fund                                  | 490,791              | 383,667              | -                                  | -                                | -                                               | \$ (107,124)             | (107,124)           |
| Sewer fund                                  | 2,109,461            | 2,296,868            | 23,724                             | 13,498                           | -                                               | 224,629                  | 224,629             |
| School lunch fund                           | 477,603              | 306,724              | 173,530                            | -                                | -                                               | 2,651                    | 2,651               |
| <b>Total business-type activities</b>       | <b>3,077,855</b>     | <b>2,987,259</b>     | <b>197,254</b>                     | <b>13,498</b>                    | <b>-</b>                                        | <b>120,156</b>           | <b>120,156</b>      |
| <b>Total primary government</b>             | <b>\$ 42,923,622</b> | <b>\$ 4,935,959</b>  | <b>\$ 7,260,267</b>                | <b>\$ 116,163</b>                | <b>(30,731,389)</b>                             | <b>120,156</b>           | <b>(30,611,233)</b> |
| <b>General revenues:</b>                    |                      |                      |                                    |                                  |                                                 |                          |                     |
| Taxes:                                      |                      |                      |                                    |                                  |                                                 |                          |                     |
| Property taxes, levied for general purposes |                      |                      |                                    |                                  | 29,310,336                                      | -                        | 29,310,336          |
| State aid                                   |                      |                      |                                    |                                  | 1,750,156                                       | -                        | 1,750,156           |
| Interest income                             |                      |                      |                                    |                                  | 850                                             | -                        | 850                 |
| Bond disbursements for land trust           |                      |                      |                                    |                                  | (544,174)                                       | -                        | (544,174)           |
| Transfers in (out)                          |                      |                      |                                    |                                  | (60,234)                                        | 60,234                   | -                   |
| Total general revenues                      |                      |                      |                                    |                                  | 30,456,934                                      | 60,234                   | 30,517,168          |
| <b>Change in net assets</b>                 |                      |                      |                                    |                                  | (274,455)                                       | 180,390                  | (94,065)            |
| Net position - beginning                    |                      |                      |                                    |                                  | 23,527,981                                      | 11,207,488               | 34,735,469          |
| Prior period adjustments (see Note 18)      |                      |                      |                                    |                                  | 41,933                                          | -                        | 41,933              |
| Net position - ending                       |                      |                      |                                    |                                  | \$ 23,295,459                                   | \$ 11,387,878            | \$ 34,683,337       |

See auditor's report and accompanying notes to these financial statements

## **Fund Financial Statements**

**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2014**

|                                                                                                                                                 | General<br>Fund     | School<br>Unrestricted<br>Fund | Capital<br>Projects<br>Funds | Other<br>Non-Major<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|-------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|--------------------------------|------------------------------|---------------------------------------------|--------------------------------|
| <b>ASSETS</b>                                                                                                                                   |                     |                                |                              |                                             |                                |
| Cash and cash equivalents                                                                                                                       | \$ 4,543,686        | \$ 249,876                     | \$ 393,459                   | \$ 756,155                                  | \$ 5,943,176                   |
| <b>Accounts receivable:</b>                                                                                                                     |                     |                                |                              |                                             |                                |
| Accounts receivable net                                                                                                                         | 1,910,851           | 15,504                         | -                            | -                                           | 1,926,355                      |
| Other receivables                                                                                                                               | 49,233              | -                              | -                            | 472,432                                     | 521,665                        |
| Internal balances                                                                                                                               | -                   | 968,194                        | 388,309                      | 254,265                                     | 1,610,768                      |
| <b>TOTAL ASSETS</b>                                                                                                                             | <u>\$ 6,503,770</u> | <u>\$ 1,233,574</u>            | <u>\$ 781,768</u>            | <u>\$ 1,482,852</u>                         | <u>\$ 10,001,964</u>           |
| <b>LIABILITIES AND FUND BALANCES</b>                                                                                                            |                     |                                |                              |                                             |                                |
| <b>Liabilities:</b>                                                                                                                             |                     |                                |                              |                                             |                                |
| Accounts payable                                                                                                                                | \$ 214,183          | \$ 488,016                     | \$ -                         | \$ 1,392                                    | \$ 703,591                     |
| Accrued expenses                                                                                                                                | 189,995             | 76,788                         | -                            | 4,565                                       | 271,348                        |
| Internal balances                                                                                                                               | 1,133,654           | -                              | -                            | 493,027                                     | 1,626,681                      |
| Unearned revenue                                                                                                                                | 25,623              | -                              | -                            | 28,607                                      | 54,230                         |
| <b>Total liabilities</b>                                                                                                                        | <u>1,563,455</u>    | <u>564,804</u>                 | <u>-</u>                     | <u>527,591</u>                              | <u>2,655,850</u>               |
| <b>Deferred inflow of resources:</b>                                                                                                            |                     |                                |                              |                                             |                                |
| Unearned tax revenue                                                                                                                            | <u>1,698,606</u>    | <u>-</u>                       | <u>-</u>                     | <u>-</u>                                    | <u>1,698,606</u>               |
| <b>Fund balances:</b>                                                                                                                           |                     |                                |                              |                                             |                                |
| Restricted                                                                                                                                      | 4,126               | -                              | 781,768                      | 319,630                                     | 1,105,524                      |
| Committed                                                                                                                                       | 785,516             | 668,614                        | -                            | 642,227                                     | 2,096,357                      |
| Assigned                                                                                                                                        | -                   | 156                            | -                            | -                                           | 156                            |
| Unassigned fund balance                                                                                                                         | 2,452,067           | -                              | -                            | (6,596)                                     | 2,445,471                      |
| <b>Total fund balances</b>                                                                                                                      | <u>3,241,709</u>    | <u>668,770</u>                 | <u>781,768</u>               | <u>955,261</u>                              | <u>5,647,508</u>               |
| <b>TOTAL LIABILITIES AND FUND BALANCES</b>                                                                                                      | <u>\$ 6,503,770</u> | <u>\$ 1,233,574</u>            | <u>\$ 781,768</u>            | <u>\$ 1,482,852</u>                         |                                |
| Amounts reported for governmental activities in the statement of net assets are different because:                                              |                     |                                |                              |                                             |                                |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. (Note 10)               |                     |                                |                              |                                             | 51,942,547                     |
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. (Note 10)              |                     |                                |                              |                                             | 1,698,606                      |
| Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. (Note 10) |                     |                                |                              |                                             | (35,993,202)                   |
| <b>Net assets of governmental activities</b>                                                                                                    |                     |                                |                              |                                             | <u>\$ 23,295,459</u>           |

*See auditor's report and accompanying notes to these financial statements*

**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2014**

|                                                                                               | <b>General<br/>Fund</b> | <b>School<br/>Unrestricted<br/>Fund</b> | <b>Capital<br/>Projects<br/>Funds</b> | <b>Other<br/>Non-Major<br/>Governmental<br/>Funds</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|-----------------------------------------------------------------------------------------------|-------------------------|-----------------------------------------|---------------------------------------|-------------------------------------------------------|-----------------------------------------|
| <b>Revenues</b>                                                                               |                         |                                         |                                       |                                                       |                                         |
| Property taxes                                                                                | \$ 28,859,768           | \$ -                                    | \$ -                                  | \$ -                                                  | \$ 28,859,768                           |
| Motor vehicle excise in lieu of tax                                                           | 176,912                 | -                                       | -                                     | -                                                     | 176,912                                 |
| Intergovernmental and grant revenue                                                           | 1,573,244               | 6,293,329                               | -                                     | 754,692                                               | 8,621,265                               |
| Town clerk licenses and fees                                                                  | 354,105                 | -                                       | -                                     | -                                                     | 354,105                                 |
| Other departmental fines and fees                                                             | 270,713                 | -                                       | 135                                   | -                                                     | 270,848                                 |
| Interest income                                                                               | -                       | -                                       | -                                     | 850                                                   | 850                                     |
| Other revenues                                                                                | 620,859                 | 321,926                                 | -                                     | 498,619                                               | 1,441,404                               |
| <b>Total revenues</b>                                                                         | <b>31,855,601</b>       | <b>6,615,255</b>                        | <b>135</b>                            | <b>1,254,161</b>                                      | <b>39,725,152</b>                       |
| <b>Expenditures</b>                                                                           |                         |                                         |                                       |                                                       |                                         |
| General government                                                                            | 1,337,645               | -                                       | -                                     | -                                                     | 1,337,645                               |
| Financial administration                                                                      | 666,202                 | -                                       | -                                     | -                                                     | 666,202                                 |
| Public safety                                                                                 | 4,656,625               | -                                       | -                                     | 149,799                                               | 4,806,424                               |
| Public works                                                                                  | 2,119,128               | -                                       | -                                     | -                                                     | 2,119,128                               |
| Fixed charges                                                                                 | 1,671,908               | -                                       | -                                     | -                                                     | 1,671,908                               |
| Grants & contributions                                                                        | 20,550                  | -                                       | -                                     | -                                                     | 20,550                                  |
| Education                                                                                     | -                       | 24,507,451                              | -                                     | 800,948                                               | 25,308,399                              |
| Capital outlay                                                                                | -                       | -                                       | 367,259                               | 86,498                                                | 453,757                                 |
| Other                                                                                         | -                       | -                                       | 15,026                                | 79,561                                                | 94,587                                  |
| <b>Debt service:</b>                                                                          |                         |                                         |                                       |                                                       |                                         |
| Principal                                                                                     | 1,913,799               | -                                       | -                                     | -                                                     | 1,913,799                               |
| Interest                                                                                      | 1,429,809               | -                                       | -                                     | -                                                     | 1,429,809                               |
| <b>Total expenditures</b>                                                                     | <b>13,815,666</b>       | <b>24,507,451</b>                       | <b>382,285</b>                        | <b>1,116,806</b>                                      | <b>39,822,208</b>                       |
| <b>Excess of revenues over (under) expenditures<br/>before other financing sources (uses)</b> | <b>18,039,935</b>       | <b>(17,892,196)</b>                     | <b>(382,150)</b>                      | <b>137,355</b>                                        | <b>(97,056)</b>                         |
| <b>Other financing sources (uses)</b>                                                         |                         |                                         |                                       |                                                       |                                         |
| Proceeds from debt issuance                                                                   | 545,000                 | -                                       | 561,770                               | -                                                     | 1,106,770                               |
| Disbursements of bond issuance                                                                | (544,174)               | -                                       | -                                     | -                                                     | (544,174)                               |
| RI DEM Grant                                                                                  | 400,000                 | -                                       | -                                     | -                                                     | 400,000                                 |
| RI DEM grant disbursement                                                                     | (400,000)               | -                                       | -                                     | -                                                     | (400,000)                               |
| Transfers from (to) other funds                                                               | (18,216,397)            | 18,216,868                              | (60,234)                              | (471)                                                 | (60,234)                                |
| <b>Total other financing sources (uses)</b>                                                   | <b>(18,215,571)</b>     | <b>18,216,868</b>                       | <b>501,536</b>                        | <b>(471)</b>                                          | <b>502,362</b>                          |
| <b>Excess of revenues and other sources<br/>over(under) expenditures and other uses</b>       | <b>(175,636)</b>        | <b>324,672</b>                          | <b>119,386</b>                        | <b>136,884</b>                                        | <b>405,306</b>                          |
| <b>Fund balances - beginning</b>                                                              | <b>3,138,672</b>        | <b>344,098</b>                          | <b>662,382</b>                        | <b>1,055,117</b>                                      | <b>5,200,269</b>                        |
| <b>Prior period adjustments - Note 18</b>                                                     | <b>278,673</b>          | <b>-</b>                                | <b>-</b>                              | <b>(236,740)</b>                                      | <b>41,933</b>                           |
| <b>Fund balances - beginning (restated)</b>                                                   | <b>3,417,345</b>        | <b>344,098</b>                          | <b>662,382</b>                        | <b>818,377</b>                                        | <b>5,242,202</b>                        |
| <b>Fund balances - ending</b>                                                                 | <b>\$ 3,241,709</b>     | <b>\$ 668,770</b>                       | <b>\$ 781,768</b>                     | <b>\$ 955,261</b>                                     | <b>\$ 5,647,508</b>                     |

*See auditor's report and accompanying notes to these financial statements*

**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**  
**Reconciliation of the Statement of Revenues,**  
**Expenditures, and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Fiscal Year Ended June 30, 2014**

Net change in fund balances-total governmental funds \$ 405,306

Amounts reported for governmental activities in the statement of  
activities are different from the amounts reported as fund expenditures because:

Governmental funds reported 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 depreciation \$2,082,234 exceeded capital  
additionas of (\$754,976) in the current period. (1,327,258)

Increases in deferred revenue that provide current financial resources to  
governmental funds are not reported as revenues in the statement of  
activities. 450,568

Some expenditures reported in the governmental funds that require the use  
of current financial resources are not reported as expenditures in the  
statement of activities. This is the net effect of those activities. (28,063)

Bond and lease proceeds provide current financial resources to governmental funds,  
but issuing debt increases long-term liabilities in the statement of net assets.  
Repayment of debt principal is an expenditure in the governmental funds,  
but the repayment reduces long-term liabilities in the statement of net  
assets. This is the amount by which principal was adjusted for:

|                                 |           |
|---------------------------------|-----------|
| Proceeds from bond issuance     | (545,000) |
| Proceeds from lease issuance    | (561,770) |
| Increase in claims payable      | (513,212) |
| Bond Principal payments made    | 1,727,000 |
| Lease Principal payments made   | 186,799   |
| Increase in Net OPEB obligation | (213,303) |
| Claim payments made             | 100,000   |

Other certain accrued expenditures that do not use current financial resources are  
not reported in the fund financial statements. However, in the statement of  
activities these accrued expenses are recognized and charged to current activities. 44,478

Change in net assets of governmental activities \$ (274,455)

*Please see Note 11 for a more detailed explanation of the differences between  
the Government-wide Financial Statements and the Fund Financial Statements*



**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2014**

|                                                 | <b>Business-type Activities</b> |                     |                  |                     |
|-------------------------------------------------|---------------------------------|---------------------|------------------|---------------------|
|                                                 | <b>Enterprise Funds</b>         |                     |                  |                     |
|                                                 | <b>Water</b>                    | <b>Sewer</b>        | <b>School</b>    |                     |
|                                                 | <b>Fund</b>                     | <b>Fund</b>         | <b>Lunch</b>     | <b>Totals</b>       |
| <b>ASSETS</b>                                   |                                 |                     |                  |                     |
| <b>Current assets</b>                           |                                 |                     |                  |                     |
| Cash and cash equivalents                       | \$ 237,220                      | \$ 3,734,241        | \$ -             | \$ 3,971,461        |
| Accounts receivable - net:                      |                                 |                     |                  |                     |
| Water and sewer user fees                       | 35,608                          | 136,958             | -                | 172,566             |
| Miscellaneous receivables                       | -                               | 527                 | -                | 527                 |
| Due from other governmental units               | -                               | 799,791             | 12,656           | 812,447             |
| Assessments receivable (current)                | -                               | 450,076             | -                | 450,076             |
| Internal balances                               | -                               | 17,196              | 101,308          | 118,504             |
| <b>Total current assets</b>                     | <b>272,828</b>                  | <b>5,138,789</b>    | <b>113,964</b>   | <b>5,525,581</b>    |
| <b>Non-current assets</b>                       |                                 |                     |                  |                     |
| Property, plant and equipment                   |                                 |                     |                  |                     |
| Land                                            | 16,141                          | -                   | -                | 16,141              |
| Land improvements                               | 18,889                          | -                   | -                | 18,889              |
| Water infrastructure                            | 3,436,726                       | -                   | -                | 3,436,726           |
| Vehicles                                        | 33,999                          | -                   | -                | 33,999              |
| Machinery & equipment                           | 134,414                         | 29,232,900          | 170,665          | 29,537,979          |
| Total depreciable assets                        | 3,640,169                       | 29,232,900          | 170,665          | 33,043,734          |
| Less accumulated depreciation                   | (1,216,319)                     | (17,609,989)        | (170,665)        | (18,996,973)        |
| Total property, plant and equipment, net        | 2,423,850                       | 11,622,911          | -                | 14,046,761          |
| <b>Other assets</b>                             |                                 |                     |                  |                     |
| Assessments receivable (noncurrent)             | -                               | 3,451,142           | -                | 3,451,142           |
| <b>TOTAL ASSETS</b>                             | <b>2,696,678</b>                | <b>20,212,842</b>   | <b>113,964</b>   | <b>23,023,484</b>   |
| <b>LIABILITIES</b>                              |                                 |                     |                  |                     |
| <b>Current liabilities</b>                      |                                 |                     |                  |                     |
| Accounts payable                                | 60,856                          | 280,884             | 48,885           | 390,625             |
| Accrued expenses                                | 85,668                          | 99,232              | -                | 184,900             |
| Internal balances                               | 109,986                         | -                   | -                | 109,986             |
| Unearned assessments                            | -                               | 450,076             | -                | 450,076             |
| Current portion of long-term debt               | 122,541                         | 577,598             | -                | 700,139             |
| <b>Total current liabilities</b>                | <b>379,051</b>                  | <b>1,407,790</b>    | <b>48,885</b>    | <b>1,835,726</b>    |
| <b>Long-term liabilities</b>                    |                                 |                     |                  |                     |
| Unearned assessments                            | -                               | 3,451,142           | -                | 3,451,142           |
| Long-term debt                                  | 1,430,136                       | 4,918,602           | -                | 6,348,738           |
| <b>Total long-term liabilities</b>              | <b>1,430,136</b>                | <b>8,369,744</b>    | <b>-</b>         | <b>9,799,880</b>    |
| <b>Total liabilities</b>                        | <b>1,809,187</b>                | <b>9,777,534</b>    | <b>48,885</b>    | <b>11,635,606</b>   |
| <b>Net position</b>                             |                                 |                     |                  |                     |
| Invested in capital assets, net of related debt | 871,173                         | 6,126,711           | -                | 6,997,884           |
| Restricted                                      | -                               | -                   | 65,079           | 65,079              |
| Unrestricted                                    | 16,318                          | 4,308,597           | -                | 4,324,915           |
| <b>Total net position</b>                       | <b>\$ 887,491</b>               | <b>\$10,435,308</b> | <b>\$ 65,079</b> | <b>\$11,387,878</b> |

*See auditor's report and accompanying notes to these financial statements*

**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**  
**Statement of Revenues, Expenses, and Changes in Net Assets**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2014**

|                                             | <b>Business-type Activities</b> |                       |                         |                      |
|---------------------------------------------|---------------------------------|-----------------------|-------------------------|----------------------|
|                                             | <b>Enterprise Funds</b>         |                       |                         |                      |
|                                             | <b>Water<br/>Fund</b>           | <b>Sewer<br/>Fund</b> | <b>School<br/>Lunch</b> | <b>Totals</b>        |
| <b>Operating revenues</b>                   |                                 |                       |                         |                      |
| Assessments and user fees                   | \$ 369,377                      | \$ 2,150,225          | \$ -                    | \$ 2,519,602         |
| Intergovernmental revenue                   | -                               | 13,498                | 173,530                 | 187,028              |
| Other                                       | -                               | 23,724                | 306,724                 | 330,448              |
| <b>Total operating revenues</b>             | <u>369,377</u>                  | <u>2,187,447</u>      | <u>480,254</u>          | <u>3,037,078</u>     |
| <b>Operating expenses</b>                   |                                 |                       |                         |                      |
| Salaries and benefits                       | 29,544                          | 161,202               | 637                     | 191,383              |
| Maintenance and servicing                   | 251,467                         | 32,566                | 110                     | 284,143              |
| Operating supplies                          | 842                             | 1,426                 | 466,325                 | 468,593              |
| Fixed and general charges                   | 61,359                          | 942,086               | 7,370                   | 1,010,815            |
| Depreciation                                | 76,684                          | 816,437               | 3,161                   | 896,282              |
| <b>Total operating expenses</b>             | <u>419,896</u>                  | <u>1,953,717</u>      | <u>477,603</u>          | <u>2,851,216</u>     |
| <b>Operating income (loss)</b>              | <u>(50,519)</u>                 | <u>233,730</u>        | <u>2,651</u>            | <u>185,862</u>       |
| <b>Non-operating revenues (expenses)</b>    |                                 |                       |                         |                      |
| Improvement/connection fees                 | 11,600                          | -                     | -                       | 11,600               |
| Interest and miscellaneous income           | 2,690                           | 146,643               | -                       | 149,333              |
| Interest expense                            | (70,895)                        | (155,744)             | -                       | (226,639)            |
| <b>Total non-operating (expenses)</b>       | <u>(56,605)</u>                 | <u>(9,101)</u>        | <u>-</u>                | <u>(65,706)</u>      |
| <b>Other financing sources (uses)</b>       |                                 |                       |                         |                      |
| Transfers from (to) other funds             | 11,146                          | 49,088                | -                       | 60,234               |
| <b>Total other financing sources (uses)</b> | <u>11,146</u>                   | <u>49,088</u>         | <u>-</u>                | <u>60,234</u>        |
| <b>Change in net position</b>               | <u>(95,978)</u>                 | <u>273,717</u>        | <u>2,651</u>            | <u>180,390</u>       |
| <b>Total net position - beginning</b>       | <u>983,469</u>                  | <u>10,161,591</u>     | <u>62,428</u>           | <u>11,207,488</u>    |
| <b>Total net position - ending</b>          | <u>\$ 887,491</u>               | <u>\$ 10,435,308</u>  | <u>\$65,079</u>         | <u>\$ 11,387,878</u> |

