

THE TOWN OF NORTH SMITHFIELD,
RHODE ISLAND

**BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2007**

TOWN OF NORTH SMITHFIELD

YEAR ENDED JUNE 30, 2007

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TOWN OF NORTH SMITHFIELD

YEAR ENDED JUNE 30, 2007

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(CONCLUDED)

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of North Smithfield, Rhode Island, as of and for the year ended June 30, 2007, which collectively comprise the Town's basic financial statements as listed in the foregoing table of contents. These basic financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these basic financial statements based on our audit. We did not audit the financial statements of the North Smithfield School Department, which represents 20 percent and 20 percent, respectively, of the assets and revenues of the governmental activities, 18 percent of the revenues of the business-type activities, 100 percent of the assets and revenues of the School unrestricted fund and 88 percent of the assets of the agency funds. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinions, insofar as they relate to the amounts included for the North Smithfield School Department is based on the report of the other auditors.

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

In our opinion, the basic financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of North Smithfield, Rhode Island, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Boston

Newton

Providence

In accordance with Government Auditing Standards, we have also issued our report dated December 31, 2007, on our consideration of the Town of North Smithfield's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of the audit.

The Management's Discussion and Analysis, Schedule of Funding Progress for Pension Plan, and Budgetary Comparison Schedule on pages 3 through 8 and 44 through 47 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of North Smithfield, Rhode Island's basic financial statements. The Combining and Individual Fund Financial Statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis and as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is not a required part of the basic financial statements. The Combining and Individual Fund Financial Statements and Schedule of Federal Expenditures have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole



Providence, Rhode Island
December 31, 2007

Management's Discussion and Analysis

As management of the Town of North Smithfield, we offer readers of the Town of North Smithfield's financial statements this narrative overview and analysis of the financial activities of the Town of North Smithfield for the fiscal year ended June 30, 2007. We encourage readers to consider the information presented in this narrative in conjunction with additional information that we have provided herein.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town of North Smithfield, assets exceeded liabilities by \$33,212,133 at the close of 2007.

| | Governmental Activities | Business Activities | Total |
|-----------------------------------|----------------------------|------------------------|-------------------|
| Beginning net assets, as restated | \$21,943,171 | 9,508,381 | \$31,451,552 |
| Increase | <u>1,225,439</u> | <u>535,142</u> | <u>1,760,581</u> |
| Ending net assets | <u>23,168,610</u> | <u>10,043,523</u> | <u>33,212,133</u> |

The foregoing reflects an increase of 5.5% for governmental activities and an increase of 5.6% for business-type activities, when compared to June 30, 2006 amounts.

| | Governmental Activities | | Business-type Activities | | Total | | Percentage Change 2006-07 |
|--|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|----------------------------------|
| | 2006 | 2007 | 2006 | 2007 | 2006 | 2007 | |
| Current and other assets | \$ 5,144,893 | \$ 7,561,449 | \$ 6,144,985 | \$ 5,712,914 | \$ 11,289,878 | \$ 13,274,363 | 17.58% |
| Capital Assets | 25,037,707 | 29,057,620 | 15,247,369 | 14,591,479 | 40,285,076 | 43,649,099 | 8.35% |
| Total Assets | 30,182,600 | 36,619,069 | 21,392,354 | 20,304,393 | 51,574,954 | 56,923,462 | |
| Long-term debt | 6,985,506 | 5,805,297 | 6,828,736 | 6,220,695 | 13,814,242 | 12,025,992 | -12.94% |
| Other liabilities | 1,500,149 | 7,645,162 | 5,055,237 | 4,040,175 | 6,555,386 | 11,685,337 | 78.26% |
| Total Liabilities | 8,485,655 | 13,450,459 | 11,883,973 | 10,260,870 | 20,369,628 | 23,711,329 | |
| Net Assets | | | | | | | |
| Invested in capital assets | 17,918,285 | 23,910,664 | 9,218,633 | 8,370,784 | 27,136,918 | 32,281,448 | 18.96% |
| Restricted for specific programs | 762,710 | (3,103,392) | | | 762,710 | (3,103,392) | -506.89% |
| Restricted for permanent trusts | 63,072 | 47,268 | | | 63,072 | 47,268 | -25.06% |
| Unrestricted | 2,952,878 | 2,314,070 | 289,748 | 1,672,739 | 3,242,626 | 3,986,809 | 22.95% |
| Total net assets | \$ 21,696,945 | \$ 23,168,610 | \$ 9,508,381 | \$ 10,043,523 | \$ 31,205,326 | \$ 33,212,133 | |
| | <u>2006</u> | <u>2007</u> | <u>2006</u> | <u>2007</u> | <u>2006</u> | <u>2007</u> | <u>Percentage Change 2006-07</u> |
| Revenues: | | | | | | | |
| Program revenues - | | | | | | | |
| Charges for services | 902,294 | 1,012,454 | 1,935,018 | 2,038,434 | \$ 2,837,312 | \$ 3,050,888 | 7.53% |
| Operating grants | 5,636,914 | 6,471,736 | 73,950 | 82,212 | 5,710,864 | 6,553,948 | 14.76% |
| Capital grants | | | 192,400 | 191,100 | 192,400 | 191,100 | |
| General revenues - | | | | | 0 | 0 | |
| Property taxes | 19,552,803 | 20,299,353 | | | 19,552,803 | 20,299,353 | 3.82% |
| Motor vehicle excise in lieu of tax | 1,726,578 | 2,014,607 | | | 1,726,578 | 2,014,607 | 16.68% |
| Grants | 1,265,501 | 1,300,709 | | | 1,265,501 | 1,300,709 | 2.78% |
| Investment earnings | 67,556 | 222,409 | 34,196 | 34,196 | 101,752 | 256,605 | 152.19% |
| Proceeds from long term debt | | | | | 0 | 0 | |
| Miscellaneous | 893,623 | 1,270,726 | 235,033 | 672,529 | 1,128,656 | 1,943,255 | 72.17% |
| Loss on abandonment of water project | | | (623,431) | 0 | (623,431) | 0 | |
| Transfer to primary government | | | 319,000 | 0 | 319,000 | 0 | |
| Total revenues | \$ 30,045,269 | \$ 32,591,994 | \$ 2,166,166 | \$ 3,018,471 | \$ 32,211,435 | \$ 35,610,465 | |
| Expenditures: | | | | | | | |
| General Government | 1,134,506 | 1,078,852 | | | 1,134,506 | 1,078,852 | -4.91% |
| Public services | 129,281 | 139,457 | | | 129,281 | 139,457 | 7.87% |
| Financial administration | 655,197 | 692,325 | | | 655,197 | 692,325 | 5.67% |
| Public safety | 4,881,410 | 5,060,166 | | | 4,881,410 | 5,060,166 | 3.66% |
| Public works | 2,157,087 | 2,050,438 | | | 2,157,087 | 2,050,438 | -4.94% |
| School lunch fund | | | 372,828 | 388,301 | 372,828 | 388,301 | 4.15% |
| Water fund | | | 321,244 | 474,284 | 321,244 | 474,284 | 47.64% |
| Sewer fund | | | 1,663,305 | 1,620,744 | 1,663,305 | 1,620,744 | -2.56% |
| Education | 20,450,404 | 20,956,381 | | | 20,450,404 | 20,956,381 | 2.47% |
| Debt service | 252,946 | 336,922 | | | 252,946 | 336,922 | 33.20% |
| Capital and special appropriations | 465,334 | 138,455 | | | 465,334 | 138,455 | -70.25% |
| Other expenditures | 381,212 | 913,559 | | | 381,212 | 913,559 | 139.65% |
| Total expenditures | \$ 30,507,377 | \$ 31,366,555 | \$ 2,357,377 | \$ 2,483,329 | \$ 32,864,754 | \$ 33,849,884 | |
| Transfers | | | | | | | |
| Increase/decrease in net assets | \$ (462,108) | \$ 1,225,439 | \$ (191,211) | \$ 535,142 | \$ (653,319) | \$ 1,760,581 | |
| Net assets, beginning of year, as restated | 22,159,053 | 22,159,053 | 9,699,592 | 9,699,592 | 31,858,645 | 31,858,645 | |
| Net assets, end of year | \$ 21,696,945 | \$ 23,384,492 | \$ 9,508,381 | \$ 10,234,734 | \$ 31,205,326 | \$ 33,619,226 | |

Governmental Activities

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

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

Business-type Activities

In reviewing the departmental net (expense)/revenue, the Water, Sewer and School Lunch activities generated a net gain of \$535,142 which corresponds to the increase in this fund's net assets.

Financial Analysis of the Government's Funds

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

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

As of June 30, 2007, the Town of North Smithfield's governmental funds reported combined ending balances of \$(19,805). This is due to the \$(4,611,981) in the capital projects fund, that will be funded through bond proceeds.

The General Fund and School Unrestricted Fund are the chief operating funds of the Town of North Smithfield. As of June 30, 2007, the total fund balance of the general fund was \$3,036,319 of which \$2,457,370 was unreserved. This unreserved fund balance represents approximately 25 percent of total general fund expenditures. Of this total fund balance, \$578,941 was designated or restricted.

As of June 30, 2007 the fund balance of the School Unrestricted Fund was \$697,599 of which \$222,534 was unreserved and undesignated, and \$475,065 was reserved. This represents approximately 1 percent of total school unrestricted expenditures.

General Fund Budgetary Highlights

The Town's budget must rely heavily on the property tax to finance the Town's General Fund activities. Actual revenues were \$438,827 higher than budgeted revenues for the fiscal year. Property taxes were \$156,316 or 7 % higher than budgeted. Expenditures were below appropriations in total by \$9,749.

Capital Asset and Debt Administration

Capital Assets

At the end of June 30, 2007, the Town had \$29 million invested in governmental-activity capital assets (cost basis and net of depreciation) including police and fire equipment, buildings, park facilities, and general sundry assets.

Debt

At year-end, the Town's General Fund had \$5.1 million in outstanding bond principal and \$1.2 million of bonded interest. The business-type funds had \$6.2 million of bonded principal with \$2.1 million of interest.

Economic Factors and Next Year's Budgets and Rates

The budget for the year 2007-2008 is \$30,329,655 an increase of \$1,133,638. Education, at \$19,835,139 is an increase of \$777,296 or 4.0%. The municipal budget therefore represents spending of \$10,494,516 million.

For the fiscal year 2006-2007, the tax rate was \$15.03 for real estate. The breakdown was 32.45% for municipal and 67.55% for education. The tax rate for 2007-2008 is broken down into two tiers residential and commercial, \$12.16 and \$15.37, respectively. The breakdown consists of 31.31% for municipal and 68.69% for education.