*See auditor's report and accompanying notes to these financial statements*

**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2014**

|                                                                                                | <b>Business-type Activities</b> |                       |                         |                    |
|------------------------------------------------------------------------------------------------|---------------------------------|-----------------------|-------------------------|--------------------|
|                                                                                                | <b>Enterprise Funds</b>         |                       |                         |                    |
|                                                                                                | <b>Water<br/>Fund</b>           | <b>Sewer<br/>Fund</b> | <b>School<br/>Lunch</b> | <b>Totals</b>      |
| <b>Cash flows from operating activities</b>                                                    |                                 |                       |                         |                    |
| Cash received from customers                                                                   | \$446,449                       | \$2,031,549           | \$305,181               | \$2,783,179        |
| Intergovernmental revenues                                                                     | -                               | 13,498                | 173,530                 | 187,028            |
| Cash payments to employees for services                                                        | (29,544)                        | (161,202)             | (637)                   | (191,383)          |
| Cash payments to suppliers for goods and services                                              | (295,015)                       | (867,990)             | (469,383)               | (1,632,388)        |
| <b>Net cash provided by (used for) operating activities</b>                                    | <b>121,890</b>                  | <b>1,015,855</b>      | <b>8,691</b>            | <b>1,146,436</b>   |
| <b>Cash flows from non-capital financing activities</b>                                        |                                 |                       |                         |                    |
| Interfund transactions                                                                         | 120,602                         | 367,173               | (8,691)                 | 479,084            |
| Miscellaneous income                                                                           | 11,600                          | 146,643               | -                       | 158,243            |
| <b>Net cash provided by (used for) non-capital financing activities</b>                        | <b>132,202</b>                  | <b>513,816</b>        | <b>(8,691)</b>          | <b>637,327</b>     |
| <b>Cash flows from capital and related financing activities</b>                                |                                 |                       |                         |                    |
| Acquisition and construction of capital assets                                                 | (11,146)                        | (67,531)              | -                       | (78,677)           |
| Principal payments on bonds and notes                                                          | (120,068)                       | (562,875)             | -                       | (682,943)          |
| Interest payments on bonds and notes                                                           | (70,895)                        | (155,744)             | -                       | (226,639)          |
| Capital asset transfers                                                                        | 11,146                          | 49,088                | -                       | 60,234             |
| <b>Net cash provided (used for) capital and related financing activities</b>                   | <b>(190,963)</b>                | <b>(737,062)</b>      | <b>-</b>                | <b>(928,025)</b>   |
| <b>Cash flows from investing activities</b>                                                    |                                 |                       |                         |                    |
| Interest on investments                                                                        | 2,690                           | -                     | -                       | 2,690              |
| <b>Net cash provided by (used for) investing activities</b>                                    | <b>2,690</b>                    | <b>-</b>              | <b>-</b>                | <b>2,690</b>       |
| <b>Net increase (decrease) in cash and cash equivalents</b>                                    | <b>65,819</b>                   | <b>792,609</b>        | <b>-</b>                | <b>858,428</b>     |
| <b>Cash and cash equivalents at beginning of year</b>                                          | <b>171,401</b>                  | <b>2,941,632</b>      | <b>-</b>                | <b>3,113,033</b>   |
| <b>Cash and cash equivalents at end of year</b>                                                | <b>\$237,220</b>                | <b>\$3,734,241</b>    | <b>\$ -</b>             | <b>\$3,971,461</b> |
| <b>Reconciliation of operating income to net cash provided by operating activities</b>         |                                 |                       |                         |                    |
| <b>Operating income (loss)</b>                                                                 | <b>\$ (50,519)</b>              | <b>\$ 233,730</b>     | <b>\$ 2,651</b>         | <b>\$ 185,862</b>  |
| <b>Adjustments to reconcile operating income to net cash provided by operating activities:</b> |                                 |                       |                         |                    |
| Depreciation & amortization                                                                    | 76,684                          | 816,437               | 3,161                   | 896,282            |
| <b>Changes in assets and liabilities:</b>                                                      |                                 |                       |                         |                    |
| (Increase) decrease in accounts receivable                                                     | 77,072                          | (132,250)             | -                       | (55,178)           |
| (Increase) decrease in assessments receivable                                                  | -                               | 568,699               | -                       | 568,699            |
| (Increase) decrease in due from other governmental units                                       | -                               | -                     | (1,543)                 | (1,543)            |
| Increase (decrease) in unearned revenue                                                        | -                               | (578,849)             | -                       | (578,849)          |
| Increase (decrease) in accrued expenses                                                        | 42,341                          | 55,104                | -                       | 97,445             |
| Increase (decrease) in accounts payable                                                        | (23,688)                        | 52,984                | 4,422                   | 33,718             |
| <b>Total adjustments</b>                                                                       | <b>172,409</b>                  | <b>782,125</b>        | <b>6,040</b>            | <b>960,574</b>     |
| <b>Net cash provided by operating activities</b>                                               | <b>\$121,890</b>                | <b>\$1,015,855</b>    | <b>\$ 8,691</b>         | <b>\$1,146,436</b> |

*See auditor's report and accompanying notes to these financial statements*

**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**For the Fiscal Year Ended June 30, 2014**

|                                     | <b>Private-purpose<br/>Trust<br/>Buxton Family<br/>Association</b> | <b>Agency Funds</b> |
|-------------------------------------|--------------------------------------------------------------------|---------------------|
| <b>ASSETS</b>                       |                                                                    |                     |
| Cash                                | \$ 791                                                             | \$ 267,222          |
| Other receivables                   | -                                                                  | 10,509              |
| Internal balances                   | -                                                                  | 7,395               |
| Total receivables                   | <u>791</u>                                                         | <u>285,126</u>      |
| <b>Total Assets</b>                 | <u>791</u>                                                         | <u>285,126</u>      |
| <b>LIABILITIES</b>                  |                                                                    |                     |
| Deposits held in custody for others | -                                                                  | 285,126             |
| Total liabilities                   | <u>-</u>                                                           | <u>\$ 285,126</u>   |
| <b>NET ASSETS</b>                   |                                                                    |                     |
| Held in trust for other purposes    | <u><u>\$ 791</u></u>                                               |                     |

*See auditor's report and accompanying notes to these financial statements*

**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**  
**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds**  
**For the Fiscal Year Ended June 30, 2014**

|                                             | <b>Private-purpose<br/>Trust<br/>Buxton Family<br/>Association</b> |
|---------------------------------------------|--------------------------------------------------------------------|
| <b>Additions</b>                            |                                                                    |
| Earnings on investments                     | \$ -                                                               |
| <b>Total additions</b>                      | <u>-</u>                                                           |
| <b>Deductions</b>                           |                                                                    |
| Administration                              | <u>-</u>                                                           |
| <b>Total deductions</b>                     | <u>-</u>                                                           |
| Change in net assets                        | -                                                                  |
| Net assets beginning of year July 1, 2013   | 791                                                                |
| <b>Net assets end of year June 30, 2014</b> | <u><u>\$ 791</u></u>                                               |

*See auditor's report and accompanying notes to these financial statements*

## **Notes to Financial Statements**

**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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***NOTE 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-recreations, education, public improvements, planning, zoning and inspection, and general administrative services.

The financial statements of the Town of North Smithfield, Rhode Island, have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The government's significant accounting policies are described below:

**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 2014:

- 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.

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(Continued)

**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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***NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)***

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

**Recently Issued Accounting Standards**

The Town will adopt the following new accounting pronouncements in the current and future years:

- GASB Statement No. 65 – Items Previously Reported as Assets and Liabilities, effective for the Town's fiscal year ending June 30, 2014.
- GASB Statement No. 66 – Technical Corrections – 2012, an amendment of GASB Statements No. 10 and No. 62, effective for the Town's fiscal year ending June 30, 2014.
- GASB Statement No. 68 – Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27, effective for the Town's 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 Non-exchange 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.

**BASIS OF PRESENTATION**

***Government-Wide Financial Statements***

The statement of net position and the 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 activity of these funds are reported in the statements of fiduciary net assets and changes in fiduciary net assets). The government-wide financial statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

***Fund Financial Statements***

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, deferred inflow of resources, fund equity, revenues and expenditures/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:

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(Continued)



**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- (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 (assets, liabilities, and so forth) for all funds of that category or type (that is, total governmental or total enterprise funds), 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.

In addition to funds that meet the major fund criteria, any other governmental or enterprise fund that the government's officials believe is particularly important to financial statement users (for example, because of public interest or consistency) may be reported as a major fund.

**GOVERNMENTAL FUND TYPES**

**General Fund** - is used to account for resources devoted to financing the general services that the Town performs for its citizens. General tax revenues and other sources of revenues used to finance the fundamental operations of the Town are included in this fund. The fund is charged with all costs of operating the government for which a separate fund has not been established.

**Special Revenue Funds** - are used to account for the proceeds of specific revenue sources (other than expendable trust or major capital projects) that are legally restricted to expenditures for specified purposes.

**Capital Projects Funds** - are used to account for financial resources that will be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary or Trust funds).

**PERMANENT FUND TYPE**

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 FUND TYPE**

This fund type accounts for operations that are organized to be self-supporting through user charges. The fund included in this category is as follows:

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(Continued)

**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Enterprise Funds** - are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy management control, accountability, or other purposes. The Water Fund, Sewer Fund and School Lunch Funds are the Town's proprietary funds.

**FIDUCIARY FUND TYPES (Not included in the government-wide financial statements)**

These funds account for assets held by the Town as a trustee or agent for individuals, private organizations, and other units of governments. These funds are as follows:

**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.

**Agency Funds** - are used to 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 for the Town are as follows: Subdivision Bond Account, Planning Escrow, Soup Kitchen, Junior/Senior High School Fund, Middle School Fund, Halliwell School Fund, Athletic Account, and the North Smithfield Elementary School Fund.

***Major and Non-Major Funds***

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

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

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(Continued)

**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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***NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)***

***Major and Non-Major Funds (Continued)***

| <b><u>Fund</u></b>     | <b><u>Brief Description</u></b>                                                                                                                                                                                                                                                                                                                                                                  |
|------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Non-Major:</b>      |                                                                                                                                                                                                                                                                                                                                                                                                  |
| Special Revenue Funds: | School Restricted, Governor's Justice Commission, Substance Abuse Donations, Substance Abuse Prevention Council, Miscellaneous Revenue, Project D.A.R.E., Business Revolving Loan, CDBG, Police Forfeiture, Miscellaneous Police/Fire, EMS, Police Cruiser Fees, Recycling Grant, Clean & Green Day, Pumpkin Festival, Elderly Affairs Transportation, Civil Defense EMA, Civil Defense Cert '10 |
| Capital Project Funds: | School Renovations                                                                                                                                                                                                                                                                                                                                                                               |
| Permanent Fund:        | Record Retention                                                                                                                                                                                                                                                                                                                                                                                 |

***Measurement Focus – Government Wide Financial Statements***

On the government-wide Statement of Net Position and the Statement of Activities both governmental and business-type 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.

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(Continued)

**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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***NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)***

**BASIS OF ACCOUNTING**

In the Government-Wide Financial Statements, the Statement of Net Position and Statement of Activities, the governmental and business-type 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, expense, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between fiduciary fund types. These charges have been reclassified as other receivables or other liabilities. Interfund services provided and used are not eliminated in the process of consolidation.

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

***Measurement Focus – Fund Financial Statements***

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 “measureable and available”. Measureable means knowing or being able to reasonable 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 Fund Types, Agency Fund 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 and capital 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 a proprietary fund’s principal ongoing operations. The principal operating revenues of the proprietary funds are charges for services and assessments. Operating expenses for enterprise funds include the cost of operations and

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(Continued)

**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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***NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)***

maintenance, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

In accordance with Government Accounting Standards Board Statement No. 20, the Town of North Smithfield has elected to apply to all Proprietary Fund Types and Similar Trust Funds all applicable GASB Pronouncements, as well as the following pronouncements issued on or before November 30, 1989; FASB Statements and Interpretations, APB opinions and ARBs unless these pronouncements conflict with or contradict GASB pronouncements.

**Cash & Cash Equivalents**

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 \$1,150 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.

**Account Receivables**

In the government-wide statements, receivables consist of all revenues earned at year-end and are 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, 2014, \$100,000 for the General Fund, and \$10,000 each for the Water Fund and Sewer Fund, respectively. Major receivables balances for the governmental activities include property taxes. Business-type activities report service fees as its major receivables.

In the fund financials 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 measureable 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.

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(Continued)

**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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***NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)***

**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 "internal balances" on the balance sheet.

**Advances to Other Funds**

Non-current 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**

The Town is permitted by state law to levy property taxes. Property tax revenues are recorded in accordance with the modified accrual basis of accounting. The Town's fiscal 2014 property taxes were levied each June 30, for its next fiscal year on the assessed valuation as of the prior December 31, for all real property, tangible property, and motor vehicles located in the Town. Upon levy, taxes are billed quarterly and are due on August 15, October 15, January 15, and April 15. Failure to mail payments by due dates will result in lien on taxpayer's property. Assessed values are established by Tax Assessor's Office and are currently calculated at 100% of assessed value for real estate and 100% of market value for motor vehicles.

**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).

**Capital Assets**

The accounting treatment over 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.

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(Continued)

**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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***NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)***

***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 \$5,000 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:

| <u>Description</u>              | <u>Lives (years)</u> |
|---------------------------------|----------------------|
| Buildings and land improvements | 20 – 50              |
| Motor vehicles                  | 5 – 20               |
| Equipment and Heavy machinery   | 5 – 20               |
| Office equipment                | 5 – 10               |
| Sewer mains and laterals        | 30 – 65              |
| Water lines and projects        | 30 – 65              |
| Other assets                    | 5 – 10               |
| Infrastructure                  | 25 – 40              |

***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 were received prior to June 30th, plus delinquent balances less amounts due as of the balance sheet date and received sixty days thereafter.

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(Continued)

**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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***NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)***

**Inter-fund Transactions**

Inter-fund activity within and among the funds of the Town have been classified and reported as follows:

Reciprocal inter-fund activities:

- Inter-fund loans are reported as inter-fund receivables in the lending fund and inter-fund payables in borrower funds.
- Inter-fund services are reported as revenues in the seller fund and as expenditures or expenses in the purchasing fund.

Non-reciprocal inter-fund activities:

- Inter-fund transfers are reported in governmental funds as other financing uses in the funds making transfers. In proprietary funds, transfers are reported after non-operating revenues and expenses.
- Inter-fund 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.

**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.

**Program Revenues and Expenses**

In the statement of activities specific revenues are allocated to program expenses due to their direct relationships. Collections for licenses, fees, tickets and fines are among some of the revenue sources that are program revenues. Indirect expenses are not allocated to functions in the statement of activities.

**Equity Classifications**

***Government-Wide Statements***

Net position represents the difference between assets and liabilities. Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Restricted for specific use consists of net position when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position consists of all other net position when they do not meet the definition of 'restricted' or 'invested in capital assets, net of related debt.'

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(Continued)



**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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***NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)***

***Fund Financial Statements***

Fund balance is divided into five classifications based primarily on the extent to which the Town is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

- **Non-spendable** - The non-spendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.
- **Restricted** - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (Town ordinances). Enabling legislation authorizes the Town to assess, levy, charge, or otherwise mandates payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the Town can be compelled by an external party-such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.
- **Committed** - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of the Town Council. Those committed amounts cannot be used for any other purpose unless Town Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by Town Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.
- **Assigned** – Amounts in the assigned fund balance classification are intended to be used by the Town for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Town Council or an official to which the governing body has delegated the authority to assign amounts to be used for specific purposes.
- **Unassigned** - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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(Continued)

**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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***NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)***

***Minimum Fund Balance***

The Town currently has no minimum fund balance policy.

***Assigned Fund Balance Policy***

The Town Council currently has no policy to assign fund balance to a specific purpose.

***Town Spending Policy***

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.

**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.

***NOTE 2 – BUDGETARY DATA AND BUDGETARY COMPLIANCE***

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, the Town Council may revise the budget, but the final adoption of the budget shall be voted no later than June 30<sup>th</sup>. 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.

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(Continued)

**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 2 – BUDGETARY DATA AND BUDGETARY COMPLIANCE (Continued)**

Explanation of differences between budgetary basis and GAAP basis are below:

|                                                                                                                                                   | General<br>Fund<br>GAAP Basis                               | Operational<br>Unrestricted<br>Fund<br>GAAP Basis         |
|---------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------|-----------------------------------------------------------|
| Budgetary Basis Revenues                                                                                                                          | \$37,246,835                                                | \$ 5,696,776                                              |
| <i>Adjustments:</i>                                                                                                                               |                                                             |                                                           |
| To adjust for State on behalf payments                                                                                                            | -                                                           | 918,479                                                   |
| To adjust for State aid reported on School                                                                                                        | (5,391,234)                                                 | -                                                         |
| GAAP basis revenues                                                                                                                               | <u>31,855,601</u>                                           | <u>6,615,255</u>                                          |
| <br>Budgetary Basis Expenditures                                                                                                                  | <br>13,940,666                                              | <br>23,594,320                                            |
| <i>Adjustments:</i>                                                                                                                               |                                                             |                                                           |
| To adjust for State on behalf payments                                                                                                            | -                                                           | 918,479                                                   |
| To adjust for change in encumbrances                                                                                                              | -                                                           | (5,348)                                                   |
| To adjust for use of fund balance                                                                                                                 | (125,000)                                                   | -                                                         |
| GAAP basis expenditures                                                                                                                           | <u>13,815,666</u>                                           | <u>24,507,451</u>                                         |
| <br>Budgetary Basis Transfers                                                                                                                     | <br>(23,606,805)                                            | <br>18,216,868                                            |
| <i>Adjustments:</i>                                                                                                                               |                                                             |                                                           |
| To adjust for State aid reported on School                                                                                                        | 5,391,234                                                   | -                                                         |
| GAAP basis transfers                                                                                                                              | <u>(18,215,571)</u>                                         | <u>18,216,868</u>                                         |
| <br><i>Excess (deficiency) of revenues and other sources<br/>over (under) expenditures/expenses and other uses<br/>(Budgetary Non-GAAP basis)</i> | <br><br><br><br><br><br><br><br><br><br><u>\$ (175,636)</u> | <br><br><br><br><br><br><br><br><br><br><u>\$ 324,672</u> |

**NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Legal Debt Margin**

The Town's legal debt margin as set forth by State Statute is limited to three percent of total assessed value, which approximates \$44,677,034 based on the December 31, 20125 assessment. As of June 30, 2013, the Town's debt is under the debt limit by \$5,930,157. In addition to the bonding authority granted under §45-12-2 of the RI General Laws, the Town of North Smithfield can authorize bond issues pursuant to a special act of the RI General Assembly. Bond issues authorized by a special act of the General Assembly are normally not subject to any legal debt limit, but are subject to financial constraints such as the Town's ability and willingness to service the bonded debt.

(Continued)

**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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***NOTE 4 – 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, 2014, 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 2014 were based on a net assessed value of approximately \$1,489,234,462 at December 31, 2012 and amounted to approximately \$29,705,309. Total collections through June 30, 2014, on the 2013 tax levy, amounted to approximately \$28,286,598, which represents approximately 95.2% of the net tax levy. Total collections including 60-day receipts (applicable to the 2013 tax levy) amounted to approximately \$28,498,843, which represents approximately 95.9% 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 \$2,010,845 as of June 30, 2014 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, 2014, are recorded as unearned revenue, net of the allowance of \$100,000 and amounted to \$1,698,606 at June 30, 2014. Property taxes recognized as revenue for the fiscal year ended June 30, 2014 (due to their collection within the 60 days immediately following June 30, 2014) amounted to \$212,245.

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.