Contacting the Town's Financial Management

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


Jill A Gemma
Finance Director

TOWN OF NORTH SMITHFIELD**Statement of Net Assets
June 30, 2007**

| | Governmental Activities | Business-type Activities | Total |
|---|----------------------------|-----------------------------|----------------------|
| ASSETS | | | |
| Current Assets: | | | |
| Cash and cash equivalents | \$ 6,225,476 | \$ 2,325,378 | \$ 8,550,854 |
| Accounts receivable, net | 430,146 | 140,411 | 570,557 |
| Assessments receivable (current) | | 466,675 | 466,675 |
| Other receivables | 100,338 | | 100,338 |
| Due from federal and state governments | 367,413 | 550,740 | 918,153 |
| Internal balances | 438,076 | (438,076) | - |
| Total Current Assets | 7,561,449 | 3,045,128 | 10,606,577 |
| Noncurrent | | | |
| Capital assets (non-depreciable) | 12,326,273 | 54,567 | 12,380,840 |
| Capital assets (net of depreciation) | 16,731,347 | 14,536,912 | 31,268,259 |
| Assessments receivable (noncurrent) | | 2,667,786 | 2,667,786 |
| Total Non-Current Assets | 29,057,620 | 17,259,265 | 46,316,885 |
| TOTAL ASSETS | 36,619,069 | 20,304,393 | 56,923,462 |
| LIABILITIES | | | |
| Current Liabilities: | | | |
| Accounts payable | 2,281,887 | 187,120 | 2,469,007 |
| Bond anticipation notes payable | 4,500,000 | | 4,500,000 |
| Accrued interest payable | 175,176 | 99,325 | 274,501 |
| Accrued expenses | 422,367 | - | 422,367 |
| Deferred revenue | 8,547 | 510,176 | 518,723 |
| Claims payable | 40,000 | | 40,000 |
| Current portion of long-term debt | 952,201 | 623,151 | 1,575,352 |
| Total Current Liabilities | 8,380,178 | 1,419,772 | 9,799,950 |
| Noncurrent Liabilities: | | | |
| Deferred revenue | 217,185 | 3,243,554 | 3,460,739 |
| Long-term liabilities (net) | 4,853,096 | 5,597,544 | 10,450,640 |
| TOTAL LIABILITIES | 13,450,459 | 10,260,870 | 23,711,329 |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | 23,910,664 | 8,370,784 | 32,281,448 |
| Restricted for specific programs | (3,103,392) | | (3,103,392) |
| Restricted for permanent trusts: | | | |
| Expendable | 47,268 | | 47,268 |
| Unrestricted | 2,314,070 | 1,672,739 | 3,986,809 |
| TOTAL NET ASSETS | \$ 23,168,610 | \$ 10,043,523 | \$ 33,212,133 |

TOWN OF NORTH SMITHFIELD

**Statement of Activities
For the year ended June 30, 2007**

| | Program Revenues | | | Net (Expense) Revenue and Changes in Net Assets | | | |
|--|----------------------|-------------------------|--|--|----------------------------|-----------------------------|----------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | Total |
| Functions/Programs | | | | | | | |
| Governmental activities: | | | | | | | |
| General government | \$ 1,078,852 | \$ 756,673 | \$ 391,595 | | \$ 69,416 | \$ | \$ 69,416 |
| Financial administration | 692,325 | | | | (692,325) | | (692,325) |
| Public safety | 5,060,166 | 255,781 | 14,188 | | (4,790,197) | | (4,790,197) |
| Public works | 2,050,438 | | | | (2,050,438) | | (2,050,438) |
| Public services | 139,457 | | 30,142 | | (109,315) | | (109,315) |
| Education | 20,956,381 | | 5,903,238 | | (15,053,143) | | (15,053,143) |
| Other expenses | 913,559 | | | | (913,559) | | (913,559) |
| Interest on long term debt | 336,922 | | | | (336,922) | | (336,922) |
| Capital and special appropriations | 138,455 | | - | 132,573 | (5,882) | | (5,882) |
| Total governmental activities | 31,366,555 | 1,012,454 | 6,339,163 | 132,573 | (23,882,365) | - | (23,882,365) |
| Business-type activity: | | | | | | | |
| School lunch fund | 388,301 | 302,564 | 82,212 | | | (3,525) | (3,525) |
| Water fund | 474,284 | 298,869 | | 191,100 | | 15,685 | 15,685 |
| Sewer fund | 1,620,744 | 1,437,001 | | | | (183,743) | (183,743) |
| Total business type activity | 2,483,329 | 2,038,434 | 82,212 | 191,100 | - | (171,583) | (171,583) |
| Totals | \$ 33,849,884 | \$ 3,050,888 | \$ 6,421,375 | \$ 323,673 | (23,882,365) | (171,583) | (24,053,948) |
| General revenues: | | | | | | | |
| Property taxes | | | | | 20,299,353 | - | 20,299,353 |
| Motor vehicle excise in lieu of tax | | | | | 2,014,607 | | 2,014,607 |
| Grants and contributions not restricted to specific programs | | | | | 1,300,709 | | 1,300,709 |
| Investment earnings | | | | | 222,409 | 34,196 | 256,605 |
| Miscellaneous | | | | | 1,270,726 | 672,529 | 1,943,255 |
| Total general revenues | | | | | 25,107,804 | 706,725 | 25,814,529 |
| Change in net Assets | | | | | 1,225,439 | 535,142 | 1,760,581 |
| Net Assets - beginning, as restated | | | | | 21,943,171 | 9,508,381 | 31,451,552 |
| Net Assets - ending | | | | | \$ 23,168,610 | \$ 10,043,523 | \$ 33,212,133 |

See Notes to Financial Statements

TOWN OF NORTH SMITHFIELD**Balance Sheet
Governmental Funds
June 30, 2007**

| | General Fund | School Unrestricted Fund | Capital Projects Fund | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|--------------------------------|--------------------------|--------------------------------|--------------------------------|
| ASSETS: | | | | | |
| Cash and cash equivalents | \$ 2,414,086 | \$ 953,868 | \$ 2,122,306 | \$ 735,216 | \$ 6,225,476 |
| Accounts receivable, net | 430,146 | | | | 430,146 |
| Due from federal and state governments | 21,576 | | | 345,837 | 367,413 |
| Other receivables | 100,338 | | | - | 100,338 |
| Due from other funds | 1,057,473 | 566,605 | 219,853 | 363,917 | 2,207,848 |
| Advances to other funds | 455,334 | | | | 455,334 |
| TOTAL ASSETS | \$ 4,478,953 | \$ 1,520,473 | \$ 2,342,159 | \$ 1,444,970 | \$ 9,786,555 |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ 126,387 | \$ 320,502 | \$ 1,651,257 | \$ 183,741 | \$ 2,281,887 |
| Bond anticipation note payable | | | 4,500,000 | | 4,500,000 |
| Accrued expenses | 147,536 | 265,584 | | 9,247 | 422,367 |
| Due to other funds | 860,530 | 236,788 | 802,883 | 324,905 | 2,225,106 |
| Deferred revenue | 308,181 | | | 68,819 | 377,000 |
| TOTAL LIABILITIES | 1,442,634 | 822,874 | 6,954,140 | 586,712 | 9,806,360 |
| FUND BALANCES: | | | | | |
| Reserved for: | | | | | |
| Property taxes to be appropriated in subsequent year | 123,607 | | | | 123,607 |
| Encumbrances | | 475,065 | | | 475,065 |
| Advances to other funds | 455,334 | | | | 455,334 |
| Unreserved: | | | | | |
| Designated for: | | | | | |
| Subsequent year expenditures | 100,000 | | | | 100,000 |
| Other expenditures | 451,954 | | | | 451,954 |
| Undesignated, reported in: | | | | | |
| General fund | 1,905,424 | | | | 1,905,424 |
| Special revenue funds | | 222,534 | | 826,503 | 1,049,037 |
| Capital project fund | | | (4,611,981) | (15,513) | (4,627,494) |
| Permanent trust funds | | | | 47,268 | 47,268 |
| TOTAL FUND BALANCES | 3,036,319 | 697,599 | (4,611,981) | 858,258 | (19,805) |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 4,478,953 | \$ 1,520,473 | \$ 2,342,159 | \$ 1,444,970 | |

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

| | |
|--|----------------------|
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds | 29,057,620 |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds | (5,845,297) |
| Deferred revenues (net of an allowance for uncollectibles) are recorded in the funds, but are not deferred under the measurement focus employed in the Statement of Net Assets | 306,538 |
| Deferred revenue on sale of easement is recorded in the Statement of Net Assets but is not deferred in the funds | (155,270) |
| Accrued interest on long-term liabilities have been included in the governmental activities in the Statement of Net Assets | (175,176) |
| Net Assets of governmental activities | <u>\$ 23,168,610</u> |

See Notes to Financial Statements

TOWN OF NORTH SMITHFIELD

**Statement of Revenues, Other financing sources
Expenditures, Other financing uses and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2007**

| | General Fund | School Unrestricted Fund | Capital Projects Fund | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|--------------------------------|--------------------------|--------------------------------|--------------------------------|
| Revenues | | | | | |
| General property taxes | \$ 20,605,087 | | | | \$ 20,605,087 |
| Motor vehicle excise in lieu of tax | 2,014,607 | | | | 2,014,607 |
| Licenses, fines and fees | 1,012,454 | | | | 1,012,454 |
| Interest and investment income | 94,731 | | \$ 120,703 | \$ 6,975 | 222,409 |
| Intergovernmental | 1,300,709 | \$ 4,841,967 | 132,573 | 1,497,196 | 7,772,445 |
| Other revenues | 223,021 | 221,783 | | 817,375 | 1,262,179 |
| Total revenues | 25,250,609 | 5,063,750 | 253,276 | 2,321,546 | 32,889,181 |
| Expenditures | | | | | |
| <i>Current:</i> | | | | | |
| General government | 1,066,290 | | | | 1,066,290 |
| Financial administration | 692,325 | | | | 692,325 |
| Public safety | 4,810,423 | | | | 4,810,423 |
| Public works | 1,712,329 | | | | 1,712,329 |
| Public services | | | | 89,362 | 89,362 |
| Education | | 19,247,062 | | 1,229,295 | 20,476,357 |
| Other expenditures | 261,838 | | | 651,721 | 913,559 |
| <i>Debt Service:</i> | | | | | |
| Principal, interest and other costs | 1,407,932 | | | | 1,407,932 |
| <i>Capital:</i> | | | | | |
| Capital and special appropriations | | 42,735 | 5,040,844 | 9,915 | 5,093,494 |
| Total expenditures | 9,951,137 | 19,289,797 | 5,040,844 | 1,980,293 | 36,262,071 |
| Excess of revenues over/under expenditures before transfers | 15,299,472 | (14,226,047) | (4,787,568) | 341,253 | (3,372,890) |
| Other financing sources/uses | | | | | |
| Transfers in | 100,000 | 14,830,456 | | 60,000 | 14,990,456 |
| Transfers out | (14,890,456) | | | (100,000) | (14,990,456) |
| Net other sources/uses | (14,790,456) | 14,830,456 | - | (40,000) | - |
| Net change in fund balance | 509,016 | 604,409 | (4,787,568) | 301,253 | (3,372,890) |
| Fund balance - beginning of the year | 2,527,303 | 93,190 | 175,587 | 557,005 | 3,353,085 |
| Fund balance - end of the year | \$ 3,036,319 | \$ 697,599 | \$ (4,611,981) | \$ 858,258 | \$ (19,805) |