***NOTE 5 – FUND BALANCES***

Fund balance is classified as non-spendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Town is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds can be found in Note 1 of these financial statements. Additionally, the Town does not have a spending policy regarding order of liquidation for expenditures incurred. See Note 1 for a further explanation of this. A breakdown of Fund balances for the Town is as follows:

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(Continued)

**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 5 – FUND BALANCES (Continued)**

| <b>Fund balances:</b>                          | <b>Total</b>        |
|------------------------------------------------|---------------------|
| <b>Restricted, reported in:</b>                | <b>Restrictions</b> |
| General fund - Champlin                        | \$ 4,126            |
| Capital projects                               | 781,768             |
| School restricted fund                         | 62,707              |
| Substance abuse donations                      | 6,421               |
| Project D.A.R.E.                               | 663                 |
| Business revolving loan                        | 54,058              |
| CDBG                                           | 6,859               |
| Police forfeiture                              | 2,753               |
| Record retention                               | 79,458              |
| Police cruiser fees                            | 37,596              |
| Recycling grant                                | 42,383              |
| Clean & green day                              | 117                 |
| Pumpkin festival                               | 12,740              |
| Elderly affairs transportation                 | 2,420               |
| Civil defense EMA                              | 11,455              |
| <b>Total restricted fund balance</b>           | <b>\$ 1,105,524</b> |
| <b>Committed fund balances:</b>                |                     |
| General fund - Accrued sick time               | \$ 112,674          |
| General fund - Accrued vacation                | 51,078              |
| General fund - 60 day collections              | 212,245             |
| General fund - 3 year statistical revaluation  | 150,543             |
| General fund - 10 year statistical revaluation | 142,664             |
| General fund - Cell tower reserves             | 56,312              |
| General fund - Fire reserve expenses           | 60,000              |
| SRUF - school unrestricted fund                | 668,614             |
| EMS fund                                       | 642,227             |
| <b>Total committed fund balance</b>            | <b>\$ 2,096,357</b> |
| <b>Assigned fund balance</b>                   |                     |
| SRUF - school encumbrances                     | \$ 156              |
| <b>Total assigned fund balance</b>             | <b>\$ 156</b>       |
| <b>Unassigned fund balance</b>                 |                     |
| General fund                                   | \$ 2,452,067        |
| Governor's Justice Commission                  | (5,927)             |
| Civil defense - CERT '10                       | (669)               |
| <b>Total unassigned fund balance</b>           | <b>\$ 2,445,471</b> |
| <b>Total fund balances</b>                     | <b>\$ 5,647,508</b> |

(Continued)

**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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***NOTE 5 – FUND BALANCES (Continued)***

Deficit fund balances existed in the following funds:

|                               |                 |              |
|-------------------------------|-----------------|--------------|
| Governor's Justice Commission | Non-major funds | * \$ (5,927) |
| Civil Defense CERT '10        | Non-major funds | * \$ (669)   |

\* The deficit balance will be funded through future grant requests.

***NOTE 6 – CASH AND INVESTMENTS***

Deposits: The Town maintains deposits in local financial institutions. At year end, the carrying amount of such deposits was \$10,181,500, excluding petty cash of \$1,150, while the bank balance was \$10,950,688 of which \$817,560 was covered by federal depository insurance. The remaining balance of \$10,133,128 was collateralized as of June 30, 2014.

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, 2014 the Town has no investments.

Interest Rate Risk: The Town has no investments subject to interest rate risk or concentration of credit risk as of June 30, 2014.

Concentrations: The Town policy is to maintain a diversified portfolio to minimize the risk of loss resulting from over concentration of assets in a specific maturity.

**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.

Investment Risk: This is the risk that in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Town does not have any investments that are subject to investment rate risk for the fiscal year ended June 30, 2014.

**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 6 – CASH AND INVESTMENTS (Continued)**

*Interest Rate Risk:* This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The Town does not have any investments that are subject to interest rate risk for the fiscal year ended June 30, 2014. If applicable, information about the exposure of the Town's debt type investments to this risk is reported using the segment time distribution model.

*Credit Risk:* Generally, credit risk is the risk that an issuer of a debt type investment will not fulfill its obligation to the holder of the investment. This is measured by assignment of a rating by a nationally recognized rating organization. U.S government securities or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk exposure. The Town did not have any debt type investments that were exposed to credit risk as defined by GASB 40.

Cash and investments of the Town consist of the following at June 30, 2014

***Cash and Cash Equivalents***

|                                               |                             |
|-----------------------------------------------|-----------------------------|
| Deposits with financial institutions          | \$ 10,182,650               |
| <b><i>Total Cash and Cash Equivalents</i></b> | <b><u>\$ 10,182,650</u></b> |

Cash and investments are classified in the accompanying financial statements as follows:

***Statement of Net Position***

|                           |              |
|---------------------------|--------------|
| Cash and cash equivalents | \$ 9,914,637 |
|---------------------------|--------------|

***Fiduciary Funds***

|                                               |                             |
|-----------------------------------------------|-----------------------------|
| Cash and cash equivalents                     | 268,013                     |
| <b><i>Total Cash and Cash Equivalents</i></b> | <b><u>\$ 10,182,650</u></b> |

**NOTE 7 – INTER-FUND BALANCES**

Interfund receivable and payable balances at June 30, 2014 are as follows:

|                              | Due From<br>Other Funds    | Due To<br>Other Funds      |
|------------------------------|----------------------------|----------------------------|
| General Fund                 | \$ -                       | \$ 1,133,654               |
| School Unrestricted Fund     | 968,194                    | -                          |
| Capital Projects Funds       | 388,309                    | -                          |
| Non-Major Governmental Funds | 254,265                    | 493,027                    |
| Proprietary Funds            | 118,504                    | 109,986                    |
| Fiduciary Funds              | 7,395                      | -                          |
| <b>TOTALS</b>                | <b><u>\$ 1,736,667</u></b> | <b><u>\$ 1,736,667</u></b> |

(Continued)

**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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**NOTE 7 – INTER-FUND BALANCES (Continued)**

Transfers between funds as of June 30, 2014 are as follows:

| <u>Fund / Department</u> | <u>Transfers from<br/>(to) other funds</u> |
|--------------------------|--------------------------------------------|
| General Fund             | \$ (18,216,397)                            |
| School Unrestricted Fund | 18,216,868                                 |
| Capital Project Funds    | (60,234)                                   |
| Proprietary Fund         | 60,234                                     |
| Non Major Funds          | (471)                                      |
| <b>TOTALS</b>            | <u><u>\$ -</u></u>                         |

**NOTE 8 – DEFERRED INFLOW OF RESOURCES**

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

|                                           |                            |
|-------------------------------------------|----------------------------|
| Property taxes receivable, net            | \$ 1,910,851               |
| Less: current year 60 day accrual         | <u>(212,245)</u>           |
| <b>Total deferred inflow of resources</b> | <u><u>\$ 1,698,606</u></u> |

**NOTE 9 – CAPITAL ASSETS**

Assets are recorded at historical cost or estimated historical cost (for certain assets acquired prior to 1993). The following schedule list prior year balances and current year activity for all Governmental Fund capital asset transactions.

Activity for governmental activity capital assets is summarized below:

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(Continued)



**TOWN OF NORTH SMITHFIELD**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 9 - INFORMATION ABOUT CAPITAL ASSETS (Continued)**

Capital asset activity for the fiscal year ended June 30, 2014 was as follows:

|                                               | Primary Government   |                       |              | Ending<br>Balance    |
|-----------------------------------------------|----------------------|-----------------------|--------------|----------------------|
|                                               | Beginning<br>Balance | Increases             | Decreases    |                      |
| <b>Governmental activities:</b>               |                      |                       |              |                      |
| Capital assets not being depreciated:         |                      |                       |              |                      |
| Land                                          | \$ 7,941,141         | \$ -                  | \$ -         | \$ 7,941,141         |
| Total capital assets not being depreciated    | <u>7,941,141</u>     | <u>-</u>              | <u>-</u>     | <u>7,941,141</u>     |
| Other capital assets:                         |                      |                       |              |                      |
| Land improvements                             | 3,287,529            | 11,440                | -            | 3,298,969            |
| Buildings and improvements                    | 56,434,308           | 37,634                | -            | 56,471,942           |
| Infrastructure                                | 24,453,142           | 215,485               | -            | 24,668,627           |
| Machinery, equipment and furniture            | 5,909,542            | 282,914               | (16,033)     | 6,208,489            |
| Vehicles                                      | 4,214,714            | 207,503               | 26,000       | 4,396,217            |
| Total other capital assets at historical cost | <u>94,299,235</u>    | <u>754,976</u>        | <u>9,967</u> | <u>95,044,244</u>    |
| Less accumulated depreciation for:            |                      |                       |              |                      |
| Land improvements                             | 1,673,290            | 109,236               | -            | 1,782,526            |
| Buildings and improvements                    | 15,765,464           | 1,382,905             | -            | 17,148,369           |
| Infrastructure                                | 23,186,657           | 107,199               | -            | 23,293,856           |
| Machinery, equipment and furniture            | 4,687,049            | 308,362               | (16,033)     | 5,011,444            |
| Vehicles                                      | 3,658,111            | 174,532               | 26,000       | 3,806,643            |
| Total accumulated depreciation                | <u>48,970,571</u>    | <u>2,082,234</u>      | <u>9,967</u> | <u>51,042,838</u>    |
| Governmental activities capital assets, net   | <u>\$ 53,269,805</u> | <u>\$ (1,327,258)</u> | <u>\$ -</u>  | <u>\$ 51,942,547</u> |

Depreciation expense was charged to functions as follows:

|                                                    |                     |
|----------------------------------------------------|---------------------|
| <b>Governmental activities:</b>                    |                     |
| General government                                 | \$ 71,052           |
| Public safety                                      | 182,574             |
| Public works                                       | 239,772             |
| Education                                          | 1,588,836           |
| Total governmental activities depreciation expense | <u>\$ 2,082,234</u> |

**TOWN OF NORTH SMITHFIELD**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 9 - INFORMATION ABOUT CAPITAL ASSETS (Continued)**

Capital asset activity for the fiscal year ended June 30, 2014 was as follows:

|                                               | Primary Government   |              |           |                   |
|-----------------------------------------------|----------------------|--------------|-----------|-------------------|
|                                               | Beginning<br>Balance | Increases    | Decreases | Ending<br>Balance |
| <b>Business-type activities:</b>              |                      |              |           |                   |
| Other capital assets:                         |                      |              |           |                   |
| Land improvements                             | \$ 48,546            | \$ -         | \$ -      | \$ 48,546         |
| Buildings and improvements                    | 2,346,289            | -            | -         | 2,346,289         |
| Infrastructure                                | 11,348,392           | -            | -         | 11,348,392        |
| Machinery and equipment                       | 19,131,808           | 29,589       | -         | 19,161,397        |
| Vehicles                                      | 90,022               | 49,088       | -         | 139,110           |
| Total other capital assets at historical cost | 32,965,057           | 78,677       | -         | 33,043,734        |
| Less accumulated depreciation for:            |                      |              |           |                   |
| Land improvements                             | 13,516               | 864          | -         | 14,380            |
| Buildings and improvements                    | 655,493              | 46,925       | -         | 702,418           |
| Infrastructure                                | 5,299,317            | 163,412      | -         | 5,462,729         |
| Machinery and equipment                       | 12,071,310           | 673,884      | -         | 12,745,194        |
| Vehicles                                      | 61,055               | 11,197       | -         | 72,252            |
| Total accumulated depreciation                | 18,100,691           | 896,282      | -         | 18,996,973        |
| Business-type activities capital assets, net  | \$ 14,864,366        | \$ (817,605) | \$ -      | \$ 14,046,761     |

Depreciation expense was charged to functions as follows:

|                                                     |                   |
|-----------------------------------------------------|-------------------|
| <b>Business-type activities:</b>                    |                   |
| Water Fund                                          | \$ 76,684         |
| Sewer Fund                                          | 816,437           |
| School Lunch                                        | 3,161             |
| Total business-type activities depreciation expense | <u>\$ 896,282</u> |

**TOWN OF NORTH SMITHFIELD**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 10 - DIFFERENCES BETWEEN GOVERNMENTAL FUND BALANCE SHEET AND THE STATEMENT OF NET POSITION**

"Total fund balances" of the town's governmental funds of \$5,647,508 differs from "net position" of governmental activities \$23,295,459 reported in the statement of net position. This difference primarily results from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheets. The effect of the differences is illustrated below.

**Balance Sheet/Statement of Net Position**

|                                            | Total<br>Governmental<br>Funds | Long-term<br>Assets/<br>Liabilities (1) | Reclassifications<br>and<br>Eliminations | Statement<br>Net Assets<br>Totals |
|--------------------------------------------|--------------------------------|-----------------------------------------|------------------------------------------|-----------------------------------|
| <b>ASSETS</b>                              |                                |                                         |                                          |                                   |
| Cash and cash equivalents                  | \$ 5,943,176                   | \$ -                                    | \$ -                                     | \$ 5,943,176                      |
| <b>Accounts receivable:</b>                |                                |                                         |                                          |                                   |
| Accounts receivable net                    | 1,926,355                      | -                                       | -                                        | 1,926,355                         |
| Other receivables                          | 521,665                        | -                                       | -                                        | 521,665                           |
| Internal balances                          | 1,610,768                      | -                                       | (1,619,286)                              | (8,518)                           |
| Capital Assets, net                        | -                              | 51,942,547                              | -                                        | 51,942,547                        |
| <b>TOTAL ASSETS</b>                        | <u>\$ 10,001,964</u>           | <u>\$ 51,942,547</u>                    | <u>\$ (1,619,286)</u>                    | <u>\$ 60,325,225</u>              |
| <b>LIABILITIES AND FUND BALANCES</b>       |                                |                                         |                                          |                                   |
| <b>Liabilities:</b>                        |                                |                                         |                                          |                                   |
| Accounts payable                           | \$ 703,591                     | -                                       | 7,395                                    | 710,986                           |
| Accrued expenses                           | 271,348                        | 386,617                                 | -                                        | 657,965                           |
| Internal balances                          | 1,626,681                      | -                                       | (1,626,681)                              | -                                 |
| Deferred revenue                           | 54,230                         | -                                       | -                                        | 54,230                            |
| Long-term liabilities                      |                                |                                         |                                          |                                   |
| Due within one year                        | -                              | 2,237,851                               | -                                        | 2,237,851                         |
| Due in more than one year                  | -                              | 33,368,734                              | -                                        | 33,368,734                        |
| <b>Total liabilities</b>                   | <u>2,655,850</u>               | <u>35,993,202</u>                       | <u>(1,619,286)</u>                       | <u>37,029,766</u>                 |
| <b>Deferred inflow of resources:</b>       |                                |                                         |                                          |                                   |
| Unearned tax revenue                       | <u>1,698,606</u>               | <u>(1,698,606)</u>                      | <u>-</u>                                 | <u>-</u>                          |
| <b>Total fund balances</b>                 | <u>5,647,508</u>               | <u>17,647,951</u>                       | <u>-</u>                                 | <u>23,295,459</u>                 |
| <b>TOTAL LIABILITIES AND FUND BALANCES</b> | <u>\$ 10,001,964</u>           | <u>\$ 51,942,547</u>                    | <u>\$ (1,619,286)</u>                    | <u>\$ 60,325,225</u>              |

- (1) When capital assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the cost of these assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the town as a whole.

|                          |                      |
|--------------------------|----------------------|
| Cost of capital assets   | \$ 102,985,385       |
| Accumulated depreciation | (51,042,838)         |
|                          | <u>\$ 51,942,547</u> |

Because the focus of governmental funds is on short term financing, some assets will not be available to pay for current-period expenditures. Those assets (for example receivables) are offset by deferred revenues in the governmental funds and thus are not included in the fund balance.

|                                |                     |
|--------------------------------|---------------------|
| Adjustment of deferred revenue | \$ 1,698,606        |
|                                | <u>\$ 1,698,606</u> |

Long-term liabilities applicable to the Town's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term are reported in the statement of net assets.

|                              |                      |
|------------------------------|----------------------|
| Bonds payable                | \$ 31,698,000        |
| Leases payable               | 1,053,376            |
| Accrued interest payable     | 386,617              |
| Accrued compensated absences | 832,479              |
| Claims payable               | 413,212              |
| Net OPEB obligation          | 1,609,518            |
|                              | <u>\$ 35,993,202</u> |

**TOWN OF NORTH SMITHFIELD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 11 - DIFFERENCES BETWEEN GOVERNMENTAL FUND OPERATING STATEMENTS AND THE STATEMENT OF ACTIVITIES**

The "net change in the fund balances" for governmental funds of (\$405,306) differs from the "change in net assets" for governmental activities (\$274,455) reported in the statement of activities. The differences arise primarily from the long-term economic focus of the statement of activities versus the current financial resources focus of the governmental funds. The effect of the differences is illustrated below.

**Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities**

|                                                   | Total<br>Governmental<br>Funds | Long-term<br>Revenues/<br>Expenses (1) | Capital-<br>related<br>Items (2) | Long-term<br>Debt<br>Transactions (3) | Statement<br>of Activities<br>Totals |
|---------------------------------------------------|--------------------------------|----------------------------------------|----------------------------------|---------------------------------------|--------------------------------------|
| <b>Revenues</b>                                   |                                |                                        |                                  |                                       |                                      |
| Property taxes                                    | \$ 28,859,768                  | \$ 450,568                             | \$ -                             | \$ -                                  | \$ 29,310,336                        |
| Motor vehicle excise in lieu of tax               | 176,912                        | -                                      | -                                | -                                     | 176,912                              |
| Intergovernmental and grant revenue               | 8,621,265                      | -                                      | -                                | -                                     | 8,621,265                            |
| Town clerk licenses and fees                      | 354,105                        | -                                      | -                                | -                                     | 354,105                              |
| Other departmental fines and fees                 | 270,848                        | -                                      | -                                | -                                     | 270,848                              |
| Interest income                                   | 850                            | -                                      | -                                | -                                     | 850                                  |
| Other revenues                                    | 1,441,404                      | -                                      | -                                | -                                     | 1,441,404                            |
| <b>Total revenues</b>                             | <b>39,725,152</b>              | <b>450,568</b>                         | <b>-</b>                         | <b>-</b>                              | <b>40,175,720</b>                    |
| <b>Expenditures</b>                               |                                |                                        |                                  |                                       |                                      |
| Current:                                          |                                |                                        |                                  |                                       |                                      |
| General government                                | 1,337,645                      | -                                      | 71,052                           | 368,734                               | 1,777,431                            |
| Financial administration                          | 666,202                        | -                                      | (4,497)                          | -                                     | 661,705                              |
| Public safety                                     | 4,806,424                      | -                                      | 175,961                          | -                                     | 4,982,385                            |
| Public works                                      | 2,119,128                      | -                                      | (1,263)                          | -                                     | 2,117,865                            |
| Fixed charges                                     | 1,671,908                      | -                                      | -                                | 213,303                               | 1,885,211                            |
| Grants & contributions                            | 20,550                         | -                                      | -                                | -                                     | 20,550                               |
| Education                                         | 25,308,399                     | -                                      | 1,539,762                        | -                                     | 26,848,161                           |
| Capital outlay                                    | 453,757                        | -                                      | (453,757)                        | -                                     | -                                    |
| Other                                             | 94,587                         | -                                      | -                                | -                                     | 94,587                               |
| <b>Debt service:</b>                              |                                |                                        |                                  |                                       |                                      |
| Principal                                         | 1,913,799                      | -                                      | -                                | (1,913,799)                           | -                                    |
| Interest                                          | 1,429,809                      | 28,063                                 | -                                | -                                     | 1,457,872                            |
| Other                                             | -                              | -                                      | -                                | -                                     | -                                    |
| <b>Total expenditures</b>                         | <b>39,822,208</b>              | <b>28,063</b>                          | <b>1,327,258</b>                 | <b>(1,331,762)</b>                    | <b>39,845,767</b>                    |
| <b>Other financing uses/changes in net assets</b> |                                |                                        |                                  |                                       |                                      |
| Proceeds from debt issuance                       | 1,106,770                      | -                                      | -                                | (1,106,770)                           | -                                    |
| Disbursements of bond issuance                    | (544,174)                      | -                                      | -                                | -                                     | (544,174)                            |
| RI DEM Grant                                      | 400,000                        | -                                      | -                                | -                                     | 400,000                              |
| RI DEM grant disbursement                         | (400,000)                      | -                                      | -                                | -                                     | (400,000)                            |
| Transfers from (to) other funds                   | (60,234)                       | -                                      | -                                | -                                     | (60,234)                             |
| <b>Net other financing uses</b>                   | <b>502,362</b>                 | <b>-</b>                               | <b>-</b>                         | <b>(1,106,770)</b>                    | <b>(604,408)</b>                     |
| <b>Net change for the year</b>                    | <b>\$ 405,306</b>              | <b>\$ 422,505</b>                      | <b>\$ (1,327,258)</b>            | <b>\$ 224,992</b>                     | <b>\$ (274,455)</b>                  |

TOWN OF NORTH SMITHFIELD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

**NOTE 11 - DIFFERENCES BETWEEN GOVERNMENTAL FUND OPERATING STATEMENTS AND THE STATEMENT OF ACTIVITIES (Continued)**

- (1) Because some property taxes will not be collected for several months after the Town's fiscal year ends, they are not considered as "available" revenues in the governmental funds.

|                |            |
|----------------|------------|
| Property taxes | \$ 450,568 |
|----------------|------------|

Interest expense in the statement of activities differs from the amount reported in the governmental funds for two reasons. Accrued interest and bond premiums are added to the bonds payable, and bond issuance costs are reported as expenditures in governmental funds while in the government-wide financial statements they are capitalized and amortized over the life of the bond.

|                              |           |
|------------------------------|-----------|
| Accrued interest             | \$ 28,063 |
| Total expenditure adjustment | \$ 28,063 |

- (2) When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources expended, whereas net assets decrease by the amount of depreciation expense charged for the year.

|                      |              |
|----------------------|--------------|
| Capital outlay       | \$ (754,976) |
| Depreciation expense | 2,082,234    |
| Difference           | \$ 1,327,258 |

- (3) Repayment of bond principal is reported as an expenditure in the governmental funds and, thus, has the effect of reducing fund balance because current financial resources have been used. For the Town as a whole, however, the principal payments reduce the liabilities in the statement of net assets and do not result in an expense in the statement of activities. Cost associated with the refinancing of debt are expensed in the fund financials but are long-term assets and liabilities in the statement of activities

|                                 |              |
|---------------------------------|--------------|
| Proceeds from bond issuance     | \$ 545,000   |
| Proceeds from lease issuance    | 561,770      |
| Increase in claims payable      | 513,212      |
| Bond Principal payments made    | (1,727,000)  |
| Lease Principal payments made   | (186,799)    |
| Increase in Net OPEB obligation | 213,303      |
| Claim payments made             | (100,000)    |
|                                 | \$ (180,514) |

Certain accrued expenditures that do not use current financial resources are not reported in the fund financial statements. However, in the statement of activities these accrued expenses are recognized and charged to current activities.

|                                      |             |
|--------------------------------------|-------------|
| Net decrease in compensated absences | \$ (44,478) |
|                                      | \$ (44,478) |

**TOWN OF NORTH SMITHFIELD**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 12 - LONG-TERM LIABILITIES**

The Town reports a long-term liability of the primary government in either governmental type activities or business type activities.