TOWN OF NORTH SMITHFIELD***Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds (B-2) to the Statement of Activities (A-2)
For the year ended June 30, 2007***

| | |
|---|----------------------------|
| Net change in fund balances - total governmental funds (B-2) | \$ (3,372,890) |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period | 3,773,687 |
| The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences. | 1,215,209 |
| Revenues in the statement of activities for sale of easement is amortized over the life of the easement but reported in full in the governmental funds | 8,547 |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds | (305,734) |
| Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds | <u>(93,380)</u> |
| Change in Net Assets of Governmental Activities in the Statement of Activities (A-2) | <u><u>\$ 1,225,439</u></u> |

See Notes to Financial Statements

TOWN OF NORTH SMITHFIELD

**Statement of Net Assets
Proprietary Funds
June 30, 2007**

| | Business-type Activities Enterprise Funds | | | Total |
|---|--|---------------------|----------------------|----------------------|
| | Water Fund | Sewer Fund | School Lunch Fund | |
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 432,157 | \$ 1,893,221 | | \$ 2,325,378 |
| Accounts receivable | 50,987 | 89,424 | | 140,411 |
| Due from other funds | | 15,930 | 13,806 | 29,736 |
| Due from other governmental units | 2,664 | 542,821 | 5,255 | 550,740 |
| Assessments receivable (current) | | 466,675 | | 466,675 |
| Total current assets | 485,808 | 3,008,071 | 19,061 | 3,512,940 |
| Capital assets (net) | | | | |
| | 2,914,357 | 11,660,219 | 16,903 | 14,591,479 |
| Other assets: | | | | |
| Assessments receivable (noncurrent) | | 2,667,786 | | 2,667,786 |
| Total other assets | - | 2,667,786 | - | 2,667,786 |
| TOTAL ASSETS | 3,400,165 | 17,336,076 | 35,964 | 20,772,205 |
| LIABILITIES | | | | |
| Current liabilities: | | | | |
| Accounts payable | 22,021 | 159,803 | 5,296 | 187,120 |
| Accrued expenses | 58,280 | 41,045 | | 99,325 |
| Deferred revenue | 25,059 | 485,117 | | 510,176 |
| Due to other funds | | | 12,478 | 12,478 |
| Current portion of long term debt | 103,215 | 519,936 | | 623,151 |
| Total current liabilities | 208,575 | 1,205,901 | 17,774 | 1,432,250 |
| Non-current liabilities: | | | | |
| Deferred revenue | 430,234 | 2,813,320 | | 3,243,554 |
| Advances from other funds | 455,334 | | | 455,334 |
| Long term debt | 2,172,625 | 3,424,919 | | 5,597,544 |
| Total long-term debt | 3,058,193 | 6,238,239 | - | 9,296,432 |
| TOTAL LIABILITIES | 3,266,768 | 7,444,140 | 17,774 | 10,728,682 |
| NET ASSETS | | | | |
| invested in capital assets, net of related debt | 638,517 | 7,715,364 | 16,903 | 8,370,784 |
| Unrestricted (deficit) | (505,120) | 2,176,572 | 1,287 | 1,672,739 |
| TOTAL NET ASSETS | \$ 133,397 | \$ 9,891,936 | \$ 18,190 | \$ 10,043,523 |

TOWN OF NORTH SMITHFIELD

Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Fund
For the year ended June 30, 2007

| | Business-type Activities Enterprise Funds | | | Total |
|---|--|---------------------|----------------------|----------------------|
| | Water Fund | Sewer Fund | School Lunch Fund | |
| Operating Revenues: | | | | |
| User fees and assessments | \$ 298,869 | \$ 1,437,001 | | \$ 1,735,870 |
| Intergovernmental | | | \$ 82,212 | 82,212 |
| Other | | | 302,564 | 302,564 |
| Total operating revenues | 298,869 | 1,437,001 | 384,776 | 2,120,646 |
| Operating Expenses: | | | | |
| Personnel services | 18,680 | 76,951 | 155,473 | 251,104 |
| Maintenance and servicing | 226,762 | 48,943 | 5,035 | 280,740 |
| Operating supplies | 2,021 | 17,785 | 224,233 | 244,039 |
| Fixed and general charges | 26,776 | 670,992 | | 697,768 |
| Depreciation | 81,343 | 669,052 | 3,560 | 753,955 |
| Total operating Expenses | 355,582 | 1,483,723 | 388,301 | 2,227,606 |
| Income (loss) from operations | (56,713) | (46,722) | (3,525) | (106,960) |
| Non-operating revenues (expenses): | | | | |
| Improvement/connection fees | 190,500 | 95,728 | | 286,228 |
| Capital grant | 191,100 | | | 191,100 |
| Interest and miscellaneous income | 177,995 | 242,502 | | 420,497 |
| Interest expense | (118,702) | (137,021) | | (255,723) |
| Total non-operating revenues (expenses) | 440,893 | 201,209 | - | 642,102 |
| Change in net assets | 384,180 | 154,487 | (3,525) | 535,142 |
| Net assets - beginning of the year | (250,783) | 9,737,449 | 21,715 | 9,508,381 |
| Net assets - end of the year | \$ 133,397 | \$ 9,891,936 | \$ 18,190 | \$ 10,043,523 |

See Notes To Financial Statements

TOWN OF NORTH SMITHFIELD

**Statement of Cash Flows
Proprietary Fund
For the year ended June 30, 2007**

| | Business-type Activities Enterprise Funds | | | |
|---|--|---------------------|----------------------|---------------------|
| | Water Fund | Sewer Fund | School Lunch Fund | Total |
| Cash flows from operating activities: | | | | |
| Cash received from customers | \$ 321,622 | \$ 1,390,960 | \$ 300,132 | \$ 2,012,714 |
| Intergovernmental | | | 81,913 | 81,913 |
| Cash paid to employees | (18,680) | (76,951) | (155,473) | (251,104) |
| Cash payments to suppliers for goods and services | (553,141) | (924,834) | (226,572) | (1,704,547) |
| Net cash provided (used) by operating activities | (250,199) | 389,175 | - | 138,976 |
| Cash flows from noncapital financing activities: | | | | |
| Increase (decrease) in due to other funds | 27,232 | | | 27,232 |
| Intergovernmental | 246,938 | | | 246,938 |
| Miscellaneous income | 333,136 | 280,672 | | 613,808 |
| Net cash provided by non-capital financing activities | 607,306 | 280,672 | - | 887,978 |
| Cash flows from capital-related financing activities: | | | | |
| Acquisition and construction of capital assets | | (98,066) | | (98,066) |
| Principal paid on bonds and loans | (101,923) | (506,118) | | (608,041) |
| Interest paid on bonds and loans | (119,752) | (141,731) | | (261,483) |
| Net cash used for capital-related financing activities | (221,675) | (745,915) | - | (967,590) |
| Cash flows from investing activities: | | | | |
| Proceeds from sale of assets | | | | - |
| Decrease in due from component unit | 1,806 | | | 1,806 |
| Interest and dividends on investments | 10,358 | 57,558 | | 67,916 |
| Net cash provided by investing activities | 12,164 | 57,558 | - | 69,722 |
| Net increase (decrease) in cash | 147,596 | (18,510) | - | 129,086 |
| Cash, beginning of the year | 284,561 | 1,911,731 | - | 2,196,292 |
| Cash, end of the year | \$ 432,157 | \$ 1,893,221 | \$ - | \$ 2,325,378 |
| Reconciliation of net income to net cash provided by operating activities: | | | | |
| Income (loss) from operations | \$ (56,713) | \$ (46,722) | \$ (3,525) | \$ (106,960) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities: | | | | |
| Depreciation and amortization | 81,343 | 669,052 | 3,560 | 753,955 |
| Increase in allowance | | | | |
| Changes in assets and liabilities: | | | | |
| Decrease (increase) in accounts receivable | 22,753 | (10,356) | 550 | 12,947 |
| Decrease (Increase) in due from other funds | | (15,930) | (5,339) | (21,269) |
| Decrease in assessments receivable | | 632,551 | | 632,551 |
| (Increase) in due from other governmental units | | | (299) | (299) |
| Increase (decrease) in due to other funds | | (150,005) | 2,357 | (147,648) |
| Increase (decrease) in deferred revenue | 0 | (652,306) | | (652,306) |
| Increase (decrease) in accrued expenses | | | | 0 |
| Increase (decrease) in accounts payable | (297,582) | (37,109) | 2,696 | (331,995) |
| Total adjustments | (193,486) | 435,897 | 3,525 | 245,936 |
| Net cash provided by operating activities | \$ (250,199) | \$ 389,175 | \$ - | \$ 138,976 |

See Notes to Financial Statements

TOWN OF NORTH SMITHFIELD**Statement of Net Assets
Fiduciary Funds
June 30, 2007**

| | Private Purpose Trust Buxton Family Association | Agency Funds |
|---------------------------------------|--|-----------------------------|
| | <u> </u> | <u> </u> |
| <u>ASSETS</u> | | |
| Cash | \$ 768 | \$ 185,940 |
| Other receivable | | 13,098 |
| <u>TOTAL ASSETS</u> | <u>768</u> | <u>199,038</u> |
| <u>LIABILITIES</u> | <u>-</u> | <u>\$ 199,038</u> |
| <u>NET ASSETS</u> | | |
| Held in Trust for private purposes | <u>\$ 768</u> | <u>\$ -</u> |

See Notes to Financial Statements

TOWN OF NORTH SMITHFIELD**Statement of Changes in Net Assets
Fiduciary Funds
June 30, 2007**

| | Private Purpose Trust Buxton Family Association |
|------------------------------|--|
| | <u> </u> |
| ADDITIONS: | |
| Investment income | \$ 29 |
| | |
| CHANGE IN NET ASSETS | <u> </u> 29 |
| Net ASSETS - BEGINING | 739 |
| Net ASSETS - ENDING | <u><u> </u></u> \$ 768 |

See Notes to Financial Statements

TOWN OF NORTH SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

Reporting Entity

In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement No. 14. Under GASB Statement No. 14, the financial reporting entity includes both the primary government and all of its component units. The discretely presented component unit is reported in a separate column in the combined financial statements to emphasize it is legally separate from the Town. Component units are legally separate entities that meet any one of the following three tests:

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

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

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

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

(CONTINUED)

TOWN OF NORTH SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reporting Entity (Continued)

The following entities were considered for classification as component units for fiscal year 2007:

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

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

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

Recently Issued Accounting Standards

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

- ✓ GASB Statement No. 45 – Accounting and Financial Reporting by Employees for Post-employment Benefits Other Than Pensions, effective for the Town's fiscal year ending June 30, 2009.
- ✓ GASB Statement No. 48 – Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues, effective for the Authority's fiscal year ending June 30, 2008.
- ✓ GASB Statement No. 49 – Accounting and Financial Reporting for Pollution Remediation Obligations, effective for the Town's fiscal year ending June 30, 2009.
- ✓ GASB Statement No. 50 – Pension Disclosures – an amendment of GASB Statements No. 25 and No. 27, effective for the Authority's fiscal year ending June 30, 2008.
- ✓ GASB Statement No. 51 – Accounting and Financial Reporting for Intangible Assets, effective for the Authority's fiscal year ending June 30, 2010.

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

(CONTINUED)

TOWN OF NORTH SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

Government-Wide Financial Statements

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

Fund Financial Statements

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

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

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

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

Special Revenue Funds

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

Capital Project Funds

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

(CONTINUED)

TOWN OF NORTH SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements (Continued)

Permanent Funds

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

Proprietary Funds

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

Fiduciary Funds (Not included in government wide statements)

Agency Funds

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

- Harkness Road Escrow
- Subdivision bond account
- Police uniforms
- Junior/Senior High School Fund
- Halliwell School Fund
- Athletic account
- Elementary School Fund

Private-purpose Trust Funds

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

Major and Non-Major Funds

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

| <u>Fund</u> | <u>Brief Description</u> |
|--------------------|---------------------------|
| Major: | |
| General: | See above for description |
| Capital Projects: | Capital project fund |
| Proprietary Funds: | See above for description |

(CONTINUED)

TOWN OF NORTH SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Major and Non-Major Funds (Continued)

Non-Major:

Special Revenue Funds:

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

Capital Project Funds:

School renovations

Permanent Funds:

Record Retention, Michael F.Lovett Scholarship, J. Harold Monroe, Jr. Scholarship

Measurement Focus

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

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

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

Basis of Accounting

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

(CONTINUED)

TOWN OF NORTH SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (continued)

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

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

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

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

Assets, Liabilities, and Fund Equity

Cash

Cash and cash equivalents are carried at cost. Cash equivalents are all highly liquid investments with a maturity of three months or less when purchased. Substantially, all of the Town's cash and cash equivalents are held in public deposit institutions, except for \$1,300 in unsecured petty cash. Pursuant to Section 35-10-1 of the Rhode Island General Laws, as of October 1, 1991, public deposit institutions are required to insure accounts which hold public funds in excess of the \$100,000 which is guaranteed by FDIC. Cash in excess of current requirements is invested in short-term treasury securities or as disclosed as part of the Town's investments.

Investments

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

(CONTINUED)

TOWN OF NORTH SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Fund Equity (Continued)

Accounts Receivable

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. The allowance for uncollectible accounts receivable amounted to \$350,000 at June 30, 2007. Major receivable balances for the governmental activities include property taxes. Business-type activities report service fees as its major receivables.

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

Short-Term Interfund Receivables/Payables

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

Advances to Other Funds

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

Accounts Payable

Payable balances consist primarily of payables to vendors.

Property Taxes

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

(CONTINUED)

TOWN OF NORTH SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Fund Equity (Continued)

Property, Plant and Equipment

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

Government-Wide Statements

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

Capital assets are defined by the Town as assets with an initial, individual cost of \$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 Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

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

Fund Financial Statements

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

Deferred Revenues

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

(CONTINUED)

TOWN OF NORTH SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Fund Equity (Continued)

Interfund Transactions

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

- Reciprocal interfund activities:
 - Interfund loans are reported as interfund receivables in the lending fund and interfund payables in borrower funds.
 - Interfund services are reported as revenues in the seller fund and as expenditures or expenses in the purchasing fund.

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

Interfund transfers from the general fund totaled \$14,890,456 for the year, representing \$14,830,456 for the general fund's transfer to the school department and \$60,000 to the debt reserve fund. Interfund transfers to the general fund were \$100,000 from the EMS fund.

Equity Classifications

Government-Wide Statements

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

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

- (b) Restricted net assets - Consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.

(CONTINUED)

TOWN OF NORTH SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity Classifications (Continued)

- (c) Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Proprietary fund equity is classified the same as in the government-wide statements.

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.

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.

(CONTINUED)

TOWN OF NORTH SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reconciliation of Government-wide and Fund Financial Statements

The governmental fund balance sheet includes reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$5,845,297 difference are as follows:

| | |
|------------------------------|---------------------------|
| Bonds payable | \$3,969,857 |
| Compensated absences | 663,341 |
| Claims payable..... | 35,000 |
| Capital leases payable | <u>1,177,099</u> |
| Total..... | <u>\$5,845,297</u> |

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense.” The details of this \$3,773,687 difference are as follows:

| | |
|---|----------------------------|
| Capital outlays (net of disposals)..... | \$4,955,039 |
| Depreciation expense..... | <u>(1,181,352)</u> |
| Net adjustment..... | <u>\$ 3,773,687</u> |

Another element of that reconciliation states that “the issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.” The details of this \$1,215,209 difference are as follows:

| | |
|---------------------------|---------------------------|
| Debt issued..... | \$ 0 |
| Principal repayments..... | <u>1,215,209</u> |
| Net adjustment..... | <u>\$1,215,209</u> |

Another element of that reconciliation states that, “Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds.” The details of this \$(305,734) difference are as follows:

| | |
|------------------------------------|---------------------------|
| Deferred revenue - beginning | \$(612,272) |
| Deferred revenue – ending | <u>306,538</u> |
| Net difference..... | <u>\$(305,734)</u> |

(CONTINUED)

TOWN OF NORTH SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

2. BUDGETARY AND LEGAL COMPLIANCE

Budgetary Data

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

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

Excess of Expenditures Over Appropriations

For the year ended June 30, 2007, expenditures exceeded budget at the department level as follows:

| <u>Department</u> | <u>Excess</u> |
|------------------------|---------------|
| Town Solicitor | \$9,470 |
| Town Hall..... | 964 |
| Plant Operations | 693 |
| Tree Warden | 100 |
| Street Lights..... | 2,094 |
| Police Department..... | 95,963 |

3. DEPOSITS AND INVESTMENTS

(a) Deposits

The Town maintains deposits at local financial institutions. At year end, the carrying amount of such deposits was \$8,737,562, while the bank balance was \$10,486,754, of which \$200,000 was covered by federal depository insurance. Of the remaining balance, \$10,044,570 was collateralized and \$242,184 was uncollateralized.

(b) Interest Rate Risk/Concentration of credit risk

The Town has no investments subject to interest rate risk or concentration of credit risk as of June 30, 2007.

(CONTINUED)

TOWN OF NORTH SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

3. DEPOSITS AND INVESTMENTS (Continued)

(c) Custodial Credit Risk-Deposits

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

(d) Investments

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

4. INTERFUND BALANCES

Interfund receivable and payable are as follows:

| | <u>Due From Other Funds</u> | <u>Due To Other Funds</u> |
|--|---------------------------------|-------------------------------|
| General Fund | \$ 1,057,473 | \$860,530 |
| School Unrestricted Fund | 566,605 | 236,788 |
| Capital Projects Fund | 219,853 | 802,883 |
| Non-Major Governmental Funds: | | |
| School Restricted Fund..... | 290,047 | 150,811 |
| School Renovations Bonds..... | - | 16,250 |
| Substance Abuse Donations Fund..... | 6,310 | 3,895 |
| Substance Abuse Prevention Council Fund..... | 11,061 | 16,782 |
| Park and Recreation Fund..... | - | 15,696 |
| Community Development Block Grant..... | - | 18,437 |
| Police Forfeiture Fund..... | 4,803 | - |
| Miscellaneous Police & Fire Funds..... | 8,984 | 149 |
| EMS Fund..... | - | 100,000 |
| Debt Reserve Fund..... | - | 2,885 |
| Record Retention Fund..... | 42,712 | - |
| Non-Major Governmental funds | <u>363,917</u> | <u>324,905</u> |
| Sewer Fund | <u>15,930</u> | - |
| School Lunch Fund | <u>13,806</u> | <u>12,478</u> |
| TOTALS | <u>\$2,237,584</u> | <u>\$2,237,584</u> |

(CONTINUED)

TOWN OF NORTH SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

5. FIXED ASSETS

Activity for governmental activity capital assets is summarized below:

| | Balances 7/1/06 | | | Balances 6/30/07 |
|---|---------------------|--------------------|-------------------|---------------------|
| | <u>As restated</u> | <u>Additions</u> | <u>Deductions</u> | |
| <u>Governmental activity fixed assets:</u> | | | | |
| Land (not being depreciated) | \$ 7,941,141 | | | \$ 7,941,141 |
| Construction in progress (not depreciated) | | \$4,385,432 | | 4,385,432 |
| Land improvements | 1,379,404 | | | 1,379,404 |
| Construction | 22,353,848 | \$27,426 | | 22,381,274 |
| Infrastructure | 24,110,958 | 141,520 | | 24,252,478 |
| Machinery and equipment | 4,005,630 | 231,508 | | 4,237,138 |
| Vehicles | 3,536,606 | 169,153 | | 3,705,759 |
| Total cost | 63,327,587 | 4,955,039 | | 68,282,626 |
| Less: accumulated depreciation | | | | |
| Land improvements | (1,013,484) | (60,133) | | (1,073,617) |
| Construction | (10,198,293) | (397,130) | | (10,595,423) |
| Infrastructure | (21,575,134) | (266,359) | | (21,841,493) |
| Machinery and equipment | (2,468,248) | (264,451) | | (2,732,699) |
| Vehicles | (2,788,495) | (193,280) | | (2,981,775) |
| Total accumulated depreciation | (38,043,654) | (1,181,353) | | (39,225,007) |
| Net fixed assets | \$25,283,933 | \$3,773,687 | | \$29,057,620 |

Prior Period Adjustment – Net Assets

During fiscal year ended June 30, 2007, it was noted that capital assets at June 30, 2006 were understated by \$246,226, in the statement of net assets. Net assets at June 30, 2006 have been increased by \$246,226 to correct this error.