Long-term liability activity for the fiscal year ended June 30, 2014 was as follows:

|                                                      | Balance<br>July 1, 2013 | Additions           | Maturities          | Balance<br>June 30, 2014 | Amounts<br>Due within<br>One Year |
|------------------------------------------------------|-------------------------|---------------------|---------------------|--------------------------|-----------------------------------|
| <b>Governmental Activities</b>                       |                         |                     |                     |                          |                                   |
| Bonds payable                                        | \$ 32,880,000           | \$ 545,000          | \$ 1,727,000        | \$ 31,698,000            | \$ 1,843,000                      |
| Total bonds payable                                  | 32,880,000              | 545,000             | 1,727,000           | 31,698,000               | 1,843,000                         |
| <b>Other liabilities:</b>                            |                         |                     |                     |                          |                                   |
| Capital leases payable                               | 678,405                 | 561,770             | 186,799             | 1,053,376                | 241,963                           |
| Accrued compensated absences                         | 876,957                 | -                   | 44,478              | 832,479                  | -                                 |
| Claims payable                                       | -                       | 513,212             | 100,000             | 413,212                  | 152,888                           |
| Net OPEB obligation                                  | 1,396,215               | 213,303             | -                   | 1,609,518                | -                                 |
| Total other liabilities                              | 2,951,577               | 1,288,285           | 331,277             | 3,908,585                | 394,851                           |
| <b>Governmental Activities long-term liabilities</b> | <b>\$ 35,831,577</b>    | <b>\$ 1,833,285</b> | <b>\$ 2,058,277</b> | <b>\$ 35,606,585</b>     | <b>\$ 2,237,851</b>               |
| <b>Business-Type Activities</b>                      |                         |                     |                     |                          |                                   |
| Bonds and loans payable                              | \$ 7,731,820            | \$ -                | \$ 682,943          | \$ 7,048,877             | \$ 700,139                        |
| Total bonds payable                                  | \$ 7,731,820            | \$ -                | \$ 682,943          | \$ 7,048,877             | \$ 700,139                        |

The debt service through maturity for the Governmental bonds are as follows:

| <b>Fiscal<br/>Year Ended<br/>June 30</b> | <b>Principal</b>     | <b>Interest</b>      | <b>Total</b>         |
|------------------------------------------|----------------------|----------------------|----------------------|
| 2015                                     | \$ 1,843,000         | \$ 1,359,426         | \$ 3,202,426         |
| 2016                                     | 1,919,000            | 1,278,649            | 3,197,649            |
| 2017                                     | 1,990,000            | 1,199,468            | 3,189,468            |
| 2018                                     | 2,076,000            | 1,115,309            | 3,191,309            |
| 2019                                     | 2,213,000            | 1,022,923            | 3,235,923            |
| 2020                                     | 2,249,000            | 932,930              | 3,181,930            |
| 2021                                     | 2,331,000            | 846,301              | 3,177,301            |
| 2022                                     | 2,427,000            | 753,913              | 3,180,913            |
| 2023                                     | 2,330,000            | 657,151              | 2,987,151            |
| 2024                                     | 2,445,000            | 555,854              | 3,000,854            |
| Thereafter                               | 9,875,000            | 1,126,696            | 11,001,696           |
| <b>TOTALS</b>                            | <b>\$ 31,698,000</b> | <b>\$ 10,848,620</b> | <b>\$ 42,546,620</b> |

The debt service through maturity for the Business-Type bonds and loans are as follows:

| <b>Fiscal<br/>Year Ended<br/>June 30</b> | <b>Principal</b>    | <b>Interest</b>     | <b>Total</b>        |
|------------------------------------------|---------------------|---------------------|---------------------|
| 2015                                     | \$ 700,139          | \$ 208,989          | \$ 909,128          |
| 2016                                     | 719,118             | 186,810             | 905,928             |
| 2017                                     | 417,148             | 169,154             | 586,302             |
| 2018                                     | 425,745             | 156,417             | 582,162             |
| 2019                                     | 433,682             | 143,224             | 576,906             |
| 2020                                     | 447,532             | 129,259             | 576,791             |
| 2021                                     | 416,723             | 114,559             | 531,282             |
| 2022                                     | 398,375             | 101,579             | 499,954             |
| 2023                                     | 355,175             | 90,656              | 445,831             |
| 2024                                     | 326,115             | 79,985              | 406,100             |
| Thereafter                               | 2,409,125           | 384,729             | 2,793,854           |
| <b>TOTALS</b>                            | <b>\$ 7,048,877</b> | <b>\$ 1,765,361</b> | <b>\$ 8,814,238</b> |

**Accrued Compensated Absences** - Town employees receive vested rights to paid vacation, sick time and compensatory time at the end of their first year of full-time employment with no pro rata payment if employment is terminated before the completion of a full year of service. An expenditure/expense is recognized each month as benefits are used, consistent with the standards established by GASB 16.

**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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**NOTE 13 – CAPITAL LEASES PAYABLE**

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**

|                                |                            |
|--------------------------------|----------------------------|
| <i>Assets:</i>                 |                            |
| Equipment and vehicles         | \$ 3,336,454               |
| Less: accumulated depreciation | <u>1,632,174</u>           |
| <b>Total</b>                   | <b><u>\$ 1,704,280</u></b> |

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2014 were as follows:

|                                  |                           |
|----------------------------------|---------------------------|
| 2015.....                        | \$ 258,887                |
| 2016.....                        | 258,887                   |
| 2017.....                        | 258,887                   |
| 2018.....                        | 202,245                   |
| 2019.....                        | <u>118,114</u>            |
| Future minimum payments .....    | 1,097,020                 |
| Less: interest .....             | <u>(43,644)</u>           |
| <b>Total long-term debt.....</b> | <b><u>\$1,053,376</u></b> |

Payments made in fiscal 2014 totaled \$186,799, of which all were the present value of the future minimum lease payments.

**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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***NOTE 14 - SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES/COMMITMENTS***

**Grants and agreements**

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.

**Litigation**

During the ordinary course of its operations, the Town is a party to various claims, other legal actions and complaints. These various legal actions include disputes in property valuations and torts for which the Town has been named as a defendant. In the opinion of the Town's management and legal counsel, other than the matter stated below, they do not anticipate any of these types of claims to have either a material financial impact or at this time the Town's legal counsel has been unable to assess liability, if any, on the part of the Town. For Fiscal Year 2014, there are four agreements included in Claims Payable under Long-Term Obligations: Philip Kaczorowski for wrongful termination; Narragansett Improvement Company for abatement of taxes; Global Imaging Holding Realty for sewer use fees and Providence Pike Realty for sewer use fees.

***NOTE 15 – DEFINED BENEFIT PENSION PLANS***

**A. General Municipal Employees' Pension Plan**

The Town of North Smithfield participates in the Municipal Employee's 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, 2013, 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.

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(Continued)



**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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**NOTE 15 – DEFINED BENEFIT PENSION PLANS (Continued)**

***General Employee units***

**Retirement eligibility and plan benefits** – 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 non service-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, 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, 2014 was 5.92%.

**Annual Pension Cost**

The Town's annual pension cost of \$202,929 for MERS was equal to the Town and School's required and actual contributions for the year ended June 30, 2014.

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(Continued)

**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 15 – DEFINED BENEFIT PENSION PLANS (Continued)**

**Three-Year Trend Information - Town & School General MERS**

| Fiscal<br>Year<br>Ending | Town<br>Annual<br>Pension Cost<br>(APC) | School<br>Annual<br>Pension Cost<br>(APC) | Total<br>Annual<br>Pension Cost<br>(APC) | Percentage<br>of APC<br>Contributed | Net<br>Pension<br>Obligation |
|--------------------------|-----------------------------------------|-------------------------------------------|------------------------------------------|-------------------------------------|------------------------------|
| 6/30/2012                | \$ 5,878                                | \$ 33,043                                 | \$ 38,921                                | 100%                                | \$ -                         |
| 6/30/2013                | \$ 97,320                               | \$ 116,555                                | \$ 213,875                               | 100%                                | \$ -                         |
| 6/30/2014                | \$ 95,047                               | \$ 107,882                                | \$ 202,929                               | 100%                                | \$ -                         |

The required contribution for fiscal 2014 was determined as part of the actuarial valuation performed as of June 30, 2011. The most recent valuation of the plans within the system was performed as of June 30, 2013. The actuarial methods and assumptions used in those valuations are summarized below:

| Summary of Actuarial Assumptions Used in the MERS<br>June 30, 2011 and June 30, 2013 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<br>22 years as of June 30, 2013                                        |
| Asset Valuation Method                                                                          |  | 5 Year Smoothed Market                                                                              |
| Actuarial Assumptions:                                                                          |  |                                                                                                     |
| Investment Rate of Return                                                                       |  | 7.50%                                                                                               |
| Projected Salary Increases                                                                      |  | <u>General Employees</u><br>4.00% to 8.00%<br><u>Police &amp; Fire Employees</u><br>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.

(Continued)

**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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**NOTE 15 – DEFINED BENEFIT PENSION PLANS (Continued)**

**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, 2013 which is the most recent report available from the State who administers this plan.

|                                      | <u>June 30, 2013</u> |
|--------------------------------------|----------------------|
| Actuarial Value of Assets            | \$ 13,130,319        |
| Actuarial Accrued Liability          | \$ 12,312,800        |
| Unfunded Actuarial Accrued Liability | \$ (817,519)         |
| Funded Ratio                         | 106.6%               |
| Annual Covered Payroll               | \$ 3,351,169         |
| UAAL as percentage of payroll        | -24.4%               |

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](http://www.ersri.org).

**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

**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

***NOTE 15 – DEFINED BENEFIT PENSION PLANS (Continued)***

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 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 non-service-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, 2014 was 13.96% of annual covered payroll.

**Annual Pension Cost**

The Town's annual pension cost of \$201,225 for MERS police employees was equal to the Town's required and actual contributions for the year ended June 30, 2014.

**Three-Year Trend Information - Police Officers MERS**

| Fiscal<br>Year<br>Ending | Town<br>Annual<br>Pension Cost<br>(APC) | Percentage<br>of APC<br>Contributed | Net<br>Pension<br>Obligation |
|--------------------------|-----------------------------------------|-------------------------------------|------------------------------|
| 6/30/2012                | \$ 189,042                              | 100%                                | \$ -                         |
| 6/30/2013                | \$ 225,365                              | 100%                                | \$ -                         |
| 6/30/2014                | \$ 201,225                              | 100%                                | \$ -                         |

(Continued)

**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 15 – DEFINED BENEFIT PENSION PLANS (Continued)**

The required contribution for fiscal 2014 was determined as part of the actuarial valuation performed as of June 30, 2011. The most recent valuation of the plans within the system was performed as of June 30, 2013. The actuarial methods and assumptions used in those valuations for the police and fire plans are summarized and presented in the following table.

| <b>Summary of Actuarial Assumptions Used in the MERS<br/>June 30, 2011 and June 30, 2013 Valuations</b> |                                                                                                     |
|---------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------|
| <b>Actuarial Cost Method</b>                                                                            | Entry Age Normal - the Individual Entry Age Actuarial Cost methodology is used.                     |
| <b>Amortization Method</b>                                                                              | Level Percent of Payroll – Closed                                                                   |
| <b>Equivalent Single Remaining Amortization Period</b>                                                  | 25 years as of June 30, 2010<br>22 years as of June 30, 2013                                        |
| <b>Asset Valuation Method</b>                                                                           | 5 Year Smoothed Market                                                                              |
| <b>Actuarial Assumptions:</b>                                                                           |                                                                                                     |
| <b>Investment Rate of Return</b>                                                                        | 7.50%                                                                                               |
| <b>Projected Salary Increases</b>                                                                       | <u>General Employees</u><br>4.00% to 8.00%<br><u>Police &amp; Fire Employees</u><br>4.25% to 14.25% |
| <b>Inflation</b>                                                                                        | 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 Police and Fire Employees' Pension Plan with a valuation date of June 30, 2013 which is the most recent report available from the State who administers this plan.

(Continued)

**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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**NOTE 15 – DEFINED BENEFIT PENSION PLANS (Continued)**

|                                      | <u>June 30, 2013</u> |
|--------------------------------------|----------------------|
| Actuarial Value of Assets            | \$ 8,210,731         |
| Actuarial Accrued Liability          | \$ 10,651,041        |
| Unfunded Actuarial Accrued Liability | \$ 2,440,310         |
| Funded Ratio                         | 77.1%                |
| Annual Covered Payroll               | \$ 1,352,826         |
| UAAL as percentage of payroll        | 180.4%               |

The System issues an annual financial report that includes financial statements and required supplementary information for all of the plans it administers. The report can be obtained at [www.ersri.org](http://www.ersri.org).

**Notes to the Schedule of Funding Progress**

***Changes affecting the June 30, 2013 actuarial valuation:***

This valuation reflects the following assumption changes: 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. We believe the assumptions are internally consistent and are reasonable, based on the actual experience of ERSRI.

**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 North Smithfield School Department must participate in ERS, a cost-sharing multiple-employer plan provides retirement, death and disability benefits (as well as annual cost of living allowance if certain conditions have been met) as outlined in Chapter 36-10 and 16-16 of the Rhode Island General Laws (RIGL). The benefits may be amended by the Rhode Island General Assembly.

**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
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***NOTE 15 – DEFINED BENEFIT PENSION PLANS (Continued)***

**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 actually determined rate expressed as a percentage of total compensation paid to the active membership. The employer contribution is split and paid 40.74% by the State and 59.26% 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 19.71% (8.03% State share and 11.68% 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 Law (RIGL). Spouse, parent, 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.

The Town contributed \$1,343,812, \$1,188,595, and \$1,389,413 during fiscal years 2014, 2013 and 2012, 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](http://www.ersri.org).

**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
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***NOTE 16 – 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 is 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 \$963,082 and \$375,626, respectively, during the fiscal year ended June 30, 2014. The employer contribution of \$375,626 consisted of \$14,259 for general municipal employees, \$18,225 for school employees that contribute to Social Security, and \$343,142 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](http://www.ersri.org).



**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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***NOTE 17 – 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 plan is a fully insured plan. The Town provides health care and dental insurance for employees who meet certain service requirements with no benefits beyond age 65. For School Department employees, individual plan benefits only are afforded to Teachers that qualify for up to seven years with no benefits beyond age 65, individual plan benefits only are afforded to Support Staff that qualify for up to five years with no benefits beyond age 65. Benefits were paid to 30 employees plus dependents who are receiving employer subsidized benefits during 2014. These benefits were funded on a pay as you go basis. For 2014, contributions were approximately \$310,149 for the Town and \$124,945 for the School Department for a total of \$435,094. These benefits are provided as part of the employee’s contract.

**Funding Policy**

The Town’s funding policy provides is to contribute the current annual premium (net of employee contributions) for all retired participants (i.e., pay-as-you-go). Pre-age 65 individual medical costs range from \$588 to \$787 per month. Pre-age 65 family medical costs range from \$1,509 to \$2,009 per month. Individual dental costs range from \$23 to \$29 per month. Pre-age 65 coverage is provided only by the Town. Generally, an employee may retire at any age after 20 years of service (25 for teachers). Certain other minimum age/service may apply. The Town will generally pay 85%-100% toward medical and dental coverage, depending on employee category (Police, Teachers, Other Town, Other School) [82%-100% in FYE 2015]. The annual OPEB cost was determined as part of the July 1, 2013 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included a 4.00% investment rate of return, inflation adjustment of 3.0% 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 23 years at June 30, 2014.

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

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(Continued)

**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 17 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)**

| <b>Three-Year Trend Information</b> |                             |                                                    |                                |
|-------------------------------------|-----------------------------|----------------------------------------------------|--------------------------------|
| <b>Fiscal<br/>Year<br/>Ended</b>    | <b>Annual<br/>OPEB Cost</b> | <b>Percentage of<br/>OPEB Cost<br/>Contributed</b> | <b>Net OPEB<br/>Obligation</b> |
| 6/30/2012                           | \$ 626,480                  | 62.9%                                              | \$ 1,154,324                   |
| 6/30/2013                           | \$ 645,096                  | 62.5%                                              | \$ 1,396,215                   |
| 6/30/2014                           | \$ 756,422                  | 71.8%                                              | \$ 1,609,518                   |

The Town's annual OPEB cost and net OPEB obligation for the year ended June 30, 2014 was as follows:

|                                            |                     |
|--------------------------------------------|---------------------|
| Annual required contribution               | \$ 788,624          |
| Interest on net OPEB obligation            | 55,849              |
| Adjustment to annual required contribution | (88,051)            |
| Annual OPEB cost (expense)                 | 756,422             |
| Contributions made                         | (543,119)           |
| Increase in net OPEB obligation            | 213,303             |
| Net OPEB obligation-beginning of year      | 1,396,215           |
| Net OPEB obligation-end of year            | <u>\$ 1,609,518</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 accrued liability for benefits.

| <b>Actuarial<br/>Valuation<br/>Date</b> | <b>Actuarial<br/>Value of<br/>Assets<br/>(a)</b> | <b>Actuarial<br/>Accrued<br/>Liability<br/>(AAL)<br/>Unit Credit<br/>(b)</b> | <b>Unfunded<br/>AAL<br/>(UAAL)<br/>(b - a)</b> | <b>Funded<br/>Ratio<br/>(a / b)</b> | <b>Covered<br/>Payroll<br/>(c)</b> | <b>UAAL as a<br/>Percentage of<br/>Covered<br/>Payroll<br/>[(b - a) / c]</b> |
|-----------------------------------------|--------------------------------------------------|------------------------------------------------------------------------------|------------------------------------------------|-------------------------------------|------------------------------------|------------------------------------------------------------------------------|
| 7/1/2009                                | \$ -                                             | \$ 5,796,707                                                                 | \$ 5,796,707                                   | 0.0%                                | \$ 15,979,607                      | 36.3%                                                                        |
| 7/1/2011                                | \$ -                                             | \$ 6,291,808                                                                 | \$ 6,291,808                                   | 0.0%                                | \$ 14,929,351                      | 42.1%                                                                        |
| 7/1/2013                                | \$ -                                             | \$ 7,141,640                                                                 | \$ 7,141,640                                   | 0.0%                                | \$ 17,746,038                      | 40.2%                                                                        |

(Continued)

**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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**NOTE 18 – PRIOR PERIOD ADJUSTMENTS**

For the current fiscal year, certain prior period adjustments were made to correct prior year balance sheet errors, combine the debt service fund with the General Fund per GASB 54, and to properly categorize revenue streams into their own special revenue funds. Listed below is a breakdown of these adjustments and their net effect on the Financial Statements for Governmental Funds, of which, the net effect is an increase to the Town's overall Fund Balance and Statement of Net Position in the amount of \$41,933.