(CONTINUED)

TOWN OF NORTH SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

5. FIXED ASSETS (Continued)

Activity for the Proprietary Funds capital assets is summarized below:

| | Balances <u>7/1/06</u> | Additions | Deductions | Balances <u>6/30/07</u> |
|---|---------------------------|--------------------|---------------------|----------------------------|
| Construction in progress (non-depreciable) | \$51,123 | \$ 54,567 | \$ (51,123) | \$ 54,567 |
| Land improvements | 29,657 | | | 29,657 |
| Construction | 2,331,276 | | | 2,331,276 |
| Infrastructure | 6,817,347 | | | 6,817,347 |
| Machinery and equipment..... | 18,400,979 | 94,622 | | 18,495,601 |
| Vehicles..... | 49,607 | | | 49,607 |
| Total cost | <u>27,679,989</u> | <u>149,189</u> | <u>(51,123)</u> | <u>27,778,055</u> |
| Less: accumulated depreciation | | | | |
| Land improvements | (13,516) | | | (13,516) |
| Construction | (328,817) | (46,626) | | (375,443) |
| Infrastructure | (4,405,727) | (86,975) | | (4,492,702) |
| Machinery and equipment..... | (7,649,781) | (614,114) | | (8,263,895) |
| Vehicles..... | (34,780) | (6,240) | | (41,020) |
| Total accumulated depreciation | <u>(12,432,621)</u> | <u>(753,955)</u> | | <u>(13,186,576)</u> |
| Net fixed assets | <u>\$15,247,368</u> | <u>\$(604,766)</u> | <u>\$ (51,123)</u> | <u>\$14,591,479</u> |

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

Governmental activities:

| | |
|-------------------------|--------------------|
| General government..... | \$ 33,885 |
| Public safety..... | 248,069 |
| Public services | 50,095 |
| Public works | 357,959 |
| Education | 491,344 |
| Total | <u>\$1,181,352</u> |

Business-type activities:

| | |
|--------------------|-------------------|
| Sewer | \$ 699,052 |
| Water | 81,343 |
| School lunch..... | 3,560 |
| Total | <u>\$ 753,955</u> |

6. DEFERRED REVENUES

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

| | |
|---|------------------|
| Property taxes receivable..... | \$430,146 |
| Other | 1,642 |
| Less: current year 60 day accrual..... | <u>(123,607)</u> |
| Total deferred tax revenue | <u>\$308,181</u> |

(CONTINUED)

TOWN OF NORTH SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

7. LONG-TERM OBLIGATIONS

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

General long-term debt

| | <u>Amount</u> | <u>Percent</u> |
|------------------------------|--------------------|----------------|
| School bonds | \$3,830,000 | 66% |
| Sewer bond | 139,857 | 2% |
| Capital budget project | 1,177,099 | 20% |
| Compensated absences | 663,341 | 11% |
| Claims payable | 35,000 | 1% |
| <i>Total</i> | <u>\$5,845,297</u> | <u>100%</u> |

Proprietary funds

| | | |
|---------------------------|--------------------|-------------|
| Water bonds | \$2,275,840 | 37% |
| Sewer bonds | 3,944,855 | 63% |
| <i>Total</i> | <u>\$6,220,695</u> | <u>100%</u> |

(CONTINUED)

TOWN OF NORTH SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

7. LONG-TERM OBLIGATIONS (Continued)

At June 30, 2007, the Town's long-term debt outstanding is comprised of the following individual issues:

| | Date of Issue | Maturity Date | Amount of Issue | Interest Rate | Outstanding June 30, 2006 | Additions | Retirements | Outstanding June 30, 2007 | Current Portion |
|--|---------------|---------------|---------------------|----------------|---------------------------|-----------|--------------------|---------------------------|--------------------|
| Long-term debt | | | | | | | | | |
| General obligation bonds payable | | | | | | | | | |
| New elementary school..... | 12/15/96 | 09/01/09 | \$ 4,015,000 | 4.25% to 5.3% | \$1,115,000 | | \$ 285,000 | \$830,000 | \$ 280,000 |
| NSES School Bond..... | 10/15/01 | 10/15/21 | 4,000,000 | 3.00% - 5.00% | 3,200,000 | | 200,000 | 3,000,000 | 200,000 |
| Capital improvements..... | 10/15/01 | 10/15/06 | 200,000 | 3.00% - 4.00% | 40,000 | | 40,000 | 0 | 0 |
| Sewer bond..... | 04/23/80 | 04/23/10 | 814,610 | 5% | 184,311 | | 44,454 | 139,857 | 46,357 |
| Total general obligation bonds payable..... | | | <u>9,029,610</u> | | <u>4,539,311</u> | | <u>569,454</u> | <u>3,969,857</u> | <u>526,357</u> |
| Capital leases payable | | | | | | | | | |
| Capital budget project..... | 10/26/01 | 10/26/06 | 782,008 | 3.22% - 3.67% | 167,034 | | 167,034 | 0 | 0 |
| Capital budget project..... | 10/15/02 | 10/15/07 | 551,000 | 1.7% to 2.85% | 220,000 | | 110,000 | 110,000 | 110,000 |
| Capital budget project..... | 08/30/04 | 08/30/09 | 1,178,000 | 1.75% to 3.25% | 940,000 | | 235,000 | 705,000 | 235,000 |
| Capital budget project..... | 11/18/05 | 11/18/10 | 445,000 | 3.55% | 445,000 | | 82,901 | 362,099 | 85,844 |
| Total capital leases payable..... | | | <u>2,956,008</u> | | <u>1,772,034</u> | | <u>594,935</u> | <u>1,177,099</u> | <u>430,844</u> |
| Compensated absences..... | | | | | 674,160 | | 10,819 | 663,341 | 66,334 |
| Claims payable..... | | | | | 75,000 | | 40,000 | 35,000 | 35,000 |
| Total long-term debt..... | | | <u>\$11,985,618</u> | | <u>\$7,060,505</u> | | <u>\$1,215,208</u> | <u>\$5,845,297</u> | <u>\$1,058,535</u> |

(CONTINUED)

TOWN OF NORTH SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

7. LONG-TERM OBLIGATIONS (Continued)

Bonds Outstanding (Continued)

During the fiscal year ended June 30, 2007, the Town incurred and paid the following interest expense:

| | <u>Incurred</u> | <u>Paid</u> |
|--------------------|------------------|------------------|
| Water | \$118,702 | \$119,493 |
| Sewer | 137,021 | 168,944 |
| General fund | <u>336,922</u> | <u>242,026</u> |
| Total | <u>\$592,645</u> | <u>\$530,463</u> |

At June 30, 2007, the Town was in compliance with Rhode Island General Law 45-12-2 which places a 3% cap on the ratio of the Town's maximum aggregate indebtedness to taxable property.

Capital Leases

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

The assets acquired through capital leases are as follows:

| | <u>Governmental Activities</u> |
|--------------------------------|------------------------------------|
| Asset: | |
| Building improvements | \$127,871 |
| Equipment and vehicles | 1,675,802 |
| Less: accumulated depreciation | <u>(887,652)</u> |
| Total | <u>\$916,021</u> |

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2007 were as follows:

Year Ending June 30:

| | <u>General Long-term debt</u> |
|---|-----------------------------------|
| 2008 | \$469,981 |
| 2009 | 349,914 |
| 2010 | 342,159 |
| 2011 | <u>98,699</u> |
| Total minimum lease payments | 1,260,753 |
| Less: amount representing interest | 83,654 |
| Present value of minimum lease payments | <u>\$1,177,099</u> |

(CONTINUED)

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

7. LONG-TERM OBLIGATIONS (Continued)

Debt Service Requirements

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

| Year-ending, June 30 | General Long-Term Debt | | | Enterprise Funds | | |
|-------------------------|------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2008 | 957,201 | 202,942 | 1,160,143 | 623,151 | 283,950 | 907,101 |
| 2009 | 847,567 | 166,202 | 1,013,769 | 645,841 | 237,350 | 883,191 |
| 2010 | 846,872 | 131,985 | 978,857 | 668,632 | 209,538 | 878,170 |
| 2011 | 295,316 | 103,609 | 398,925 | 575,392 | 182,552 | 757,944 |
| 2012 | 200,000 | 92,350 | 292,350 | 594,582 | 159,933 | 754,515 |
| 2013 | 200,000 | 84,350 | 284,350 | 402,513 | 140,195 | 542,708 |
| 2014 | 200,000 | 76,350 | 276,350 | 416,942 | 122,257 | 539,199 |
| 2015 | 200,000 | 68,225 | 268,225 | 432,139 | 104,860 | 536,999 |
| 2016 | 200,000 | 59,850 | 259,850 | 448,118 | 86,819 | 534,937 |
| 2017 | 200,000 | 51,225 | 251,225 | 144,148 | 73,799 | 217,947 |
| 2018 – 2022 | 1,000,000 | 119,325 | 1,119,325 | 696,567 | 261,953 | 958,520 |
| 2023 – 2026 | 0 | 0 | 0 | 139,593 | 132,544 | 272,137 |
| Thereafter | 0 | 0 | 0 | 433,076 | 155,395 | 588,471 |
| Total | \$5,146,956 | \$1,156,413 | \$6,303,369 | \$6,220,694 | \$2,151,145 | \$8,371,839 |

(CONTINUED)

TOWN OF NORTH SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

8. FUND EQUITY BALANCES

Reserves/Designated Fund Balances

The Town of North Smithfield records several types of reserves. The reserves indicate that a portion of fund equity is segregated for a specific use. In addition, a portion of the unreserved fund equity is designated for specific purposes.

| | <u>General Fund</u> | <u>Trust Funds</u> | <u>School Unrestricted Fund</u> |
|---|---------------------|--------------------|-------------------------------------|
| Reserved: | | | |
| Reserved for property taxes to be appropriated in a subsequent year | \$ 123,607 | | |
| Reserved for encumbrances | | | \$475,065 |
| Reserved for advances to other funds | 444,334 | | |
| Reserved for nonexpendable bequests | | \$ 47,268 | |
| Total Reserved | <u>\$ 567,941</u> | <u>\$ 47,268</u> | <u>\$475,065</u> |
| Designated: | | | |
| Designated for other expenditures | \$ 451,954 | | |
| Designated subsequent year appropriation | 100,000 | | |
| Total Designated | <u>\$ 551,954</u> | | |

9. DEFINED BENEFIT PENSION PLANS

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

Plan Description

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

Funding Policy

MERS members are required to contribute 7.0% of their annual covered salary. The Town is required to contribute at an actuarially determined rate; the current rate is 0% of annual covered payroll. The contribution requirements of plan members and the Town are established and may be amended by State Statute.

(CONTINUED)

TOWN OF NORTH SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

9. DEFINED BENEFIT PENSION PLANS (Continued)

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

Annual Pension Cost

For 2007, the Town's annual pension cost of \$0 for MERS was equal to the Town's required and actual contributions. The required contribution was determined as part of the June 30, 2004 actuarial valuation using the entry age normal cost method with frozen initial liability. Significant actuarial assumptions included (a) a net investment return of 8.25 percent compounded annually, (b) projected salary increases at an annual service related component plus a 3% inflation component compounded annually, (c) 3.0 percent per year cost-of-living adjustments, (d) mortality rates based on the 1994 Uninsured Pensioner Mortality Table and (e) a retirement age of 65 or completion of service requirements, if later. The actuarial value of MERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period. MERS unfunded actuarial accrued liability is being amortized using the weighted average method over a 25 year period.

(b) Municipal Police Pension Plan

Plan Description

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

Funding Policy

Covered police employees are required to contribute 9% of their annual covered salary. The Town is required to contribute at an actuarially determined rate the remaining amounts necessary to fund the System; the current rate is 18.71% of annual covered payroll. The contribution requirements of plan members and the Town are established and may be amended by State Statute.

Annual Pension Cost

For 2007, the Town's annual pension cost of \$222,734 for the Police Pension System was equal to the Town's required and actual contributions. The required contribution was determined as part of the June 30, 2004 actuarial valuation using the entry age normal cost method with frozen initial liability. Significant actuarial assumptions included (a) net investment return of 8.25 percent compounded annually, (b) projected salary increases at an annual service related component plus a 3% inflation component compounded annually, (c) mortality rates based on the 1994 Uninsured Pensioner Mortality Table, and (d) a retirement age of 60, or completion of service requirements, if later. The actuarial value of MERS' assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period. Any MERS unfunded actuarial accrued liability is being amortized using the weighted average method over a 25 year period.

(CONTINUED)

TOWN OF NORTH SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

9. DEFINED BENEFITS PENSION PLANS (Continued)

(b) Municipal Police Pension Plan (Continued)

Three-Year Trend Information

| <u>Fiscal Year Ending</u> | <u>Annual Pension Cost (APC)</u> | <u>Percentage of APC Contributed</u> | <u>Net Pension Obligation</u> |
|-----------------------------------|--|--|---------------------------------------|
| 6/30/05 | \$186,980 | 100% | \$-0- |
| 6/30/06 | \$202,086 | 100% | \$-0- |
| 6/30/07 | \$222,734 | 100% | \$-0- |

(c) Teacher's Pension Plan

Plan Description

All full-time teachers including superintendents, principals, school nurses and certain other school officials ("classified employees") in the North Smithfield School District participate in the Employees Retirement System of the State of Rhode Island (ERSRI), a cost-sharing multiple-employer public employee retirement system. In addition to classified employees, the System covers substantially all employees of the State of Rhode Island. The payroll for employees covered by the System for the year ended June 30, 2007, was \$9,990,435; the total payroll for the Town was approximately \$14,700,000.

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

Plan Description

All full-time classified employees of the North Smithfield School District are eligible to participate in the System. Classified employees who retire at or after age 60 with 10 years of credited service or at any age with 28 years of credited service are entitled to a retirement benefit payable monthly for life. The retirement benefit is a percentage of final average salary per year of credit service with a maximum benefit of 80% of "final average" salary. Final average salary is the three highest consecutive years of earned salary excluding overtime, bonuses, or severance pays. The System also provides death and disability benefits. Benefits are established by State statute. The percent of earnings relating to each year of credited service is as follows:

| <u>Years of Credited Service</u> | <u>Percent/Year</u> |
|----------------------------------|---------------------|
| 1 - 10 | 1.7% |
| 11 - 20 | 1.9% |
| 21 - 34 | 3.0% |
| 35 | 2.0% |

(CONTINUED)

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

9. DEFINED BENEFIT PENSION PLANS (Continued)

(c) Teacher's Pension Plan (Continued)

Funding Policy

Rhode Island general laws set the contribution rates for participating State employees at 9.5 % of salary. Annual contributions by both employers and the State on behalf of those employees are determined by actuaries and assessed as percentage of participants' payroll. The School Department was required to contribute 10.96%, 9.05%, and 7.99% for all full-time employees for fiscal years 2007, 2006, and 2005, respectively. The required contributions include (a) normal costs; (b) payments to amortize the unfunded frozen actuarial accrued liability as of July 1, 1989 over 27 years; and (c) interest on the unfunded frozen actuarial liability. Normal cost is determined using the entry age normal cost method with frozen initial liability. Both employers and employees contribute 1% of the first \$9,600 of salary for survivor benefits. In addition, the School District is required to contribute .7% for post-retirement health benefits. A variety of significant actuarial assumptions are used and these assumptions are summarized below:

- A. Mortality - 1994 Group Annuity Mortality Table with mortality for disabled persons set equal to the age 65 under the 1971 Group Annuity Mortality Table.
- B. Investment return - .8.25 percent, compounded annually.
- C. Salary increase – Salaries will increase at a rate of 4.50 – 8.50 percent, compounded annually.
- D. Retirement age - Teachers are assumed to retire at the later of age 61 or completion of the service requirements.
- E. Cost of living adjustments – 3.0 percent compounded annually beginning on the January 1st following a participant's third anniversary of retirement.

As prescribed by Rhode Island general law, the State pays the entire portion of the annual required contribution attributable to the costs of contributions deferred by the State in prior years plus 40% of contributions assessed to employers on payroll not reimbursable through Federal programs. This resulted in contribution rates paid by the State on behalf of the School Department totaling \$756,276 for fiscal year ended June 30, 2007.

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

Years Ending June 30,

| | |
|------------|-------------|
| 2007 | \$1,094,952 |
| 2006 | \$904,377 |
| 2005 | \$756,277 |

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

(CONTINUED)

TOWN OF NORTH SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

10. CONTINGENT LIABILITIES/COMMITMENTS

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

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

The Town is committed under contracts for construction projects approximating \$26,000,000 at June 30, 2007.

11. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

The Town provides post employment health care benefits to eligible employees. Twelve employees were covered under this plan during 2007.

The North Smithfield School Department provides post employment health care benefits to eligible employees, under two plans. These plans were offered to all certified teachers and school administrators who met certain age and service requirements. Thirty-three employees were covered under these plans during 2007.

The cost of retirees' health care benefits is recognized as an expenditure as premiums are paid. For 2007, these costs were approximately \$124,563 for the Town and \$153,495 for the School Department for a total of \$278,058.

12. 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.

13. SUBSEQUENT EVENTS

Subsequent to June 30, 2007, the Town issued General Obligation bonds in the amount of \$2,100,000, with interest at 4.25% to be used for schools and school facilities.

Subsequent to June 30, 2007, the Town issued General Obligation bond anticipation notes in the amount of \$28,000,000, with interest at 4.25% to be used for the acquisition of land for school facilities and construction and equipping of a new middle school and school facilities.

(CONCLUDED)

SCHEDULE E-1Town of North SmithfieldSchedule of funding progress for the Municipal Employees' Retirement System
June 30, 2007

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (a-b) | Funded Ratio (a/b) | Covered Payroll (c) | AAL as a percentage Of Covered Payroll ((a-b)/c) |
|--------------------------------|--|--|---------------------------------|--------------------------|---------------------------|--|
| 6/30/2004 | \$11,292,783 | \$8,505,674 | \$2,787,109 | 132.80% | \$2,594,527 | 107.42% |
| 6/30/2005 | \$11,264,454 | \$9,007,455 | \$2,256,999 | 125.10% | \$2,672,612 | 84.45% |
| 6/30/2006 | \$11,763,327 | \$9,894,279 | \$1,869,048 | 118.90% | \$2,839,985 | 65.81% |

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

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (a-b) | Funded Ratio (a/b) | Covered Payroll (c) | AAL (UAAL) as a percentage Of Covered Payroll ((a-b)/c) |
|--------------------------------|--|--|---------------------------------|--------------------------|---------------------------|---|
| 6/30/2004 | \$ 5,588,404 | \$ 6,538,461 | (\$950,057) | 85.50% | \$ 1,003,415 | 94.70% |
| 6/30/2005 | \$ 5,715,286 | \$ 6,744,779 | (\$1,029,493) | -15.30% | \$ 1,003,679 | -102.57% |
| 6/30/2006 | \$ 6,197,428 | \$ 6,786,912 | (\$589,484) | 91.30% | \$ 1,082,544 | -54.45% |

TOWN OF NORTH SMITHFIELD
GENERAL FUND

SCHEDULE OF REVENUE AND OTHER FINANCING SOURCES, EXPENDITURES AND OTHER
FINANCING USES- BUDGET AND ACTUAL - BUDGETARY BASIS
YEAR ENDED JUNE 30, 2007

| | General Fund | | | Annually Budgeted Special Revenue Fund | | |
|-------------------------------------|-------------------|-------------------|---------------------------|--|---------------------------|---------------|
| | Original Budget | Final Budget | Actual on Budgetary Basis | Budget | Actual on Budgetary Basis | Variance |
| Revenues: | | | | | | |
| Property taxes | \$ 20,404,614 | \$ 20,404,614 | \$ 20,560,930 | | | \$ 156,316 |
| Motor vehicle excise in lieu of tax | 2,000,900 | 2,000,900 | 2,014,607 | | | 13,707 |
| Intergovernmental and grant revenue | 1,374,669 | 1,374,669 | 1,300,709 | | \$ 4,081,387 | \$ 4,304 |
| Town clerk licenses and fees | 390,000 | 390,000 | 378,151 | | | (11,849) |
| Other departmental fines and fees | 455,000 | 455,000 | 634,303 | | | 179,303 |
| Interest on investments | 34,192 | 34,192 | 94,731 | | | 60,539 |
| Other revenue | 209,250 | 209,250 | 323,021 | 146,000 | 221,783 | 75,783 |
| Utilization of surplus | 100,000 | 100,000 | 100,000 | | | |
| Total revenues | 24,968,625 | 24,968,625 | 25,406,452 | 4,227,387 | 4,307,474 | 80,087 |
| General Government | | | | | | |
| Town council | 14,946 | 14,946 | 13,952 | | | 994 |
| Administrator's office | 160,420 | 160,420 | 160,278 | | | 142 |
| Probate | 4,171 | 4,171 | 4,060 | | | 111 |
| Town solicitor | 124,299 | 130,748 | 140,218 | | | (9,470) |
| Board of canvassers | 12,699 | 12,699 | 12,164 | | | 535 |
| Town clerk's office | 161,819 | 161,819 | 157,660 | | | 4,159 |
| Zoning board | 10,000 | 10,000 | 9,305 | | | 695 |
| Personnel Board | 1 | 1 | - | | | 1 |
| Juvenile Hearing Board | | 4,000 | 2,883 | | | 1,117 |
| Regional industrial development | 9,200 | 9,200 | 9,200 | | | - |
| Conservation commission | 1 | 1 | - | | | 1 |
| Housing Authority | 1 | 1 | - | | | 1 |
| Town hall | 7,350 | 7,350 | 8,314 | | | (964) |
| Plant operations | 9,100 | 10,542 | 11,235 | | | (693) |
| Planning division | 134,796 | 134,796 | 126,144 | | | 8,652 |
| Printing and advertising | 17,000 | 28,500 | 24,644 | | | 3,856 |
| Contingency fund | 180,269 | 127,864 | 127,614 | | | 250 |
| Scouters Hall | 4,200 | 4,200 | 3,841 | | | 359 |
| North Smithfield Public Library | 307,230 | 314,778 | 314,778 | | | - |
| Historic District commission | 1 | 1 | - | | | 1 |
| Public Safety Commission | 1 | 1 | - | | | 1 |
| Budget Committee | 1 | 1 | - | | | 1 |
| Total general government | 1,157,505 | 1,136,039 | 1,126,290 | | | 9,749 |