**General Fund:**

|                                        |                   |
|----------------------------------------|-------------------|
| Remove miscellaneous receivables       | \$ (20,495)       |
| Remove 2009 bond fees                  | (5,300)           |
| Remove FEMA 2010 Flood receivable      | (11,855)          |
| Remove miscellaneous payables          | (5,000)           |
| Combine Debt Reserve with General Fund | 321,323           |
| <b>Total General Fund</b>              | <b>\$ 278,673</b> |

**Other Non-Major Governmental Funds:**

|                                                                                                     |                     |
|-----------------------------------------------------------------------------------------------------|---------------------|
| Combine Debt Reserve with General Fund                                                              | \$ (321,323)        |
| Transfer Cruiser fees from Agency Fund<br>to Non-Major Governmental Fund                            | 20,390              |
| Transfer Recycling Grant from General<br>Fund liability to Non-Major Governmental Fund              | 34,850              |
| Transfer Clean & Green funds from General<br>Fund liability to Non-Major Governmental Fund          | 1,302               |
| Transfer Pumpkin Festival funds from General<br>Fund liability to Non-Major Governmental Fund       | 15,502              |
| Transfer Civil Defense EMA funds from General<br>Fund liability to Non-Major Governmental Fund      | 14,978              |
| Transfer Civil Defense CERT '10 funds from General<br>Fund liability to Non-Major Governmental Fund | (2,439)             |
| <b>Total Other Non-Major Governmental Funds</b>                                                     | <b>\$ (236,740)</b> |

|                                                  |                  |
|--------------------------------------------------|------------------|
| <b>Net Governmental Prior Period Adjustments</b> | <b>\$ 41,933</b> |
|--------------------------------------------------|------------------|

**NOTE 19 - RELATED PARTIES**

The Town reviews its records on an annual basis to determine if any related party transactions exist that would represent a conflict of interest with parties related to its officers and department heads. No such transactions were noted in the fiscal year ended June 30, 2014.

**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
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***NOTE 20 - 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.

***NOTE 21 – SUBSEQUENT EVENTS***

Management has evaluated subsequent events through November 25, 2014, the date the financial statements were available to be issued. As a result of this review no material subsequent events were noted.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**REQUIRED SUPPLEMENTARY INFORMATION**  
**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**  
**Schedule of Funding Progress**  
**For the Fiscal Year Ended June 30, 2014**

**Schedule of funding progress for the Municipal Employees' Retirement System (Town & School)**

| Actuarial<br>Valuation<br>Date | Actuarial<br>Value of<br>Assets<br>(a) | Actuarial<br>Accrued<br>Liability (AAL)<br>(b) | Unfunded<br>AAL (UAAL)<br>(a-b) | Funded<br>Ratio<br>(a/b) | Covered<br>Payroll<br>(c) | AAL (UAAL) as<br>a percentage<br>of Covered<br>Payroll<br>(((a-b)/c) |
|--------------------------------|----------------------------------------|------------------------------------------------|---------------------------------|--------------------------|---------------------------|----------------------------------------------------------------------|
| 6/30/2011                      | \$ 12,574,900                          | \$ 13,263,754                                  | \$ (688,854)                    | 94.81%                   | \$ 3,050,274              | -22.58%                                                              |
| 6/30/2012                      | \$ 12,856,790                          | \$ 11,642,141                                  | \$ 1,214,649                    | 110.43%                  | \$ 3,354,622              | 36.21%                                                               |
| 6/30/2013                      | \$ 13,130,319                          | \$ 12,312,800                                  | \$ 817,519                      | 106.64%                  | \$ 3,351,169              | 24.40%                                                               |

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

| Actuarial<br>Valuation<br>Date | Actuarial<br>Value of<br>Assets<br>(a) | Actuarial<br>Accrued<br>Liability (AAL)<br>(b) | Unfunded<br>AAL (UAAL)<br>(a-b) | Funded<br>Ratio<br>(a/b) | Covered<br>Payroll<br>(c) | AAL (UAAL) as<br>a percentage<br>of Covered<br>Payroll<br>(((a-b)/c) |
|--------------------------------|----------------------------------------|------------------------------------------------|---------------------------------|--------------------------|---------------------------|----------------------------------------------------------------------|
| 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)                   | 80.59%                   | \$ 1,310,742              | -148.19%                                                             |
| 6/30/2013                      | \$ 8,210,731                           | \$ 10,651,041                                  | \$(2,440,310)                   | 77.09%                   | \$ 1,352,826              | -180.39%                                                             |

**Schedule of funding progress for the OPEB liability**

| Actuarial<br>Valuation<br>Date | Actuarial<br>Value of<br>Assets<br>(a) | Actuarial<br>Accrued<br>Liability (AAL)<br>(b) | Unfunded<br>AAL (UAAL)<br>(a-b) | Funded<br>Ratio<br>(a/b) | Covered<br>Payroll<br>(c) | AAL (UAAL) as<br>a percentage<br>of Covered<br>Payroll<br>(((a-b)/c) |
|--------------------------------|----------------------------------------|------------------------------------------------|---------------------------------|--------------------------|---------------------------|----------------------------------------------------------------------|
| 7/1/2009                       | \$ -                                   | \$ 5,796,707                                   | \$(5,796,707)                   | 0.00%                    | \$15,979,607              | -36.28%                                                              |
| 7/1/2011                       | \$ -                                   | \$ 6,291,808                                   | \$(6,291,808)                   | 0.00%                    | \$14,929,351              | -42.14%                                                              |
| 7/1/2013                       | \$ -                                   | \$ 7,141,640                                   | \$(7,141,640)                   | 0.00%                    | \$17,746,038              | -40.24%                                                              |

**REQUIRED SUPPLEMENTARY INFORMATION**  
**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**  
**Budgetary Comparison Schedule - General Fund**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance (Budgetary Basis)**  
**For the Fiscal Year Ended June 30, 2014**

|                                       | <b>GENERAL FUND</b>        |                           |                     |                  |
|---------------------------------------|----------------------------|---------------------------|---------------------|------------------|
|                                       | <b>ORIGINAL<br/>BUDGET</b> | <b>REVISED<br/>BUDGET</b> | <b>ACTUAL</b>       | <b>VARIANCE</b>  |
| <b>Revenues</b>                       |                            |                           |                     |                  |
| Property taxes                        | \$ 29,466,272              | \$ 29,466,272             | \$ 28,859,768       | \$ (606,504)     |
| Motor vehicle excise in lieu of tax   | 168,480                    | 168,480                   | 176,912             | 8,432            |
| Intergovernmental and grant revenue   | 7,069,201                  | 7,069,201                 | 6,964,478           | (104,723)        |
| Town clerk licenses and fees          | 300,370                    | 300,370                   | 354,105             | 53,735           |
| Other departmental fines and fees     | 345,200                    | 345,200                   | 270,713             | (74,487)         |
| Other revenues                        | 460,431                    | 460,431                   | 620,859             | 160,428          |
| <b>Total Revenues</b>                 | <b>37,809,954</b>          | <b>37,809,954</b>         | <b>37,246,835</b>   | <b>(563,119)</b> |
| <b>Expenditures</b>                   |                            |                           |                     |                  |
| General government                    |                            |                           |                     |                  |
| Town council                          | 10,950                     | 10,000                    | 10,000              | -                |
| Probate court                         | 8,164                      | 8,164                     | 7,347               | 817              |
| Town solicitor                        | 201,589                    | 216,152                   | 224,959             | (8,807)          |
| Municipal court                       | 31,424                     | 29,924                    | 28,958              | 966              |
| Administrators office                 | 114,944                    | 109,044                   | 107,122             | 1,922            |
| Town clerk's office                   | 127,759                    | 127,759                   | 119,325             | 8,434            |
| Planning division                     | 113,388                    | 113,388                   | 111,695             | 1,693            |
| Board of canvassers                   | 1,300                      | 1,300                     | 1,300               | -                |
| Zoning board                          | 4,680                      | 6,275                     | 6,004               | 271              |
| Personnel board                       | 1                          | 1                         | -                   | 1                |
| Conservation commission               | 1,686                      | 1,686                     | 1,338               | 348              |
| Historic district commission          | 1                          | 1                         | -                   | 1                |
| Housing authority                     | 1                          | 1                         | -                   | 1                |
| Economic development                  | 2,500                      | -                         | -                   | -                |
| Public safety commission              | 1                          | 1                         | -                   | 1                |
| Budget committee                      | 1                          | 1                         | -                   | 1                |
| Juvenile hearing board                | 2,050                      | 650                       | 538                 | 112              |
| Town hall                             | 9,900                      | 9,900                     | 8,940               | 960              |
| Plant operations                      | 172,628                    | 166,353                   | 155,728             | 10,625           |
| Printing & advertising                | 17,000                     | 13,000                    | 10,346              | 2,654            |
| Contingency fund                      | 362,375                    | 301,498                   | 282,174             | 19,324           |
| Scouters hall                         | 1,250                      | 1,250                     | 393                 | 857              |
| N.S. public library                   | 361,478                    | 361,478                   | 361,478             | -                |
| <b>Total general government</b>       | <b>1,545,070</b>           | <b>1,477,826</b>          | <b>1,437,645</b>    | <b>40,181</b>    |
| Financial administration              |                            |                           |                     |                  |
| Finance department                    | 191,124                    | 191,124                   | 189,642             | 1,482            |
| Tax assessors division                | 127,414                    | 117,552                   | 128,382             | (10,830)         |
| Tax collectors division               | 92,969                     | 77,969                    | 72,212              | 5,757            |
| Board of tax review                   | 1                          | 1                         | -                   | 1                |
| Audits & computer services            | 124,371                    | 108,471                   | 108,184             | 287              |
| Insurance                             | 192,000                    | 192,000                   | 167,782             | 24,218           |
| <b>Total financial administration</b> | <b>727,879</b>             | <b>687,117</b>            | <b>666,202</b>      | <b>20,915</b>    |
| Public safety                         |                            |                           |                     |                  |
| Police department                     | 2,018,942                  | 2,078,942                 | 2,048,795           | 30,147           |
| Animal control                        | 56,828                     | 54,378                    | 52,387              | 1,991            |
| EMA                                   | 11,250                     | 11,250                    | 8,917               | 2,333            |
| N.S. fire & rescue department         | 2,386,768                  | 2,386,768                 | 2,388,448           | (1,680)          |
| Hydrant rental                        | 50,000                     | 50,000                    | 50,000              | -                |
| Inspection division                   | 115,403                    | 110,303                   | 108,078             | 2,225            |
| <b>Total public safety</b>            | <b>\$ 4,639,191</b>        | <b>\$ 4,691,641</b>       | <b>\$ 4,656,625</b> | <b>\$ 35,016</b> |

**REQUIRED SUPPLEMENTARY INFORMATION**  
**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**  
**Budgetary Comparison Schedule - General Fund**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance (Budgetary Basis)**  
**For the Fiscal Year Ended June 30, 2014**

|                                                                                                              | <b>GENERAL FUND</b>        |                           |                     |                     |
|--------------------------------------------------------------------------------------------------------------|----------------------------|---------------------------|---------------------|---------------------|
|                                                                                                              | <b>ORIGINAL<br/>BUDGET</b> | <b>REVISED<br/>BUDGET</b> | <b>ACTUAL</b>       | <b>VARIANCE</b>     |
| Public works                                                                                                 |                            |                           |                     |                     |
| DPW administration                                                                                           | \$ 82,658                  | \$ 82,658                 | \$ 82,378           | \$ 280              |
| Highway division                                                                                             | 944,460                    | 1,053,160                 | 1,058,034           | (4,874)             |
| Parks & recreation division                                                                                  | 73,503                     | 73,503                    | 143,908             | (70,405)            |
| Tree warden                                                                                                  | 3,730                      | 1,730                     | 1,730               | -                   |
| Street lights                                                                                                | 200,000                    | 249,197                   | 245,710             | 3,487               |
| Rubbish disposal                                                                                             | 624,674                    | 594,674                   | 587,368             | 7,306               |
| Sealer of weights                                                                                            | 1                          | 1                         | -                   | 1                   |
| <b>Total public works</b>                                                                                    | <b>1,929,026</b>           | <b>2,054,923</b>          | <b>2,119,128</b>    | <b>(64,205)</b>     |
| Fixed charges                                                                                                | 1,685,792                  | 1,685,792                 | 1,696,908           | (11,116)            |
| Debt service                                                                                                 |                            |                           |                     |                     |
| Principal                                                                                                    | 1,976,509                  | 1,916,192                 | 1,913,799           | 2,393               |
| Interest                                                                                                     | 1,438,333                  | 1,430,059                 | 1,429,809           | 250                 |
| <b>Total debt service</b>                                                                                    | <b>3,414,842</b>           | <b>3,346,251</b>          | <b>3,343,608</b>    | <b>2,643</b>        |
| Grants & contributions                                                                                       | 23,500                     | 21,750                    | 20,550              | 1,200               |
| <b>Total expenditures</b>                                                                                    | <b>13,965,300</b>          | <b>13,965,300</b>         | <b>13,940,666</b>   | <b>24,634</b>       |
| <b>Excess of Revenues Over (Under) Expenditures<br/>Before Other Financing Sources (Uses)</b>                | <b>23,844,654</b>          | <b>23,844,654</b>         | <b>23,306,169</b>   | <b>(538,485)</b>    |
| <b>Other financing sources (uses)</b>                                                                        |                            |                           |                     |                     |
| Proceeds from bond issuance                                                                                  | -                          | -                         | 545,000             | 545,000             |
| Disbursements of bond issuance                                                                               | -                          | -                         | (544,174)           | (544,174)           |
| RI DEM Grant                                                                                                 | -                          | -                         | 400,000             | 400,000             |
| RI DEM grant disbursement                                                                                    | -                          | -                         | (400,000)           | (400,000)           |
| Transfers in                                                                                                 | -                          | -                         | 9,600               | 9,600               |
| Transfers out - N.S. school department                                                                       | (23,844,654)               | (23,844,654)              | (23,608,102)        | 236,552             |
| Transfers out                                                                                                | -                          | -                         | (9,129)             | (9,129)             |
| <b>Total other financing sources (uses)</b>                                                                  | <b>(23,844,654)</b>        | <b>(23,844,654)</b>       | <b>(23,606,805)</b> | <b>237,849</b>      |
| <b>Excess of Revenues and Other Financing Sources Over<br/>(Under) Expenditures and Other Financing Uses</b> | <b>\$ -</b>                | <b>\$ -</b>               | <b>\$ (300,636)</b> | <b>\$ (300,636)</b> |

**BUDGETARY - GAAP REPORTING RECONCILIATION**

The accompanying Required Supplementary Information Statements of Revenues, Expenditures/Expenses (GAAP or Non-GAAP Basis) presents comparisons of the legally adopted budget (more fully described in Note 2) with actual data on a budgetary basis. Because accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with GAAP, a reconciliation of resultant basis, entity and timing differences in the excess (deficiency) of revenues and other sources of financial resources over expenditures/expenses and other uses of financial resources for the year ended June 30, 2014 is presented below.

|                                                                                                                            |                     |
|----------------------------------------------------------------------------------------------------------------------------|---------------------|
| Excess (deficiency) of revenues and other sources<br>over (under) expenditures/expenses and other uses<br>(Non-GAAP basis) | \$ (300,636)        |
| <b>Adjustments:</b>                                                                                                        |                     |
| Budgeted use of fund balance for:                                                                                          |                     |
| 3 year statistical revaluation                                                                                             | 40,000              |
| 10 year statistical revaluation                                                                                            | 10,000              |
| Fund balance restoration                                                                                                   | 50,000              |
| OPEB funding contributions                                                                                                 | 25,000              |
| <b>Total adjustments:</b>                                                                                                  | <b>125,000</b>      |
| Excess (deficiency) of revenues and other sources<br>over (under) expenditures/expenses and other uses<br>(GAAP basis)     | <b>\$ (175,636)</b> |



**REQUIRED SUPPLEMENTARY INFORMATION**  
**NORTH SMITHFIELD SCHOOL DEPARTMENT**  
**Special Revenue Fund - Operational Unrestricted**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance -**  
**Budget (Budgetary Basis) and Actual**  
**Fiscal Year Ended June 30, 2014**

|                                                                                          | <u>Budget</u>     | <u>Actual</u>     | <u>Variance<br/>Favorable<br/>(Unfavorable)</u> |
|------------------------------------------------------------------------------------------|-------------------|-------------------|-------------------------------------------------|
| <b><u>REVENUES</u></b>                                                                   |                   |                   |                                                 |
| Local appropriations                                                                     | \$ 18,216,868     | \$ 18,216,868     | \$ -                                            |
| State of Rhode Island - General Aid                                                      | 5,256,700         | 5,254,850         | (1,850)                                         |
| State of Rhode Island - Group Home                                                       | 120,000           | 120,000           | -                                               |
| Medicaid                                                                                 | 181,086           | 253,412           | 72,326                                          |
| Rental Income - fields and buildings                                                     | 70,000            | 68,514            | (1,486)                                         |
| <b>Total Revenues</b>                                                                    | <u>23,844,654</u> | <u>23,913,644</u> | <u>68,990</u>                                   |
| <b><u>EXPENDITURES</u></b>                                                               |                   |                   |                                                 |
| Salaries                                                                                 | 13,948,248        | 13,689,233        | 259,015                                         |
| Employee benefits                                                                        | 4,815,659         | 4,700,815         | 114,844                                         |
| Purchased services                                                                       | 3,843,524         | 3,807,138         | 36,386                                          |
| Supplies & materials                                                                     | 1,077,258         | 1,035,537         | 41,721                                          |
| Capital outlays                                                                          | 130,930           | 160,715           | (29,785)                                        |
| Other costs                                                                              | 29,035            | 36,426            | (7,391)                                         |
| <b>Total Expenditures</b>                                                                | <u>23,844,654</u> | <u>23,429,864</u> | <u>414,790</u>                                  |
| <b>Excess of revenues over (under) expenditures<br/>before other financing sources</b>   | <u>-</u>          | <u>483,780</u>    | <u>483,780</u>                                  |
| <b><u>OTHER FINANCING SOURCES (USES)</u></b>                                             |                   |                   |                                                 |
| Transfer to town                                                                         | -                 | (164,456)         | (164,456)                                       |
| <b>Total Other Financing Sources (Uses)</b>                                              | <u>-</u>          | <u>(164,456)</u>  | <u>(164,456)</u>                                |
| <b>Excess revenues and other sources<br/>over (under) expenditures and other sources</b> | <u>\$ -</u>       | <u>\$ 319,324</u> | <u>\$ 319,324</u>                               |

**BUDGETARY – GAAP REPORTING RECONCILIATION**

The accompanying Required Supplementary Information Statements of Revenues, Expenditures/Expenses (GAAP Non-GAAP Basis) presents comparisons of the legally adopted budget (more fully described in Note 2) with actual on a budgetary basis. Because accounting principles applied for purposes of developing data on a budgetary basis significantly from those used to present financial statements in conformity with GAAP, a reconciliation of resultant basis, entity and timing differences in the excess (deficiency) of revenues and other sources of financial resources c expenditures/expenses and other uses of financial resources for the year ended June 30, 2014 is presented below.

|                                                                                                                                      |                   |
|--------------------------------------------------------------------------------------------------------------------------------------|-------------------|
| Excess (deficiency) of revenues and other sources<br>over (under) expenditures/expenses and other uses<br>(Non-GAAP budgetary basis) | \$ 319,324        |
| <i>Adjustments:</i>                                                                                                                  |                   |
| To adjust for change in encumbrances                                                                                                 | 5,348             |
| Excess (deficiency) of revenues and other sources<br>over (under) expenditures/expenses and other uses<br>(GAAP basis)               | <u>\$ 324,672</u> |

## **SUPPLEMENTARY INFORMATION**

**SUPPLEMENTARY INFORMATION**  
**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**  
Combining Balance Sheet  
Other Non-Major Governmental Funds  
June 30, 2014

|                                           | School<br>Restricted<br>Fund | School<br>Renovations | Governor's<br>Justice<br>Commission<br>Fund | Substance<br>Abuse<br>Donations<br>Fund | Substance<br>Abuse<br>Prevention<br>Council Fund | Miscellaneous<br>Revenue<br>Fund |
|-------------------------------------------|------------------------------|-----------------------|---------------------------------------------|-----------------------------------------|--------------------------------------------------|----------------------------------|
| <b>ASSETS</b>                             |                              |                       |                                             |                                         |                                                  |                                  |
| Cash and cash equivalents                 | \$ -                         | \$ 765                | \$ 12,418                                   | \$ 111                                  | \$ 8,264                                         | \$ 1,628                         |
| Accounts receivable                       | 467,623                      | -                     | -                                           | -                                       | 4,809                                            | -                                |
| Internal balances                         | 88,195                       | -                     | -                                           | 6,310                                   | -                                                | -                                |
| <b>TOTAL ASSETS</b>                       | <b>\$ 555,818</b>            | <b>\$ 765</b>         | <b>\$ 12,418</b>                            | <b>\$ 6,421</b>                         | <b>\$ 13,073</b>                                 | <b>\$ 1,628</b>                  |
| <b>LIABILITIES AND FUND BALANCE</b>       |                              |                       |                                             |                                         |                                                  |                                  |
| <b>LIABILITIES</b>                        |                              |                       |                                             |                                         |                                                  |                                  |
| Accounts payable                          | \$ 1,392                     | \$ -                  | \$ -                                        | \$ -                                    | \$ -                                             | \$ -                             |
| Accrued expenses                          | 4,565                        | -                     | -                                           | -                                       | -                                                | -                                |
| Internal balances                         | 462,154                      | 765                   | 18,345                                      | -                                       | 9,466                                            | 1,628                            |
| Deferred revenues                         | 25,000                       | -                     | -                                           | -                                       | 3,607                                            | -                                |
| <b>TOTAL LIABILITIES</b>                  | <b>493,111</b>               | <b>765</b>            | <b>18,345</b>                               | <b>-</b>                                | <b>13,073</b>                                    | <b>1,628</b>                     |
| <b>FUND BALANCE</b>                       |                              |                       |                                             |                                         |                                                  |                                  |
| Restricted                                | 62,707                       | -                     | -                                           | 6,421                                   | -                                                | -                                |
| Committed                                 | -                            | -                     | -                                           | -                                       | -                                                | -                                |
| Unassigned                                | -                            | -                     | (5,927)                                     | -                                       | -                                                | -                                |
| <b>TOTAL FUND BALANCE</b>                 | <b>62,707</b>                | <b>-</b>              | <b>(5,927)</b>                              | <b>6,421</b>                            | <b>-</b>                                         | <b>-</b>                         |
| <b>TOTAL LIABILITIES AND FUND BALANCE</b> | <b>\$ 555,818</b>            | <b>\$ 765</b>         | <b>\$ 12,418</b>                            | <b>\$ 6,421</b>                         | <b>\$ 13,073</b>                                 | <b>\$ 1,628</b>                  |