TOWN OF NORTH SMITHFIELD
GENERAL FUND

SCHEDULE OF REVENUE AND OTHER FINANCING SOURCES, EXPENDITURES AND OTHER
FINANCING USES- BUDGET AND ACTUAL - BUDGETARY BASIS
YEAR ENDED JUNE 30, 2007

| | General Fund | | | Annually Budgeted Special Revenue Fund | | |
|---------------------------------------|------------------|------------------|---------------------------|--|---------------------------|-----------------|
| | Original Budget | Final Budget | Actual on Budgetary Basis | Budget | Actual on Budgetary Basis | Variance |
| Financial administration | | | | | | |
| Finance office | 253,858 | 253,858 | 231,970 | | | 21,888 |
| Tax assessor | 100,403 | 100,403 | 96,677 | | | 3,726 |
| Tax collection | 104,395 | 106,162 | 105,991 | | | 171 |
| Board of review | 1 | 1 | - | | | 1 |
| Insurance | 220,000 | 220,000 | 201,327 | | | 18,673 |
| Audits and computer service | 72,500 | 72,500 | 56,360 | | | 16,140 |
| Total financial administration | 751,157 | 752,924 | 692,325 | | | 60,599 |
| Public Works | | | | | | |
| Highway department | 840,210 | 840,210 | 787,700 | | | 52,510 |
| Parks and recreation | 158,655 | 158,655 | 155,390 | | | 3,265 |
| Tree warden | 4,808 | 4,808 | 4,908 | | | (100) |
| Street lights | 150,000 | 150,000 | 152,094 | | | (2,094) |
| Rubbish disposal | 629,500 | 629,500 | 612,237 | | | 17,263 |
| Sealer of weights and measures | 1 | 1 | - | | | 1 |
| Total public works | 1,783,174 | 1,783,174 | 1,712,329 | | | 70,845 |
| Public Safety: | | | | | | |
| Police Department | 2,283,072 | 2,283,072 | 2,379,035 | | | (95,963) |
| North Smithfield fire/rescue service | 2,163,304 | 2,168,304 | 2,168,291 | | | 13 |
| Hydrant rental | 35,350 | 43,250 | 43,244 | | | 6 |
| Animal control | 65,940 | 65,940 | 64,735 | | | 1,205 |
| Civil defense | 5,627 | 5,627 | 4,732 | | | 895 |
| Inspection division | 153,131 | 153,131 | 150,386 | | | 2,745 |
| Total public safety | 4,706,424 | 4,719,324 | 4,810,423 | | | (91,099) |

TOWN OF NORTH SMITHFIELD
GENERAL FUND

SCHEDULE OF REVENUE AND OTHER FINANCING SOURCES, EXPENDITURES AND OTHER
FINANCING USES- BUDGET AND ACTUAL - BUDGETARY BASIS
YEAR ENDED JUNE 30, 2007

| | General Fund | | | Annually Budgeted Special Revenue Fund | | |
|---|-----------------|--------------|---------------------------|--|---------------------------|------------|
| | Original Budget | Final Budget | Actual on Budgetary Basis | Budget | Actual on Budgetary Basis | Variance |
| Debt Service | 1,464,582 | 1,464,582 | 1,407,932 | - | - | - |
| Fixed charges | | | | | | |
| Medical, retirement and other employee benefits | 222,312 | 229,111 | 211,500 | - | - | - |
| Grants and contributions | 53,015 | 53,015 | 50,338 | - | - | - |
| Town contribution to school | 14,830,456 | 14,830,456 | 14,830,456 | 14,830,456 | 14,830,456 | - |
| Total expenditures | 24,968,625 | 24,968,625 | 24,841,593 | 19,057,843 | 19,008,586 | 49,257 |
| Excess (deficiency) of revenues and other sources over expenditures and other uses | \$ - | \$ - | \$ 564,859 | \$ - | \$ 129,344 | \$ 129,344 |
| Adjustments required under generally accepted accounting principles | | | | | | |
| Property tax revenue - sixty day rule | | | 123,607 | | | |
| Prior years property tax revenue- sixty day rule | | | (79,450) | | | |
| Change in encumbrances | | | (100,000) | | 475,065 | |
| Utilization of prior year surplus | | | | | | |
| | | | \$ 509,016 | | \$ 604,409 | |

TOWN OF NORTH SMITHFIELD
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2007

| | School Restricted Fund | School Renovations | Governor's Justice Commission Fund | Substance Abuse Donations Fund | Substance Abuse Prevention Council Fund | Park and Recreation Fund | Miscellaneous Revenue Fund |
|--|------------------------------|-----------------------|---|---|--|--------------------------------|----------------------------------|
| ASSETS | | | | | | | |
| Cash and cash equivalents | \$ 2,413 | \$ 737 | \$ 25,127 | \$ 18,481 | \$ 20,041 | \$ 10,359 | \$ 83,512 |
| Due from federal and state governments | 141,837 | | | | | | |
| Due from other funds | 290,047 | | | 6,310 | 11,061 | | |
| TOTAL ASSETS | \$ 434,297 | \$ 737 | \$ 25,127 | \$ 24,791 | \$ 31,102 | \$ 10,359 | \$ 83,512 |
| LIABILITIES | | | | | | | |
| Accounts payable | \$ 8,741 | | | | | | |
| Accrued expenses | 9,247 | | | | | | |
| Due to federal and state governments | | | | 3,895 | 16,782 | 15,696 | |
| Due to other funds | 150,811 | 16,250 | \$ 20,653 | 14,846 | 14,320 | | |
| Deferred revenue | | | | | | | |
| TOTAL LIABILITIES | 168,799 | 16,250 | 20,653 | 18,741 | 31,102 | 15,696 | - |
| FUND BALANCE | | | | | | | |
| Capital Projects | | (15,513) | | | | (5,337) | 83,512 |
| Special Revenue | 265,498 | | 4,474 | 6,050 | | | |
| Permanent Trusts | | | | | | | |
| TOTAL FUND BALANCE | \$ 265,498 | \$ (15,513) | \$ 4,474 | \$ 6,050 | \$ - | \$ (5,337) | \$ 83,512 |

TOWN OF NORTH SMITHFIELD
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2007

| | Project D.A.R.E. Fund | Business Revolving Loan Fund | CDBG Fund | Police Forfeiture Funds | Miscellaneous Police/Fire Funds | EMS Fund | Debt Reserve Fund |
|--|-----------------------------|------------------------------------|-------------------|-------------------------------|---------------------------------------|-------------------|-------------------------|
| ASSETS | | | | | | | |
| Cash and cash equivalents | \$ 7,082 | \$ 55,961 | \$ 23,105 | | \$ 423,842 | \$ 60,000 | |
| Due from federal and state governments | | 204,000 | | | | | |
| Due from other funds | | \$ 4,803 | \$ 8,984 | | | | |
| TOTAL ASSETS | \$ 7,082 | \$ 55,961 | \$ 227,105 | \$ 4,803 | \$ 8,984 | \$ 423,842 | \$ 60,000 |
| LIABILITIES | | | | | | | |
| Accounts payable | | \$ 175,000 | | | | | |
| Accrued expenses | | | | | \$ - | | |
| Due to federal and state governments | | | 18,437 | | 149 | 100,000 | 2,885 |
| Deferred revenue | | | 19,000 | | | | |
| TOTAL LIABILITIES | - | - | 212,437 | - | 149 | 100,000 | 2,885 |
| FUND BALANCE | | | | | | | |
| Capital Projects | | | | | | | |
| Special Revenue | 7,082 | 55,961 | 14,668 | 4,803 | 8,835 | 323,842 | 57,115 |
| Permanent Trusts | | | | | | | |
| TOTAL FUND BALANCE | \$ 7,082 | \$ 55,961 | \$ 14,668 | \$ 4,803 | \$ 8,835 | \$ 323,842 | \$ 57,115 |

TOWN OF NORTH SMITHFIELD
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2007

| | Record Retention Fund | Michael F. Lovett Scholarship Account | J. Harold Monroe Jr. Scholarship Account | GRAND TOTALS |
|--|-----------------------|---------------------------------------|--|---------------------|
| ASSETS | | | | |
| Cash and cash equivalents | | \$ 3,397 | \$ 1,159 | \$ 735,216 |
| Due from federal and state governments | | | | 345,837 |
| Due from other funds | \$ 42,712 | | | 363,917 |
| TOTAL ASSETS | \$ 42,712 | \$ 3,397 | \$ 1,159 | \$ 1,444,970 |
| LIABILITIES | | | | |
| Accounts payable | | | | 183,741 |
| Accrued expenses | | | | 9,247 |
| Due to federal and state governments | | | | - |
| Due to other funds | | | | 324,905 |
| Deferred revenue | | | | 68,819 |
| TOTAL LIABILITIES | - | - | - | 586,712 |
| FUND BALANCE | | | | |
| Capital Projects | | | | (15,513) |
| Special Revenue | 42,712 | 3,397 | 1,159 | 826,503 |
| Permanent Trusts | | | | 47,268 |
| TOTAL FUND BALANCE | \$ 42,712 | \$ 3,397 | \$ 1,159 | \$ 858,258 |

TOWN OF NORTH SMITHFIELD
Combining Statement of Revenues other Financing Sources, Expenditures and other Financing Uses and Changes in Fund Balance
Non-Major Governmental Funds
For the Year Ended June 30, 2007

| | School Restricted Fund | School Renovations | Governor's Justice Commission Fund | Substance Abuse Donations Fund | Substance Abuse Prevention Council Fund | Park and Recreation Fund | Miscellaneous Revenue Fund |
|--|------------------------|--------------------|------------------------------------|--------------------------------|---|--------------------------|----------------------------|
| REVENUES: | | | | | | | |
| Interest and investment income | \$ 1,061,271 | \$ 56 | \$ 14,188 | \$ 27,716 | \$ 548 | \$ 33 | \$ 3,196 |
| Intergovernmental | 329,447 | | | | 30,142 | | |
| Other | | | | | | 10,897 | 36,994 |
| TOTAL REVENUES | 1,390,718 | 56 | 14,188 | 27,716 | 30,690 | 10,930 | 40,190 |
| EXPENDITURES: | | | | | | | |
| Public services | | | 14,188 | 20,484 | 30,690 | 7,035 | |
| Education | 1,229,295 | | | | | | |
| Capital outlays | 9,915 | | | | | | |
| Other | | | | | | | 59,564 |
| TOTAL EXPENDITURES | 1,239,210 | - | 14,188 | 20,484 | 30,690 | 7,035 | 59,564 |
| Excess of revenue over(under) expenditures before transfers | 151,508 | 56 | - | 7,232 | - | 3,895 | (19,374) |
| Other financing sources (uses): | | | | | | | |
| Transfers in | | | | | | | |
| Transfers out | | | | | | | |
| Notes proceeds | | | | | | | |
| Proceeds from capital lease | | | | | | | |
| Net other financing sources (uses) | - | - | - | - | - | - | - |
| Excess of revenues and other sources over (under) expenditures and other uses | 151,508 | 56 | - | 7,232 | - | 3,895 | (19,374) |
| FUND BALANCE, BEGINNING OF YEAR | 113,990 | (15,569) | 4,474 | (1,182) | - | (9,232) | 102,886 |
| FUND BALANCE, END OF YEAR | \$ 265,498 | \$ (15,513) | \$ 4,474 | \$ 6,050 | \$ - | \$ (5,337) | \$ 83,512 |