(Continued)

**SUPPLEMENTARY INFORMATION**  
**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**  
Combining Balance Sheet  
Other Non-Major Governmental Funds  
June 30, 2014  
(Continued)

|                                           | Project<br>D.A.R.E.<br>Fund | Business<br>Revolving<br>Loan Fund | CDBG<br>Fund    | Police<br>Forfeiture<br>Funds | Miscellaneous<br>Police/Fire<br>Funds | EMS<br>Fund       |
|-------------------------------------------|-----------------------------|------------------------------------|-----------------|-------------------------------|---------------------------------------|-------------------|
| <b>ASSETS</b>                             |                             |                                    |                 |                               |                                       |                   |
| Cash and cash equivalents                 | \$ 663                      | \$ 54,058                          | \$ 6,859        | \$ 211                        | \$ -                                  | \$ 642,227        |
| Accounts receivable                       | -                           | -                                  | -               | -                             | -                                     | -                 |
| Internal balances                         | -                           | -                                  | -               | 2,542                         | -                                     | -                 |
| <b>TOTAL ASSETS</b>                       | <u>\$ 663</u>               | <u>\$ 54,058</u>                   | <u>\$ 6,859</u> | <u>\$ 2,753</u>               | <u>\$ -</u>                           | <u>\$ 642,227</u> |
| <b>LIABILITIES AND FUND BALANCE</b>       |                             |                                    |                 |                               |                                       |                   |
| <b>LIABILITIES</b>                        |                             |                                    |                 |                               |                                       |                   |
| Accounts payable                          | \$ -                        | \$ -                               | \$ -            | \$ -                          | \$ -                                  | \$ -              |
| Accrued expenses                          | -                           | -                                  | -               | -                             | -                                     | -                 |
| Internal balances                         | -                           | -                                  | -               | -                             | -                                     | -                 |
| Deferred revenues                         | -                           | -                                  | -               | -                             | -                                     | -                 |
| <b>TOTAL LIABILITIES</b>                  | <u>-</u>                    | <u>-</u>                           | <u>-</u>        | <u>-</u>                      | <u>-</u>                              | <u>-</u>          |
| <b>FUND BALANCE</b>                       |                             |                                    |                 |                               |                                       |                   |
| Restricted                                | 663                         | 54,058                             | 6,859           | 2,753                         | -                                     | -                 |
| Committed                                 | -                           | -                                  | -               | -                             | -                                     | 642,227           |
| Unassigned                                | -                           | -                                  | -               | -                             | -                                     | -                 |
| <b>TOTAL FUND BALANCE</b>                 | <u>663</u>                  | <u>54,058</u>                      | <u>6,859</u>    | <u>2,753</u>                  | <u>-</u>                              | <u>642,227</u>    |
| <b>TOTAL LIABILITIES AND FUND BALANCE</b> | <u>\$ 663</u>               | <u>\$ 54,058</u>                   | <u>\$ 6,859</u> | <u>\$ 2,753</u>               | <u>\$ -</u>                           | <u>\$ 642,227</u> |

(Continued)

**SUPPLEMENTARY INFORMATION**  
**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**  
**Combining Balance Sheet**  
**Other Non-Major Governmental Funds**  
**June 30, 2014**  
(Continued)

|                                           | Debt<br>Reserve<br>Fund | Record<br>Retention<br>Fund | Police<br>Cruiser<br>Fees | Recycling<br>Grant | Clean &<br>Green<br>Day |
|-------------------------------------------|-------------------------|-----------------------------|---------------------------|--------------------|-------------------------|
| <b>ASSETS</b>                             |                         |                             |                           |                    |                         |
| Cash and cash equivalents                 | \$ -                    | \$ -                        | \$ 28,951                 | \$ -               | \$ -                    |
| Accounts receivable                       | -                       | -                           | -                         | -                  | -                       |
| Internal balances                         | -                       | 79,458                      | 8,645                     | 42,383             | 117                     |
| <b>TOTAL ASSETS</b>                       | <b>\$ -</b>             | <b>\$ 79,458</b>            | <b>\$ 37,596</b>          | <b>\$ 42,383</b>   | <b>\$ 117</b>           |
| <b>LIABILITIES AND FUND BALANCE</b>       |                         |                             |                           |                    |                         |
| <b>LIABILITIES</b>                        |                         |                             |                           |                    |                         |
| Accounts payable                          | \$ -                    | \$ -                        | \$ -                      | \$ -               | \$ -                    |
| Accrued expenses                          | -                       | -                           | -                         | -                  | -                       |
| Internal balances                         | -                       | -                           | -                         | -                  | -                       |
| Deferred revenues                         | -                       | -                           | -                         | -                  | -                       |
| <b>TOTAL LIABILITIES</b>                  | <b>-</b>                | <b>-</b>                    | <b>-</b>                  | <b>-</b>           | <b>-</b>                |
| <b>FUND BALANCE</b>                       |                         |                             |                           |                    |                         |
| Restricted                                | -                       | 79,458                      | 37,596                    | 42,383             | 117                     |
| Committed                                 | -                       | -                           | -                         | -                  | -                       |
| Unassigned                                | -                       | -                           | -                         | -                  | -                       |
| <b>TOTAL FUND BALANCE</b>                 | <b>-</b>                | <b>79,458</b>               | <b>37,596</b>             | <b>42,383</b>      | <b>117</b>              |
| <b>TOTAL LIABILITIES AND FUND BALANCE</b> | <b>\$ -</b>             | <b>\$ 79,458</b>            | <b>\$ 37,596</b>          | <b>\$ 42,383</b>   | <b>\$ 117</b>           |

(Continued)

**SUPPLEMENTARY INFORMATION**  
**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**  
Combining Balance Sheet  
Other Non-Major Governmental Funds  
June 30, 2014  
(Continued)

|                                           | Pumpkin<br>Festival | Elderly<br>Affairs<br>Transportation | Civil<br>Defense<br>EMA | Civil<br>Defense<br>Cert '10 | Totals              |
|-------------------------------------------|---------------------|--------------------------------------|-------------------------|------------------------------|---------------------|
| <b>ASSETS</b>                             |                     |                                      |                         |                              |                     |
| Cash and cash equivalents                 | \$ -                | \$ -                                 | \$ -                    | -                            | 756,155             |
| Accounts receivable                       | -                   | -                                    | -                       | -                            | 472,432             |
| Internal balances                         | 12,740              | 2,420                                | 11,455                  | -                            | 254,265             |
| <b>TOTAL ASSETS</b>                       | <u>\$ 12,740</u>    | <u>\$ 2,420</u>                      | <u>\$ 11,455</u>        | <u>\$ -</u>                  | <u>\$ 1,482,852</u> |
| <b>LIABILITIES AND FUND BALANCE</b>       |                     |                                      |                         |                              |                     |
| <b>LIABILITIES</b>                        |                     |                                      |                         |                              |                     |
| Accounts payable                          | \$ -                | \$ -                                 | \$ -                    | -                            | 1,392               |
| Accrued expenses                          | -                   | -                                    | -                       | -                            | 4,565               |
| Internal balances                         | -                   | -                                    | -                       | 669                          | 493,027             |
| Deferred revenues                         | -                   | -                                    | -                       | -                            | 28,607              |
| <b>TOTAL LIABILITIES</b>                  | <u>-</u>            | <u>-</u>                             | <u>-</u>                | <u>669</u>                   | <u>527,591</u>      |
| <b>FUND BALANCE</b>                       |                     |                                      |                         |                              |                     |
| Restricted                                | 12,740              | 2,420                                | 11,455                  | -                            | 319,630             |
| Committed                                 | -                   | -                                    | -                       | -                            | 642,227             |
| Unassigned                                | -                   | -                                    | -                       | (669)                        | (6,596)             |
| <b>TOTAL FUND BALANCE</b>                 | <u>12,740</u>       | <u>2,420</u>                         | <u>11,455</u>           | <u>(669)</u>                 | <u>955,261</u>      |
| <b>TOTAL LIABILITIES AND FUND BALANCE</b> | <u>\$ 12,740</u>    | <u>\$ 2,420</u>                      | <u>\$ 11,455</u>        | <u>\$ -</u>                  | <u>\$ 1,482,852</u> |

(Concluded)

**SUPPLEMENTARY INFORMATION**  
**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**  
**Combining Statement of Revenues, Expenditures and**  
**Changes in Fund Balance**  
**Other Non-Major Governmental Funds**  
**For the Fiscal Year Ended June 30, 2014**

|                                                                                                                   | School<br>Restricted<br>Fund | School<br>Renovations | Governor's<br>Justice<br>Commission<br>Fund | Substance<br>Abuse<br>Donations<br>Fund | Substance<br>Abuse<br>Prevention<br>Council Fund | Miscellaneous<br>Revenue<br>Fund |
|-------------------------------------------------------------------------------------------------------------------|------------------------------|-----------------------|---------------------------------------------|-----------------------------------------|--------------------------------------------------|----------------------------------|
| <b>REVENUES</b>                                                                                                   |                              |                       |                                             |                                         |                                                  |                                  |
| Intergovernmental revenue and departmental                                                                        | \$ 712,438                   | \$ -                  | \$ 4,250                                    | \$ -                                    | \$ 25,470                                        | \$ -                             |
| Other                                                                                                             | 102,665                      | -                     | -                                           | -                                       | -                                                | -                                |
| Interest income                                                                                                   | -                            | -                     | -                                           | -                                       | -                                                | -                                |
| <b>TOTAL REVENUES</b>                                                                                             | <u>815,103</u>               | <u>-</u>              | <u>4,250</u>                                | <u>-</u>                                | <u>25,470</u>                                    | <u>-</u>                         |
| <b>EXPENDITURES</b>                                                                                               |                              |                       |                                             |                                         |                                                  |                                  |
| Public safety                                                                                                     | -                            | -                     | 4,701                                       | 724                                     | 25,470                                           | -                                |
| Education                                                                                                         | 800,948                      | -                     | -                                           | -                                       | -                                                | -                                |
| Capital outlays                                                                                                   | -                            | -                     | -                                           | -                                       | -                                                | -                                |
| Other                                                                                                             | -                            | -                     | -                                           | -                                       | -                                                | -                                |
| <b>TOTAL EXPENDITURES</b>                                                                                         | <u>800,948</u>               | <u>-</u>              | <u>4,701</u>                                | <u>724</u>                              | <u>25,470</u>                                    | <u>-</u>                         |
| Excess (deficiency) of Revenues Over (Under)<br>Expenditures                                                      | 14,155                       | -                     | (451)                                       | (724)                                   | -                                                | -                                |
| <b>OTHER FINANCING SOURCES (USES)</b>                                                                             |                              |                       |                                             |                                         |                                                  |                                  |
| Transfers from (to) other funds                                                                                   | -                            | (765)                 | -                                           | -                                       | -                                                | 9,129                            |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b>                                                                       | <u>-</u>                     | <u>(765)</u>          | <u>-</u>                                    | <u>-</u>                                | <u>-</u>                                         | <u>9,129</u>                     |
| Excess (Deficiency) of Revenues and Other Financing Sources<br>Over (Under) Expenditures and Other Financing Uses | 14,155                       | (765)                 | (451)                                       | (724)                                   | -                                                | 9,129                            |
| <b>FUND BALANCE - BEGINNING</b>                                                                                   | 48,552                       | 765                   | (5,476)                                     | 7,145                                   | -                                                | (9,129)                          |
| Prior period adjustments - Note 20                                                                                | -                            | -                     | -                                           | -                                       | -                                                | -                                |
| <b>FUND BALANCE - BEGINNING (RESTATED)</b>                                                                        | <u>48,552</u>                | <u>765</u>            | <u>(5,476)</u>                              | <u>7,145</u>                            | <u>-</u>                                         | <u>(9,129)</u>                   |
| <b>FUND BALANCE - ENDING</b>                                                                                      | <u>\$ 62,707</u>             | <u>\$ -</u>           | <u>\$ (5,927)</u>                           | <u>\$ 6,421</u>                         | <u>\$ -</u>                                      | <u>\$ -</u>                      |

(Continued)

**SUPPLEMENTARY INFORMATION**  
**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**  
**Combining Statement of Revenues, Expenditures and**  
**Changes in Fund Balance**  
**Other Non-Major Governmental Funds**  
**For the Fiscal Year Ended June 30, 2014**  
(Continued)

|                                                                                                                   | Project<br>D.A.R.E.<br>Fund | Business<br>Revolving<br>Loan Fund | CDBG<br>Fund    | Police<br>Forfeiture<br>Funds | Miscellaneous<br>Police/Fire<br>Funds | EMS<br>Fund       |
|-------------------------------------------------------------------------------------------------------------------|-----------------------------|------------------------------------|-----------------|-------------------------------|---------------------------------------|-------------------|
| <b>REVENUES</b>                                                                                                   |                             |                                    |                 |                               |                                       |                   |
| Intergovernmental revenue and departmental                                                                        | \$ -                        | \$ -                               | 2,000           | \$ -                          | \$ -                                  | -                 |
| Other                                                                                                             | 1,340                       | -                                  | 8,958           | -                             | -                                     | 257,337           |
| Interest income                                                                                                   | -                           | -                                  | -               | -                             | -                                     | 850               |
| <b>TOTAL REVENUES</b>                                                                                             | <u>1,340</u>                | <u>-</u>                           | <u>10,958</u>   | <u>-</u>                      | <u>-</u>                              | <u>258,187</u>    |
| <b>EXPENDITURES</b>                                                                                               |                             |                                    |                 |                               |                                       |                   |
| Public safety                                                                                                     | 1,606                       | -                                  | -               | -                             | -                                     | 74,243            |
| Education                                                                                                         | -                           | -                                  | -               | -                             | -                                     | -                 |
| Capital outlays                                                                                                   | -                           | -                                  | -               | -                             | -                                     | 68,452            |
| Other                                                                                                             | -                           | -                                  | 23,080          | -                             | -                                     | -                 |
| <b>TOTAL EXPENDITURES</b>                                                                                         | <u>1,606</u>                | <u>-</u>                           | <u>23,080</u>   | <u>-</u>                      | <u>-</u>                              | <u>142,695</u>    |
| Excess (deficiency) of Revenues Over (Under)<br>Expenditures                                                      | (266)                       | -                                  | (12,122)        | -                             | -                                     | 115,492           |
| <b>OTHER FINANCING SOURCES (USES)</b>                                                                             |                             |                                    |                 |                               |                                       |                   |
| Transfers from (to) other funds                                                                                   | -                           | -                                  | -               | -                             | (8,835)                               | -                 |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b>                                                                       | <u>-</u>                    | <u>-</u>                           | <u>-</u>        | <u>-</u>                      | <u>(8,835)</u>                        | <u>-</u>          |
| Excess (Deficiency) of Revenues and Other Financing Sources<br>Over (Under) Expenditures and Other Financing Uses | (266)                       | -                                  | (12,122)        | -                             | (8,835)                               | 115,492           |
| <b>FUND BALANCE - BEGINNING</b>                                                                                   | 929                         | 54,058                             | 18,981          | 2,753                         | 8,835                                 | 526,735           |
| Prior period adjustments - Note 20                                                                                | -                           | -                                  | -               | -                             | -                                     | -                 |
| <b>FUND BALANCE - BEGINNING (RESTATED)</b>                                                                        | <u>929</u>                  | <u>54,058</u>                      | <u>18,981</u>   | <u>2,753</u>                  | <u>8,835</u>                          | <u>526,735</u>    |
| <b>FUND BALANCE - ENDING</b>                                                                                      | <u>\$ 663</u>               | <u>\$ 54,058</u>                   | <u>\$ 6,859</u> | <u>\$ 2,753</u>               | <u>\$ -</u>                           | <u>\$ 642,227</u> |

(Continued)



**SUPPLEMENTARY INFORMATION**  
**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**  
**Combining Statement of Revenues, Expenditures and**  
**Changes in Fund Balance**  
**Other Non-Major Governmental Funds**  
**For the Fiscal Year Ended June 30, 2014**  
(Continued)

|                                                                                                                   | Debt<br>Reserve<br>Fund | Record<br>Retention<br>Fund | Police<br>Cruiser<br>Fees | Recycling<br>Grant | Clean &<br>Green<br>Day |
|-------------------------------------------------------------------------------------------------------------------|-------------------------|-----------------------------|---------------------------|--------------------|-------------------------|
| <b>REVENUES</b>                                                                                                   |                         |                             |                           |                    |                         |
| Intergovernmental revenue and departmental                                                                        | \$ -                    | \$ -                        | \$ -                      | \$ -               | \$ -                    |
| Other                                                                                                             | -                       | 25,966                      | 68,672                    | 14,992             | 3,550                   |
| Interest income                                                                                                   | -                       | -                           | -                         | -                  | -                       |
| <b>TOTAL REVENUES</b>                                                                                             | -                       | 25,966                      | 68,672                    | 14,992             | 3,550                   |
| <b>EXPENDITURES</b>                                                                                               |                         |                             |                           |                    |                         |
| Public safety                                                                                                     | -                       | -                           | 33,420                    | -                  | -                       |
| Education                                                                                                         | -                       | -                           | -                         | -                  | -                       |
| Capital outlays                                                                                                   | -                       | -                           | 18,046                    | -                  | -                       |
| Other                                                                                                             | -                       | 26,154                      | -                         | 7,459              | 4,735                   |
| <b>TOTAL EXPENDITURES</b>                                                                                         | -                       | 26,154                      | 51,466                    | 7,459              | 4,735                   |
| Excess (deficiency) of Revenues Over (Under)<br>Expenditures                                                      | -                       | (188)                       | 17,206                    | 7,533              | (1,185)                 |
| <b>OTHER FINANCING SOURCES (USES)</b>                                                                             |                         |                             |                           |                    |                         |
| Transfers from (to) other funds                                                                                   | -                       | -                           | -                         | -                  | -                       |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b>                                                                       | -                       | -                           | -                         | -                  | -                       |
| Excess (Deficiency) of Revenues and Other Financing Sources<br>Over (Under) Expenditures and Other Financing Uses | -                       | (188)                       | 17,206                    | 7,533              | (1,185)                 |
| <b>FUND BALANCE - BEGINNING</b>                                                                                   | 321,323                 | 79,646                      | -                         | -                  | -                       |
| Prior period adjustments - Note 20                                                                                | (321,323)               | -                           | 20,390                    | 34,850             | 1,302                   |
| <b>FUND BALANCE - BEGINNING (RESTATED)</b>                                                                        | -                       | 79,646                      | 20,390                    | 34,850             | 1,302                   |
| <b>FUND BALANCE - ENDING</b>                                                                                      | \$ -                    | \$ 79,458                   | \$ 37,596                 | \$ 42,383          | \$ 117                  |

(Continued)

**SUPPLEMENTARY INFORMATION**  
**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**  
**Combining Statement of Revenues, Expenditures and**  
**Changes in Fund Balance**  
**Other Non-Major Governmental Funds**  
**For the Fiscal Year Ended June 30, 2014**  
(Continued)

|                                                                                                                   | Pumpkin<br>Festival | Elderly<br>Affairs<br>Transportation | Civil<br>Defense<br>EMA | Civil<br>Defense<br>Cert '10 | Totals            |
|-------------------------------------------------------------------------------------------------------------------|---------------------|--------------------------------------|-------------------------|------------------------------|-------------------|
| <b>REVENUES</b>                                                                                                   |                     |                                      |                         |                              |                   |
| Intergovernmental revenue and departmental                                                                        | \$ -                | \$ 2,652                             | \$ 4,600                | \$ 3,282                     | \$ 754,692        |
| Other                                                                                                             | 15,139              | -                                    | -                       | -                            | 498,619           |
| Interest income                                                                                                   | -                   | -                                    | -                       | -                            | 850               |
| <b>TOTAL REVENUES</b>                                                                                             | <u>15,139</u>       | <u>2,652</u>                         | <u>4,600</u>            | <u>3,282</u>                 | <u>1,254,161</u>  |
| <b>EXPENDITURES</b>                                                                                               |                     |                                      |                         |                              |                   |
| Public safety                                                                                                     | -                   | -                                    | 8,123                   | 1,512                        | 149,799           |
| Education                                                                                                         | -                   | -                                    | -                       | -                            | 800,948           |
| Capital outlays                                                                                                   | -                   | -                                    | -                       | -                            | 86,498            |
| Other                                                                                                             | 17,901              | 232                                  | -                       | -                            | 79,561            |
| <b>TOTAL EXPENDITURES</b>                                                                                         | <u>17,901</u>       | <u>232</u>                           | <u>8,123</u>            | <u>1,512</u>                 | <u>1,116,806</u>  |
| Excess (deficiency) of Revenues Over (Under)<br>Expenditures                                                      | (2,762)             | 2,420                                | (3,523)                 | 1,770                        | 137,355           |
| <b>OTHER FINANCING SOURCES (USES)</b>                                                                             |                     |                                      |                         |                              |                   |
| Transfers from (to) other funds                                                                                   | -                   | -                                    | -                       | -                            | (471)             |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b>                                                                       | <u>-</u>            | <u>-</u>                             | <u>-</u>                | <u>-</u>                     | <u>(471)</u>      |
| Excess (Deficiency) of Revenues and Other Financing Sources<br>Over (Under) Expenditures and Other Financing Uses | (2,762)             | 2,420                                | (3,523)                 | 1,770                        | 136,884           |
| <b>FUND BALANCE - BEGINNING</b>                                                                                   | -                   | -                                    | -                       | -                            | 1,055,117         |
| Prior period adjustments - Note 20                                                                                | 15,502              | -                                    | 14,978                  | (2,439)                      | (236,740)         |
| <b>FUND BALANCE - BEGINNING (RESTATED)</b>                                                                        | <u>15,502</u>       | <u>-</u>                             | <u>14,978</u>           | <u>(2,439)</u>               | <u>818,377</u>    |
| <b>FUND BALANCE - ENDING</b>                                                                                      | <u>\$ 12,740</u>    | <u>\$ 2,420</u>                      | <u>\$ 11,455</u>        | <u>\$ (669)</u>              | <u>\$ 955,261</u> |

(Concluded)

**SUPPLEMENTARY INFORMATION**  
**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**  
**Combining Statement of Changes in Assets and Liabilities**  
**Agency Funds**  
**For the Fiscal Year Ended June 30, 2014**

|                                       | <u>Balance</u><br><u>July 1, 2013</u> | <u>Additions</u>  | <u>Deductions</u> | <u>Balance</u><br><u>June 30, 2014</u> |
|---------------------------------------|---------------------------------------|-------------------|-------------------|----------------------------------------|
| <b>Subdivision Bond Account</b>       |                                       |                   |                   |                                        |
| <b>Assets</b>                         |                                       |                   |                   |                                        |
| Cash & cash equivalents               | \$ 15,413                             | \$ -              | \$ -              | \$ 15,413                              |
| <b>Total assets</b>                   | <u>\$ 15,413</u>                      | <u>\$ -</u>       | <u>\$ -</u>       | <u>\$ 15,413</u>                       |
| <b>Liabilities</b>                    |                                       |                   |                   |                                        |
| Deposits held in custody for others   | \$ 15,413                             | \$ -              | \$ -              | \$ 15,413                              |
| <b>Total liabilities</b>              | <u>\$ 15,413</u>                      | <u>\$ -</u>       | <u>\$ -</u>       | <u>\$ 15,413</u>                       |
| <b>Police Uniforms</b>                |                                       |                   |                   |                                        |
| <b>Assets</b>                         |                                       |                   |                   |                                        |
| Cash & cash equivalents               | \$ 20,390                             | \$ -              | \$ 20,390         | \$ -                                   |
| <b>Total assets</b>                   | <u>\$ 20,390</u>                      | <u>\$ -</u>       | <u>\$ 20,390</u>  | <u>\$ -</u>                            |
| <b>Liabilities</b>                    |                                       |                   |                   |                                        |
| Deposits held in custody for others   | \$ 20,390                             | \$ -              | \$ 20,390         | \$ -                                   |
| <b>Total liabilities</b>              | <u>\$ 20,390</u>                      | <u>\$ -</u>       | <u>\$ 20,390</u>  | <u>\$ -</u>                            |
| <b>Planning Escrow</b>                |                                       |                   |                   |                                        |
| <b>Assets</b>                         |                                       |                   |                   |                                        |
| Cash & cash equivalents               | \$ -                                  | \$ 67,023         | \$ 16,860         | \$ 50,163                              |
| <b>Total assets</b>                   | <u>\$ -</u>                           | <u>\$ 67,023</u>  | <u>\$ 16,860</u>  | <u>\$ 50,163</u>                       |
| <b>Liabilities</b>                    |                                       |                   |                   |                                        |
| Deposits held in custody for others   | \$ -                                  | \$ 67,023         | \$ 16,860         | \$ 50,163                              |
| <b>Total liabilities</b>              | <u>\$ -</u>                           | <u>\$ 67,023</u>  | <u>\$ 16,860</u>  | <u>\$ 50,163</u>                       |
| <b>Soup Kitchen</b>                   |                                       |                   |                   |                                        |
| <b>Assets</b>                         |                                       |                   |                   |                                        |
| Internal balances                     | \$ -                                  | \$ 14,839         | \$ 7,444          | \$ 7,395                               |
| <b>Total assets</b>                   | <u>\$ -</u>                           | <u>\$ 14,839</u>  | <u>\$ 7,444</u>   | <u>\$ 7,395</u>                        |
| <b>Liabilities</b>                    |                                       |                   |                   |                                        |
| Deposits held in custody for others   | \$ -                                  | \$ 14,839         | \$ 7,444          | \$ 7,395                               |
| <b>Total liabilities</b>              | <u>\$ -</u>                           | <u>\$ 14,839</u>  | <u>\$ 7,444</u>   | <u>\$ 7,395</u>                        |
| <b>Junior/Senior High School Fund</b> |                                       |                   |                   |                                        |
| <b>Assets</b>                         |                                       |                   |                   |                                        |
| Cash & cash equivalents               | \$ 160,469                            | \$ 235,281        | \$ 256,855        | \$ 138,895                             |
| Other receivables                     | 10,299                                | 10,509            | 10,299            | 10,509                                 |
| <b>Total assets</b>                   | <u>\$ 170,768</u>                     | <u>\$ 245,790</u> | <u>\$ 267,154</u> | <u>\$ 149,404</u>                      |
| <b>Liabilities</b>                    |                                       |                   |                   |                                        |
| Deposits held in custody for others   | \$ 170,768                            | \$ 245,790        | \$ 267,154        | \$ 149,404                             |
| <b>Total liabilities</b>              | <u>\$ 170,768</u>                     | <u>\$ 245,790</u> | <u>\$ 267,154</u> | <u>\$ 149,404</u>                      |

(Continued)

**SUPPLEMENTARY INFORMATION**  
**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**  
**Combining Statement of Changes in Assets and Liabilities**  
**Agency Funds**  
**For the Fiscal Year Ended June 30, 2014**

|                                     | <u>Balance</u><br><u>July 1, 2013</u> | <u>Additions</u>  | <u>Deductions</u> | <u>Balance</u><br><u>June 30, 2014</u> |
|-------------------------------------|---------------------------------------|-------------------|-------------------|----------------------------------------|
| <b>Middle School Fund</b>           |                                       |                   |                   |                                        |
| <b>Assets</b>                       |                                       |                   |                   |                                        |
| Cash & cash equivalents             | \$ 27,309                             | \$ 48,636         | \$ 60,231         | \$ 15,714                              |
| <b>Total assets</b>                 | <u>\$ 27,309</u>                      | <u>\$ 48,636</u>  | <u>\$ 60,231</u>  | <u>\$ 15,714</u>                       |
| <b>Liabilities</b>                  |                                       |                   |                   |                                        |
| Deposits held in custody for others | \$ 27,309                             | \$ 48,636         | \$ 60,231         | \$ 15,714                              |
| <b>Total liabilities</b>            | <u>\$ 27,309</u>                      | <u>\$ 48,636</u>  | <u>\$ 60,231</u>  | <u>\$ 15,714</u>                       |
| <b>Halliwell School Fund</b>        |                                       |                   |                   |                                        |
| <b>Assets</b>                       |                                       |                   |                   |                                        |
| Cash & cash equivalents             | \$ 12,546                             | \$ 31,167         | \$ 29,366         | \$ 14,347                              |
| <b>Total assets</b>                 | <u>\$ 12,546</u>                      | <u>\$ 31,167</u>  | <u>\$ 29,366</u>  | <u>\$ 14,347</u>                       |
| <b>Liabilities</b>                  |                                       |                   |                   |                                        |
| Deposits held in custody for others | \$ 12,546                             | \$ 31,167         | \$ 29,366         | \$ 14,347                              |
| <b>Total liabilities</b>            | <u>\$ 12,546</u>                      | <u>\$ 31,167</u>  | <u>\$ 29,366</u>  | <u>\$ 14,347</u>                       |
| <b>Athletic Account</b>             |                                       |                   |                   |                                        |
| <b>Assets</b>                       |                                       |                   |                   |                                        |
| Cash & cash equivalents             | \$ 639                                | \$ 48,018         | \$ 48,605         | \$ 52                                  |
| <b>Total assets</b>                 | <u>\$ 639</u>                         | <u>\$ 48,018</u>  | <u>\$ 48,605</u>  | <u>\$ 52</u>                           |
| <b>Liabilities</b>                  |                                       |                   |                   |                                        |
| Deposits held in custody for others | \$ 639                                | \$ 48,018         | \$ 48,605         | \$ 52                                  |
| <b>Total liabilities</b>            | <u>\$ 639</u>                         | <u>\$ 48,018</u>  | <u>\$ 48,605</u>  | <u>\$ 52</u>                           |
| <b>Elementary School Fund</b>       |                                       |                   |                   |                                        |
| <b>Assets</b>                       |                                       |                   |                   |                                        |
| Cash & cash equivalents             | \$ 20,195                             | \$ 41,228         | \$ 28,785         | \$ 32,638                              |
| <b>Total assets</b>                 | <u>\$ 20,195</u>                      | <u>\$ 41,228</u>  | <u>\$ 28,785</u>  | <u>\$ 32,638</u>                       |
| <b>Liabilities</b>                  |                                       |                   |                   |                                        |
| Deposits held in custody for others | \$ 20,195                             | \$ 41,228         | \$ 28,785         | \$ 32,638                              |
| <b>Total liabilities</b>            | <u>\$ 20,195</u>                      | <u>\$ 41,228</u>  | <u>\$ 28,785</u>  | <u>\$ 32,638</u>                       |
| <b>Total Agency Funds</b>           |                                       |                   |                   |                                        |
| <b>Assets</b>                       |                                       |                   |                   |                                        |
| Cash                                | \$ 256,961                            | \$ 471,353        | \$ 461,092        | \$ 267,222                             |
| Other receivables                   | 10,299                                | 10,509            | 10,299            | 10,509                                 |
| Internal balances                   | -                                     | 14,839            | 7,444             | 7,395                                  |
| <b>Total assets</b>                 | <u>\$ 267,260</u>                     | <u>\$ 496,701</u> | <u>\$ 478,835</u> | <u>\$ 285,126</u>                      |
| <b>Liabilities</b>                  |                                       |                   |                   |                                        |
| Deposits held in custody for others | \$ 267,260                            | \$ 496,701        | \$ 478,835        | \$ 285,126                             |
| <b>Total liabilities</b>            | <u>\$ 267,260</u>                     | <u>\$ 496,701</u> | <u>\$ 478,835</u> | <u>\$ 285,126</u>                      |

(Concluded)

**STATISTICAL SECTION**  
**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**  
**SCHEDULE OF TAX COLLECTIONS**  
**For the Fiscal Year Ended June 30, 2014**

| Fiscal Year End | Balance July 1, 2013 | Current Year Assessment | Refunds   | Additions and Adjustments | Abatements | Amount to be Collected | Current Year Collections | Balance June 30, 2014 |
|-----------------|----------------------|-------------------------|-----------|---------------------------|------------|------------------------|--------------------------|-----------------------|
| 2013            | \$ -                 | \$ 29,705,309           | \$ 18,854 | \$ 286,015                | \$ 799,755 | 29,210,423             | \$ 28,286,597            | \$ 923,826            |
| 2012            | 703,782              | -                       | 11,966    | 34,459                    | 14,073     | 736,134                | 411,683                  | 324,451               |
| 2011            | 223,348              | -                       | 2,297     | -                         | (880)      | 226,525                | 24,437                   | 202,088               |
| 2010            | 180,797              | -                       | 197       | 321                       | -          | 181,315                | 8,778                    | 172,537               |
| 2009            | 120,004              | -                       | 1,137     | (23,966)                  | -          | 97,175                 | 4,358                    | 92,817                |
| 2008            | 84,322               | -                       | 1,131     | 21                        | -          | 85,474                 | 2,301                    | 83,173                |
| 2007            | 66,399               | -                       | -         | -                         | -          | 66,399                 | 3,206                    | 63,193                |
| 2006            | 37,372               | -                       | -         | -                         | -          | 37,372                 | 78                       | 37,294                |
| 2005            | 36,875               | -                       | -         | -                         | -          | 36,875                 | 30                       | 36,845                |
| 2004            | 32,577               | -                       | -         | (7)                       | -          | 32,570                 | 135                      | 32,435                |
| 2003            | 35,211               | -                       | -         | (10)                      | -          | 35,201                 | 617                      | 34,584                |
| 2002            | 7,328                | -                       | -         | (133)                     | -          | 7,195                  | -                        | 7,195                 |
| 2001            | 74                   | -                       | -         | (74)                      | -          | -                      | -                        | -                     |
| 2000            | 43                   | -                       | -         | (43)                      | -          | -                      | -                        | -                     |
| 1999            | 659                  | -                       | -         | (246)                     | (33)       | 446                    | 33                       | 413                   |
| Total           | 1,528,791            | \$ 29,705,309           | \$ 35,582 | \$ 296,337                | \$ 812,915 | \$ 30,753,104          | \$ 28,742,253            | 2,010,851             |
| Less: Allowance | (100,000)            |                         |           |                           |            |                        |                          | (100,000)             |
| Net             | <u>\$ 1,428,791</u>  |                         |           |                           |            |                        |                          | <u>\$ 1,910,851</u>   |

**SCHEDULE OF MOST RECENT NET ASSESSED PROPERTY VALUE BY CATEGORY**

| DESCRIPTION OF PROPERTY | VALUATIONS              | LEVY                 |
|-------------------------|-------------------------|----------------------|
| Real property           | \$ 1,031,837,770        | \$ 16,065,714        |
| Real property - Comm    | 244,229,510             | 4,295,997            |
| Real property - Frozen  | 7,318,100               | -                    |
| Motor vehicles          | 130,403,732             | 4,905,788            |
| Tangible personal       | 113,306,820             | 4,843,867            |
| TOTAL                   | 1,527,095,932           | 30,111,366           |
| Less exemptions         | 37,861,470              | 406,057              |
| NET ASSESSED VALUE      | <u>\$ 1,489,234,462</u> | <u>\$ 29,705,309</u> |

**RECONCILIATION OF CURRENT YEAR PROPERTY TAX REVENUE**

|                                                                                 |                      |
|---------------------------------------------------------------------------------|----------------------|
| Current year collections                                                        | \$ 28,742,253        |
| Reserve collected within 60 days subsequent to fiscal year ending June 30, 2014 | 212,245              |
| Reserve collected within 60 days subsequent to fiscal year ending June 30, 2013 | (180,753)            |
| Non property tax & suspense adjustments                                         | 86,023               |
| CURRENT YEAR PROPERTY TAX REVENUE                                               | <u>\$ 28,859,768</u> |

STATISTICAL SECTION  
TOWN OF NORTH SMITHFIELD, RHODE ISLAND  
SCHEDULE OF LONG-TERM LIABILITIES - PRIMARY GOVERNMENT  
For the Fiscal Year Ended June 30, 2014

| GOVERNMENTAL ACTIVITIES                                |                  |               |                  |                       |                          |              |                        |                           |               |                     |
|--------------------------------------------------------|------------------|---------------|------------------|-----------------------|--------------------------|--------------|------------------------|---------------------------|---------------|---------------------|
|                                                        | Date of Issuance | Interest Rate | Date of Maturity | Authorized and Issued | Outstanding July 1, 2013 | Additions    | Maturities During Year | Outstanding June 30, 2014 | Interest Paid | Due within one year |
| General obligation bonds payable                       |                  |               |                  |                       |                          |              |                        |                           |               |                     |
| School revenue bond                                    | 9/2/2010         | 3.84%         | 5/15/2026        | \$ 3,550,000          | \$ 3,375,000             | \$ -         | \$ 140,000             | \$ 3,235,000              | \$ 129,600    | \$ 155,000          |
| School bonds                                           | 5/14/2008        | 3.50-5.50%    | 4/1/2029         | 30,000,000            | 25,430,000               | -            | 1,215,000              | 24,215,000                | 1,161,644     | 1,275,000           |
| General obligation bond                                | 7/1/2007         | 4.125-5.50%   | 7/1/2027         | 2,100,000             | 1,595,000                | -            | 105,000                | 1,490,000                 | 67,878        | 105,000             |
| School general obligation bonds                        | 12/15/2008       | 3.125-5.00%   | 6/30/2029        | 700,000               | 560,000                  | -            | 35,000                 | 525,000                   | 24,916        | 35,000              |
| Refunded general obligation bond                       | 6/12/2012        | 3.00-5.00%    | 10/15/2021       | 2,068,000             | 1,920,000                | -            | 232,000                | 1,688,000                 | 34,096        | 228,000             |
| General obligation bond                                | 12/30/2013       | 2.25%         | 12/15/2023       | 545,000               | -                        | 545,000      | -                      | 545,000                   | -             | 45,000              |
| Total general obligation bonds payable                 |                  |               |                  | 38,963,000            | 32,880,000               | 545,000      | 1,727,000              | 31,698,000                | 1,418,134     | 1,843,000           |
| Other long-term liabilities                            |                  |               |                  |                       |                          |              |                        |                           |               |                     |
| Capital Lease Payable                                  | 10/2/2012        | 1.29%         | 9/5/2017         | 404,891               | 404,891                  | -            | 78,920                 | 325,971                   | 5,211         | 79,936              |
| Capital Lease Payable                                  | 10/13/2011       | 1.98%         | 10/13/2016       | 270,000               | 218,096                  | -            | 52,461                 | 165,635                   | 4,272         | 53,407              |
| Capital Lease Payable                                  | 11/25/2008       | 3.97%         | 11/25/2013       | 256,000               | 55,418                   | -            | 55,418                 | -                         | 2,192         | -                   |
| Capital Lease Payable                                  | 10/1/2013        | 1.69%         | 10/21/2018       | 561,770               | -                        | 561,770      | -                      | 561,770                   | -             | 108,620             |
| Accrued compensated absences                           |                  |               |                  | -                     | 876,957                  |              | 44,478                 | 832,479                   | -             | -                   |
| Claims payable                                         |                  |               |                  | -                     | -                        | 513,212      | 100,000                | 413,212                   | -             | 152,888             |
| Net OPEB obligation                                    |                  |               |                  | -                     | 1,396,215                | 213,303      | -                      | 1,609,518                 | -             | -                   |
| Total other long-term liabilities                      |                  |               |                  | 1,492,661             | 2,951,577                | 1,288,285    | 331,277                | 3,908,585                 | 11,675        | 394,851             |
| TOTAL LONG-TERM LIABILITIES - GOVERNMENTAL ACTIVITIES  |                  |               |                  |                       |                          |              |                        |                           |               |                     |
|                                                        |                  |               |                  | \$ 40,455,661         | \$ 35,831,577            | \$ 1,833,285 | \$ 2,058,277           | \$ 35,606,585             | \$ 1,429,809  | \$ 2,237,851        |
| BUSINESS-TYPE ACTIVITIES                               |                  |               |                  |                       |                          |              |                        |                           |               |                     |
| General obligation bonds and loans payable             |                  |               |                  |                       |                          |              |                        |                           |               |                     |
| Water fund:                                            |                  |               |                  |                       |                          |              |                        |                           |               |                     |
| Water bond                                             | 5/11/1982        | 5.00%         | 5/11/2022        | \$ 50,000             | \$ 20,581                | \$ -         | \$ 1,879               | \$ 18,702                 | \$ 1,035      | \$ 1,973            |
| Water bond                                             | 5/16/1995        | 6.000%        | 5/16/2020        | 500,000               | 216,940                  | -            | 26,017                 | 190,923                   | 13,098        | 27,578              |
| Water bond                                             | 8/26/1999        | 5.000%        | 8/26/1939        | 790,900               | 674,566                  | -            | 12,349                 | 662,217                   | 33,745        | 12,967              |
| Shell oil bond                                         | 9/16/1997        | 5.500%        | 9/16/2022        | 500,000               | 280,658                  | -            | 21,823                 | 258,835                   | 15,452        | 23,023              |
| Refunded general obligation bond                       | 6/12/2012        | 3.00-5.00%    | 10/15/2021       | 517,000               | 480,000                  | -            | 58,000                 | 422,000                   | 8,524         | 57,000              |
| Total general obligation bonds and loans payable       |                  |               |                  | 2,357,900             | 1,672,745                | -            | 120,068                | 1,552,677                 | 71,854        | 122,541             |
| General obligation bonds and loans payable             |                  |               |                  |                       |                          |              |                        |                           |               |                     |
| Sewer fund:                                            |                  |               |                  |                       |                          |              |                        |                           |               |                     |
| Sewer general obligation bond                          | 12/15/2008       | 4.60-5.00%    | 6/30/2029        | 1,000,000             | 850,000                  | -            | 50,000                 | 800,000                   | 37,994        | 50,000              |
| Mendon road project #1 bond                            | 12/18/1990       | 7.25%         | 12/18/2020       | 303,000               | 145,556                  | -            | 14,302                 | 131,254                   | 10,732        | 15,338              |
| Mendon road project #2 bond                            | 4/7/1992         | 6.625%        | 4/7/2020         | 60,000                | 28,269                   | -            | 2,823                  | 25,446                    | 1,886         | 3,010               |
| Clean water revolving fund                             | 10/6/2009        | 0.49-1.93%    | 9/1/2029         | 4,750,000             | 4,140,000                | -            | 208,000                | 3,932,000                 | 80,550        | 211,000             |
| Clean water sewer project #2 loan                      | 3/10/1993        | 6.08%         | 9/1/2015         | 4,500,000             | 895,250                  | -            | 287,750                | 607,500                   | 27,130        | 298,250             |
| Total general obligation bonds and loans payable       |                  |               |                  | 10,613,000            | 6,059,075                | -            | 562,875                | 5,496,200                 | 158,292       | 577,598             |
| TOTAL LONG-TERM LIABILITIES - BUSINESS-TYPE ACTIVITIES |                  |               |                  |                       |                          |              |                        |                           |               |                     |
|                                                        |                  |               |                  | \$ 12,970,900         | \$ 7,731,820             | \$ -         | \$ 682,943             | \$ 7,048,877              | \$ 230,146    | \$ 700,139          |