TOWN OF NORTH SMITHFIELD
Combining Statement of Revenues other Financing Sources, Expenditures and other Financing Uses and Changes in Fund Balance
Non-Major Governmental Funds
For the Year Ended June 30, 2007

| | Project D.A.R.E. Fund | Business Revolving Loan Fund | CDBG Fund | Police Forfeiture Funds | Miscellaneous Police/Fire Funds | EMS Fund | Debt Reserve Fund |
|--|-----------------------------|------------------------------------|------------------|-------------------------------|---------------------------------------|-------------------|-------------------------|
| REVENUES: | | | | | | | |
| Interest and investment income | \$ 207 | \$ 1,967 | \$ 625 | \$ 319 | | | |
| Intergovernmental | | | 391,595 | | | | |
| Other | 16,415 | | | | | 387,617 | |
| TOTAL REVENUES | 16,622 | 1,967 | 392,220 | 319 | - | 387,617 | - |
| EXPENDITURES: | | | | | | | |
| Public services | 16,965 | | | | | | |
| Education | | | | | | | |
| Capital outlays | | 66,397 | 387,596 | 908 | | 81,053 | 32,086 |
| Other | | | | | | | |
| TOTAL EXPENDITURES | 16,965 | 66,397 | 387,596 | 908 | - | 81,053 | 32,086 |
| Excess of revenue over(under) expenditures before transfers | (343) | (64,430) | 4,624 | (589) | - | 306,564 | (32,086) |
| Other financing sources (uses): | | | | | | | |
| Transfers in | | | | | | | 60,000 |
| Transfers out | | | | | | (100,000) | |
| Notes proceeds | | | | | | | |
| Proceeds from capital lease | | | | | | | |
| Net other financing sources (uses) | - | - | - | - | - | (100,000) | 60,000 |
| Excess of revenues and other sources over (under) expenditures and other uses | (343) | (64,430) | 4,624 | (589) | - | 206,564 | 27,914 |
| FUND BALANCE, BEGINNING OF YEAR | 7,425 | 120,391 | 10,044 | 5,392 | 8,835 | 117,278 | 29,201 |
| FUND BALANCE, END OF YEAR | \$ 7,082 | \$ 55,961 | \$ 14,668 | \$ 4,803 | \$ 8,835 | \$ 323,842 | \$ 57,115 |

TOWN OF NORTH SMITHFIELD
 Combining Statement of Revenues other Financing Sources, Expenditures and other Financing Uses and Changes in Fund Balance
 Non-Major Governmental Funds
 For the Year Ended June 30, 2007

| | Record Retention Fund | Michael F. Lovett Scholarship Account | J. Harold Monroe Jr. Scholarship Account | GRAND TOTALS |
|--|-----------------------|---------------------------------------|--|-------------------|
| REVENUES: | | | | |
| Interest and investment income | | \$ 16 | 8 | \$ 6,975 |
| Intergovernmental | | | | 1,497,196 |
| Other | \$ 8,289 | | | 817,375 |
| TOTAL REVENUES | 8,289 | 16 | 8 | 2,321,546 |
| EXPENDITURES: | | | | |
| Public services | | | | 89,362 |
| Education | | | | 1,229,295 |
| Capital outlays | | 2,400 | 1,000 | 9,915 |
| Other | 20,717 | | | 651,721 |
| TOTAL EXPENDITURES | 20,717 | 2,400 | 1,000 | 1,980,293 |
| Excess of revenue over(under) expenditures before transfers | (12,428) | (2,384) | (992) | 341,253 |
| Other financing sources (uses): | | | | |
| Transfers in | | | | 60,000 |
| Transfers out | | | | (100,000) |
| Notes proceeds | | | | - |
| Proceeds from capital lease | | | | - |
| Net other financing sources (uses) | - | - | - | (40,000) |
| Excess of revenues and other sources over (under) expenditures and other uses | (12,428) | (2,384) | (992) | 301,253 |
| FUND BALANCE, BEGINNING OF YEAR | 55,140 | 5,781 | 2,151 | 557,005 |
| FUND BALANCE, END OF YEAR | \$ 42,712 | \$ 3,397 | \$ 1,159 | \$ 858,258 |

TOWN OF NORTH SMITHFIELD

**Statement of Changes in Assets and Liabilities
Agency Funds
For the year ended June 30, 2007**

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deductions</u> | <u>Ending Balance</u> |
|--|------------------------------|-------------------|-------------------|---------------------------|
| <u>Harkness Road Escrow</u> | | | | |
| <u>ASSET</u> | | | | |
| Cash and cash equivalents | \$ 6,608 | \$ 21 | | \$ 6,629 |
| <u>LIABILITY</u> | | | | |
| Deposits Held in Custody for Others | \$ 6,608 | \$ 21 | | \$ 6,629 |
| <u>Subdivision Bond Account</u> | | | | |
| <u>ASSET</u> | | | | |
| Cash and cash equivalents | \$ 14,538 | \$ 487 | | \$ 15,025 |
| <u>LIABILITY</u> | | | | |
| Deposits Held in Custody for Others | \$ 14,538 | \$ 487 | | \$ 15,025 |
| <u>Police Uniforms</u> | | | | |
| <u>ASSET</u> | | | | |
| Cash and cash equivalents | \$ 1,653 | \$ 58 | | \$ 1,711 |
| <u>LIABILITY</u> | | | | |
| Deposits Held in Custody for Others | \$ 1,653 | \$ 58 | | \$ 1,711 |
| <u>Junior/Senior High School Fund</u> | | | | |
| <u>ASSET</u> | | | | |
| Cash and cash equivalents | \$ 114,614 | \$ 259,754 | \$ 240,799 | \$ 133,569 |
| Other receivables | 13,697 | 13,098 | 13,697 | 13,098 |
| | <u>\$ 128,311</u> | <u>\$ 272,852</u> | <u>\$ 254,496</u> | <u>\$ 146,667</u> |
| <u>LIABILITY</u> | | | | |
| Deposits Held in Custody for Others | \$ 128,311 | \$ 272,852 | \$ 254,496 | \$ 146,667 |
| <u>Halliwell School Fund</u> | | | | |
| <u>ASSET</u> | | | | |
| Cash and cash equivalents | \$ 6,557 | \$ 29,912 | \$ 31,587 | \$ 4,882 |
| <u>LIABILITY</u> | | | | |
| Deposits Held in Custody for Others | \$ 6,557 | \$ 29,912 | \$ 31,587 | \$ 4,882 |

TOWN OF NORTH SMITHFIELD**Statement of Changes in Assets and Liabilities
Agency Funds
For the year ended June 30, 2007**

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deductions</u> | <u>Ending Balance</u> |
|--------------------------------------|------------------------------|-------------------|-------------------|---------------------------|
| <u>Athletic Account</u> | | | | |
| <u>ASSET</u> | | | | |
| Cash and cash equivalents | \$ 22,199 | \$ 32,081 | \$ 42,411 | \$ 11,869 |
| <u>LIABILITY</u> | | | | |
| Deposits Held in Custody for Others | \$ 22,199 | \$ 32,081 | \$ 42,411 | \$ 11,869 |
| <u>Elementary School Fund</u> | | | | |
| <u>ASSET</u> | | | | |
| Cash and cash equivalents | \$ 4,935 | \$ 32,126 | \$ 24,806 | \$ 12,255 |
| <u>LIABILITY</u> | | | | |
| Deposits Held in Custody for Others | \$ 4,935 | \$ 32,126 | \$ 24,806 | \$ 12,255 |
| <u>TOTAL AGENCY FUNDS</u> | | | | |
| <u>ASSET</u> | | | | |
| Cash | \$ 171,104 | \$ 354,439 | \$ 339,603 | \$ 185,940 |
| Other receivables | 13,697 | 13,098 | 13,697 | 13,098 |
| TOTAL ASSETS | \$ 184,801 | \$ 367,537 | \$ 353,300 | \$ 199,038 |
| <u>LIABILITY</u> | | | | |
| Deposits Held in Custody for Others | \$ 184,801 | \$ 367,537 | \$ 353,300 | \$ 199,038 |
| TOTAL LIABILITIES | \$ 184,801 | \$ 367,537 | \$ 353,300 | \$ 199,038 |

TOWN OF NORTH SMITHFIELD

**SCHEDULE OF PROPERTY TAXES RECEIVABLE
YEAR ENDED JUNE 30, 2007**

| Year | Balance Uncollected July 1, 2006 | 2006 Assessment | Additions | Abatements & Adjustments | Amount to be Collected | Current Year Collections | Balance June 30, 2007 |
|---|--|----------------------|-------------------|-----------------------------|---------------------------|-----------------------------|--------------------------|
| 2006 | \$ - | \$ 20,306,552 | \$ 182,831 | \$ 47,060 | \$ 20,442,323 | \$ 20,195,400 | \$ 246,923 |
| 2005 | 318,594 | | 3,949 | (6,920) | 329,463 | 213,754 | 115,709 |
| 2004 | 94,477 | | 3,324 | 6,543 | 91,258 | 23,423 | 67,835 |
| 2003 | 87,563 | | 3,240 | 8,594 | 82,209 | 12,575 | 69,634 |
| 2002 | 79,404 | | 2,988 | 13,347 | 69,045 | 9,433 | 59,612 |
| 2001 | 80,272 | | 2,988 | 28,607 | 54,653 | 6,287 | 48,366 |
| 2000 | 61,654 | | 2,708 | 13,239 | 51,123 | 7,730 | 43,393 |
| 1999 | 58,417 | | | 13,599 | 44,818 | 3,863 | 40,955 |
| 1998 | 49,710 | | | 6,649 | 43,061 | 280 | 42,781 |
| 1997 | 56,275 | | | 11,574 | 44,701 | 838 | 43,863 |
| 1996 and prior | 155,356 | | | 152,223 | 3,133 | 2,058 | 1,075 |
| Total | 1,041,722 | \$ 20,306,552 | \$ 202,028 | \$ 294,515 | \$ 21,255,787 | \$ 20,475,641 | 780,146 |
| Less: Allowance for Uncollectible accounts | (350,000) | | | | | | (350,000) |
| Net | \$ 691,722 | | | | | | \$ 430,146 |

Schedule of property valuation assessed as of December 31, 2005:

| | |
|------------------|-------------------------|
| Real estate | \$ 1,119,800,084 |
| Tangibles | 51,243,144 |
| Motor vehicles | 95,204,467 |
| Less: exemptions | (21,206,746) |
| State phase out | (44,608,008) |
| | <u>\$ 1,200,432,941</u> |