**STATISTICAL SECTION  
TOWN OF NORTH SMITHFIELD, RHODE ISLAND  
SCHEDULE OF DEBT SERVICE REQUIREMENTS  
TO MATURITY - GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDING JUNE 30, 2014**

**Governmental Funds**

| <b><u>Fiscal Year<br/>Ended June 30,</u></b> | <b><u>Percentage<br/>of Maturity</u></b> | <b><u>Principal</u></b> | <b><u>Interest</u></b> | <b><u>Total Debt<br/>Service</u></b> |
|----------------------------------------------|------------------------------------------|-------------------------|------------------------|--------------------------------------|
| 2015                                         | 5.81%                                    | 1,843,000               | 1,359,426              | 3,202,426                            |
| 2016                                         | 11.87%                                   | 1,919,000               | 1,278,649              | 3,197,649                            |
| 2017                                         | 18.15%                                   | 1,990,000               | 1,199,468              | 3,189,468                            |
| 2018                                         | 24.70%                                   | 2,076,000               | 1,115,309              | 3,191,309                            |
| 2019                                         | 31.68%                                   | 2,213,000               | 1,022,923              | 3,235,923                            |
| 2020                                         | 38.77%                                   | 2,249,000               | 932,930                | 3,181,930                            |
| 2021                                         | 46.13%                                   | 2,331,000               | 846,301                | 3,177,301                            |
| 2022                                         | 53.78%                                   | 2,427,000               | 753,913                | 3,180,913                            |
| 2023                                         | 61.13%                                   | 2,330,000               | 657,151                | 2,987,151                            |
| 2024                                         | 68.85%                                   | 2,445,000               | 555,854                | 3,000,854                            |
| Thereafter                                   | 100.00%                                  | 9,875,000               | 1,126,696              | 11,001,696                           |
|                                              |                                          | <u>\$ 31,698,000</u>    | <u>\$ 10,848,620</u>   | <u>\$ 42,546,620</u>                 |

**Enterprise Funds**

| <b><u>Fiscal Year<br/>Ended June 30,</u></b> | <b><u>Percentage<br/>of Maturity</u></b> | <b><u>Principal</u></b> | <b><u>Interest</u></b> | <b><u>Total Debt<br/>Service</u></b> |
|----------------------------------------------|------------------------------------------|-------------------------|------------------------|--------------------------------------|
| 2015                                         | 9.93%                                    | 700,139                 | 208,989                | 909,128                              |
| 2016                                         | 20.13%                                   | 719,118                 | 186,810                | 905,928                              |
| 2017                                         | 26.05%                                   | 417,148                 | 169,154                | 586,302                              |
| 2018                                         | 32.09%                                   | 425,745                 | 156,417                | 582,162                              |
| 2019                                         | 38.24%                                   | 433,682                 | 143,224                | 576,906                              |
| 2020                                         | 44.59%                                   | 447,532                 | 129,259                | 576,791                              |
| 2021                                         | 50.51%                                   | 416,723                 | 114,559                | 531,282                              |
| 2022                                         | 56.16%                                   | 398,375                 | 101,579                | 499,954                              |
| 2023                                         | 61.20%                                   | 355,175                 | 90,656                 | 445,831                              |
| 2024                                         | 65.82%                                   | 326,115                 | 79,985                 | 406,100                              |
| Thereafter                                   | 100.00%                                  | 2,409,125               | 384,729                | 2,793,854                            |
|                                              |                                          | <u>\$ 7,048,877</u>     | <u>\$ 1,765,361</u>    | <u>\$ 8,814,238</u>                  |
| Total All Debt                               |                                          | <u>\$ 38,746,877</u>    | <u>\$ 12,613,981</u>   | <u>\$ 51,360,858</u>                 |

***TOWN OF NORTH SMITHFIELD***

***SINGLE AUDIT SECTION***



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT  
AUDITING STANDARDS***

The Honorable Town Council  
North Smithfield, Rhode Island

We have audited, 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, the 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 (Town), as of and for the year fiscal ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated December 2, 2014.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

Our consideration of internal control over was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Town's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items **2014-001** through **2014-002** to be material weaknesses

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as item **2014-003** to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs.

We noted certain other matters that we reported to management of the Town in a separate letter dated December 2, 2014.

### **Town of North Smithfield, Rhode Island's Response to Findings**

The Town's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Parmelee Poirier & Associates, LLP*  
Parmelee, Poirier & Associates, LLP  
December 2, 2014

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED  
BY OMB CIRCULAR A-133**

The Honorable Town Council  
North Smithfield, Rhode Island

**Report on Compliance for Each Major Federal Program**

We have audited the compliance of the Town of North Smithfield (Town), with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Town's major federal programs for the year ended June 30, 2014. The Town's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Town's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town's compliance.

**Opinion on Each Major Federal Programs**

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

## Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Parmelee Poirier + Associates LLP*  
Parmelee, Poirier & Associates, LLP  
December 2, 2014

**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**  
**Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2014**

| <b>Federal Grantor/Pass-through Grantor/Program Title</b>                                                   | <b>Federal CFDA Number</b> | <b>Pass-Through Grantor's Number</b> | <b>Expenditures</b> |
|-------------------------------------------------------------------------------------------------------------|----------------------------|--------------------------------------|---------------------|
| <b>U.S. Department of Agriculture:</b>                                                                      |                            |                                      |                     |
| <i>Pass-Through State of Rhode Island Department of Education</i>                                           |                            |                                      |                     |
| National School Lunch Program                                                                               | 10.555                     | N/A                                  | \$ 144,524          |
| School Breakfast Program                                                                                    | 10.553                     | N/A                                  | 23,223              |
| <b>Total U.S. Department of Agriculture</b>                                                                 |                            |                                      | <u>\$ 167,747</u>   |
| <b>U.S. Department of Housing and Urban Development:</b>                                                    |                            |                                      |                     |
| <i>Pass-Through State of Rhode Island Division of Planning, Office of Housing and Community Development</i> |                            |                                      |                     |
| Community Development Block Grants/State's Program                                                          | 14.228                     | 11/25/2026                           | \$ 23,080           |
| <b>Total U.S. Department of Housing and Urban Development</b>                                               |                            |                                      | <u>\$ 23,080</u>    |
| <b>U.S. Department of Transportation:</b>                                                                   |                            |                                      |                     |
| <i>Pass-Through State of Rhode Island Department of Transportation, Governor's Office on Highway Safety</i> |                            |                                      |                     |
| State and Community Highway Safety                                                                          | 20.600                     | N/A                                  | \$ 4,701            |
| <b>Total U.S. Department of Transportation</b>                                                              |                            |                                      | <u>\$ 4,701</u>     |
| <b>Environmental Protection Agency</b>                                                                      |                            |                                      |                     |
| <i>Pass-through the RI Clean Water Finance Agency:</i>                                                      |                            |                                      |                     |
| ARRA Capitalization Grants for Clean Water State Revolving Funds                                            | 66.458                     | N/A                                  | \$ 13,498           |
| <b>Total Environmental Protection Agency</b>                                                                |                            |                                      | <u>\$ 13,498</u>    |
| <b>U.S. Department of Education:</b>                                                                        |                            |                                      |                     |
| <i>Pass-Through State of Rhode Island Department of Education</i>                                           |                            |                                      |                     |
| Title I Grants to Local Educational Agencies                                                                | 84.010                     | 2725-11702-401                       | \$ 168,947          |
| Improving Teacher Quality State Grants                                                                      | 84.367                     | 2725-16402-401                       | 40,566              |
| <i>Special Education Cluster:</i>                                                                           |                            |                                      |                     |
| Special Education Preschool Grants                                                                          | 84.173                     | 2725-13502-401                       | 6,334               |
| Special Education Grants to States                                                                          | 84.027                     | 2725-13202-401                       | 404,112             |
| School Support Plan Implementation Grant                                                                    | 84.027                     | 2725-13202-410                       | 2,216               |
| <i>Technology Cluster:</i>                                                                                  |                            |                                      |                     |
| ARRA Race to the Top - Standards & Curriculum                                                               | 84.395                     | 4572-13502-110                       | 27,048              |
| ARRA Race to the Top - Instructional Improvement Systems                                                    | 84.395                     | 4572-13502-120                       | 2,269               |
| ARRA Race to the Top - Educator Effectiveness                                                               | 84.395                     | 4572-13502-130                       | 10,719              |
| ARRA Race to the Top - Instructional Improvement Systems Set Aside                                          | 84.395                     | 4572-13502-160                       | 5,085               |
| ARRA Race to the Top - Educator Effectiveness Set Aside                                                     | 84.395                     | 4572-13502-170                       | 1,410               |
| ARRA Race to the Top - Human Capital Development Set Aside                                                  | 84.395                     | 4572-13502-180                       | 43,732              |
| <b>Total U.S. Department of Education</b>                                                                   |                            |                                      | <u>\$ 712,438</u>   |
| <b>U.S. Department of Homeland Security:</b>                                                                |                            |                                      |                     |
| <i>Pass-through State of Rhode Island Emergency Management Agency:</i>                                      |                            |                                      |                     |
| Disaster Grants - Public Assistance                                                                         | 97.036                     | N/A                                  | \$ 9,635            |
| <b>Total U.S. Department of Homeland Security</b>                                                           |                            |                                      | <u>\$ 9,635</u>     |
| <b>Total Expenditures of Federal Awards</b>                                                                 |                            |                                      | <u>\$ 931,099</u>   |

**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**  
**Notes to Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2014**

1. **General** - The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal programs of the Town of North Smithfield, Rhode Island. All federal awards received from federal agencies are included on the Schedule. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.
2. **Basis of Accounting** - The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting.
3. **Determination of Type A, Type B and Major Programs** - The determination of Type A and Type B federal programs was based upon the expenditures for all federal programs for the Town of North Smithfield. As such, the threshold for determining Type A vs. Type B programs is determined at the entity level. For the fiscal year-ended June 30, 2014, grants with expenditures exceeding \$300,000 were determined to be Type A programs and all other grants were considered Type B programs.
4. **Subrecipients** – Of the federal expenditures presented in the Schedule of Expenditures of Federal Awards, there were no subrecipients of Federal Awards.

**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**  
**Schedule of Findings and Questioned Costs**  
**For The Fiscal Year Ended June 30, 2014**

**SECTION I - SUMMARY OF AUDITORS' RESULTS**

**Financial Statements**

Type of auditor's report issued:

Unqualified

Internal control over financial reporting:

Material weakness (es) identified?

X yes           no

Significant deficiency (ies) identified that are  
not considered to be material weaknesses?

X yes           none reported

Noncompliance material to financial statements noted?

       yes    X no

**Federal Awards**

Internal control over major programs:

Material weakness (es) identified?

       yes    X no

Significant deficiency (ies) identified that are  
not considered to be material weakness (es)?

       yes    X none reported

Type of auditor's report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in  
accordance with Section 510(a) of OMB circular A-133?

       yes    X no

**Identification of major programs:**

**CFDA Number(s)**

**Name of Federal Program or Cluster**

84.010

Title I Grants to Local Education Agencies

*Special Education Cluster*

84.027

Special Education Grants to States

84.027

School Support Plan Implementation Grant

84.173

Special Education Preschool Grants

Dollar threshold used to distinguish between Type A and Type B  
programs:

\$ 300,000

Qualified as low risk auditee:

       yes    X no

**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**  
**Schedule of Findings and Questioned Costs**  
**For The Fiscal Year Ended June 30, 2014**

**SECTION II – FINDINGS RELATING TO THE FINANCIAL STATEMENT AUDIT**

***Current Year Findings:***

**2014-001 Criteria:** The Town of North Smithfield failed to properly record and account for its Certified Tax Levy in their OPAL Subsidiary Ledger which resulted in approvals of approximately \$753,000 of abatements. Given the aggregate value and the significant number of assessments, this is considered to be a material weakness. Hence, the Tax Roll included numerous material misstatements that required the Town Council's approval of a significant number of abatements. The more significant abatements were approved to correct duplicate billings, decimal places misstatements in taxable values, and taxes levied on exempt property. Although the Town Charter requires abatements to be approved by the Town Council; these abatements were approved by the tax assessor.

**Effect of Condition:** Unfortunately, the Town has created a budget for fiscal year 2014 based upon the Certified Tax Levy, which includes approximately \$753,000 worth of misstatements. Although Town taxpayers were issued abatements; the misstatements that created the need for abatement have not been completely corrected in the Town system. Therefore, these errors will continue to necessitate abatements until a final correction is made in the system. As noted above, these abatements were not approved by the tax assessment board of review or the Town Council. Although many of these abatements are substantiated with documentation, many of them are lacking the necessary documentation to determine if an accurate abatement has been calculated. The abatements can be broken down into three separate and distinct categories: known misstatements, lack of documentation to determine appropriateness of abatement; properly documented and calculated abatements.

**Cause of Condition:** The Town never locked the OPAL subsidiary ledger, and as such, adjustments were made to the OPAL records that are unsubstantiated. It appears as if no input or edit checks processes were completed. These edits and processes, if properly executed, would have detected misstatements in the total accounts and property values.

**Recommendation:** We recommend that the Town ensure that the Certified Levy is checked and verified prior to being entered into the subsidiary OPAL ledger. This includes all edit checks, account sequence and number review and communication with the Finance Department to ensure accuracy in the Tax Billing cycle. Additionally, we recommend that once the tax billing is set, the appropriate system 'locks' should be placed on the software to prevent further potential abatement issues.



**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**  
***Schedule of Findings and Questioned Costs***  
***For The Fiscal Year Ended June 30, 2014***

***SECTION II – FINDINGS RELATING TO THE FINANCIAL STATEMENT AUDIT (Continued)***

**Corrective Action:** The Finance Director, with help of an outside consultant and the newly hired Tax Assessor's Clerk, has set new policies and procedures for all abatements resulting from the assessment of taxes. All abatements will be required to be sent to the Board of Tax Review. Upon recommendation from the Board, the abatements will either be sent on to the Town Council for final approval, or will be rejected by the Board and sent back to the Tax Assessor. Since the discovery of the lack of Certification, a Tax Assessor consultant was hired to review all of the 2014 abatements, and will certify and lock the 2015 tax roll before transferring the tax roll to the OPAL subsidiary collections software. The Finance Director has applied all the approved abatements, and residents have been notified by mail in regards to abatement status. Further Tax Assessor and Collector procedural improvements are expected to reduce the yearly abatements to a manageable amount.

**2014-002 Criteria:** The Town of North Smithfield failed to post all components of their tax collections to the General Ledger properly. The cash receipt portion of tax collections are being posted daily, however the Accounts Receivable and Deferred Revenue components are not being posted at all for the General Fund. For the Enterprise Fund, utility billing cash receipts are being posted daily, however for full accrual purposes, the utility bills themselves should be recorded as revenue and receivable, with cash collections reducing receivables. This is considered to be a material weakness as no Accounts Receivable accounts are being assessed during the year.

**Effect of Condition:** The Town is recording revenue on a cash basis, not on an accrual or modified accrual basis. All accounts receivable entries are not being posted, and therefore the Town cannot react to trends (whether positive or negative) in the account receivable due to the lack of tracking.

**Cause of Condition:** The Town has always reported the tax and utility collections on a cash basis, and was unaware of the proper presentation of tax and utility collections for fiscal year 2014.

**Recommendation:** We communicated the requirements of GAAP and GASB reporting, and have discussed where the Town can receive literature in regards to recording of transactions in the future. We recommend that the recording of account receivable and deferred revenue be posted to the General Ledger at least monthly for Property taxes, and that the Utility Billings be recorded on a full accrual basis to the General Ledger as the Quarterly billings are sent out.

**Corrective Action:** Because the collection receipts have always been posted on a cash basis, the Finance Department will work with the Town Auditor's and the Tax Collection Department to create policies and procedures according to GAAP and GASB requirements to post the Tax Collection accounts receivable and deferred revenues monthly on an accrual basis as opposed to the cash basis that is currently used.

**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**

***Schedule of Findings and Questioned Costs***

***For The Fiscal Year Ended June 30, 2014***

***SECTION II – FINDINGS RELATING TO THE FINANCIAL STATEMENT AUDIT (Continued)***

**2014-003 Criteria:** The Town of North Smithfield is not recording all grant transactions in its General Ledger properly. The grant process is decentralized and often the Finance Department is not aware of the grant award. Therefore, certain grant transactions were not properly recorded in the Town's records during fiscal year 2014. Although these corrections are immaterial in the aggregate, there is a significant breakdown in communication from the granting authority to the Finance Department. Therefore, we determine a Significant Deficiency is warranted for Grant funds.

**Effect of Condition:** Many grant expenditures and revenues are being recorded in an 'exchange' account, and are not identified until the Finance Department chases down the grant administrator for information to properly record the transaction.

**Cause of Condition:** Many different employees are charged with administering grants at the Town. These individuals operate on a stand-alone basis, and do not involve the Finance Department.

**Recommendation:** We recommend that all grant activity be provided to the Finance Department. This includes a copy of the Grant Award, the terms and conditions, including compliance requirements and reporting responsibilities, as well as receivable requests and expenditure reports provided to the Awarding Agency. With Finance Department involvement, many grant reporting errors will be eliminated.

**Corrective Action:** The Finance Department has worked diligently to receive all decentralized grant information and to post all grant transactions accurately. This has been an ongoing issue for some time. The Town Administrator will be hiring a Grant Writer who will take responsibility for all grant administration within the Town. This should address all issues associated with grant funding recording, and adherence to the grant compliance requirements.

**Prior Year Findings:**

None noted

**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**  
***Schedule of Findings and Questioned Costs***  
***For The Fiscal Year Ended June 30, 2014***

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**Current Year Findings:**

None noted

**Prior Year Findings:**

**2013-001 Community Development Block Grant (CFDA #14.228)**

**Criteria:** The Town of North Smithfield did not file the required Close-Out Certification Report with the State of Rhode Island in accordance with their contract agreement.

**Effect of Condition:** The Planning Department was not aware of the need to file this report 30 days after their final expenditure. This resulted in the report being filed six months late with the State of Rhode Island.

**Cause of Condition:** The Town of North Smithfield Planning Department was unaware of the requirement in their contract to complete and file the required form as part of the finalization of the award.

**Recommendation:** We recommend that the management within the Planning Department of the Town of North Smithfield develop an internal tracking system that will track the due dates of all required reports that are to be filed under each of its grants. The tracking system should consist of the funding source, report to be filed, date due, date filed and by whom.

**Corrective Action:** The Town of North Smithfield Planning Department will implement an internal tracking system to identify what forms are required to be filed, what agency they are required to be filed with, and when they are due. The tracking system will also list who filed the report and the date the report was filed. A copy of the filed report will be maintained in both printed and digital form.

**2014 Status:** The Town of North Smithfield has implemented the corrective action for comment 2013-001. For 2014, this is no longer a comment as all reports were timely filed.