

TOWN OF LINCOLN, RHODE ISLAND
BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010



TOWN OF LINCOLN, RHODE ISLAND

YEAR ENDED JUNE 30, 2010

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YEAR ENDED JUNE 30, 2010

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Lefkowitz, Garfinkel, Champi & DeRienzo P.C.
Certified Public Accountants / Business Consultants

Independent Auditors' Report

The Honorable Members of the Town Council
Town of Lincoln, Rhode Island
Lincoln, 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 Lincoln, Rhode Island (the Town) as of and for the year ended June 30, 2010, which collectively comprise the Town's basic financial statements as listed in the 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 conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in Governmental 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 financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Lincoln, Rhode Island as of June 30, 2010, and the respective changes in financial position and, where applicable, cash flows thereof for year then ended, in conformity with accounting principles generally accepted in the United States.

In accordance with Government Auditing Standards, we have also issued our report dated March 15, 2011 on our consideration of the Town's internal control over financial reporting and on 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 our audit.

Independent Auditors' Report (Continued)

The Honorable President and
Members of the Town Council
Town of Narragansett, Rhode Island

Management's Discussion and Analysis on pages 3 through 13 and budgetary comparison schedules and historical pension information on pages 65 through 70 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's basic financial statements. The supplementary tax collector's annual report on pages 71 and 72 is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Town. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements as a whole.

Lefkowitz, Jan. Jankel, Charpi & DeGuzogol, C.

March 15, 2011

TOWN OF LINCOLN, RHODE ISLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of the Town of Lincoln (the Town) provides this Management's Discussion and Analysis of the Town's Annual Financial Report for the readers of the Town's financial statements. This narrative overview and analysis of the financial statements of the Town is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the Town's audited basic financial statements and supplementary information which follow.

FINANCIAL HIGHLIGHTS

At the end of the current fiscal year, the unreserved fund balance for the General Fund was \$5,426,702, or 8% of fiscal year 2011 budgeted expenditures and transfers to other funds. This is a decrease of \$172,151 from the prior year unreserved General Fund balance.

The Town's General Fund had an operating surplus of \$728,729 which, when combined with the transfers to reserved fund balances for Capital Improvements (\$290,944) and Open Space (\$290,944) as defined in the Town Charter, results in an excess of revenues and other financing sources over expenditures and other financing uses of \$146,841. The School Unrestricted Fund operations resulted in an operating surplus of \$446,012.

The Town's General Fund ended fiscal year 2010 with a budgetary operating deficit of (\$178,631) after the unbudgeted transfers to the Open Space and Capital Reserve Funds. The School Department ended the year with a budgetary operating surplus of \$446,011.

The Town's budgetary deficit was partially due to tax revenues and State aid being lower than budgeted, offset by spending controls put in place when the State proposed aid cuts as part of its supplemental budget process. Higher than expected revenues were from video lottery terminal commissions, meals and hotel tax, and rescue billings transfers. Expenditure reductions imposed by the Town administration as a response to the reduction of state aid more than compensated for the Town's diminished overall revenues. Several municipal resolutions were not fully expended.

The School Department budgetary surplus of \$446,011 resulted in part from additional state aid and cost savings within various expense accounts.

The Town's total long-term obligations decreased by \$4,692,042 principally from bond payments of \$3,837,311 and a net decrease in accrued claims and judgments of \$1,155,000 due to the resolution of several outstanding matters. Regarding the accrued claim and judgments, approximately \$750,000 provided in the prior year was settled in the Town's favor, which reduced the liability and the capital assets recorded in the prior year by the same amount. During fiscal 2010, the Town reached a settlement with a taxpayer who had filed appeals of the property tax assessments on real and tangible personal property. The tax on the personal property for 2007 and 2009 was reduced by \$598,000 and an agreement was reached on the value of the tangible property for subsequent assessment. Subsequent to June 30, 2010, a Superior Court rendered an opinion which reduced the assessed value for the real property, resulting in a reduction in the real estate taxes for the years disputed of approximately \$1.8 million. Although management has not yet determined if it will appeal the court's decision, at June 30, 2010, a liability for this amount is included in accounts payable and as a reduction of property tax revenue for the year then ended.

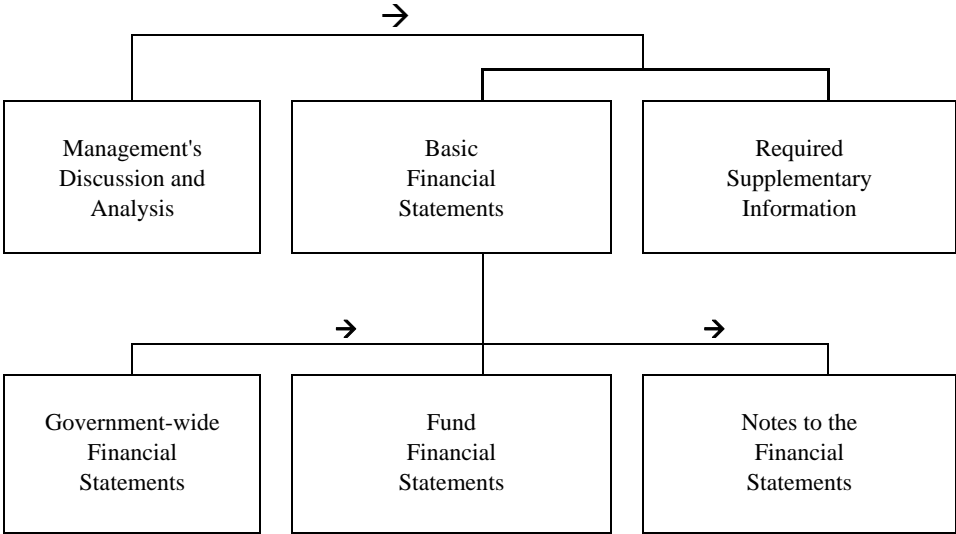
OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Town's annual audit report. The financial section of this report consists of four parts: management's discussion and analysis (this section), the basic financial statements, required supplementary information, and other supplementary information that includes the tax collector's annual report.

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Town's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Town government, reporting the Town's operations in more detail than the government-wide statements.
 - ✓ The *Governmental funds* statements tell how general government services like public safety were financed in the short term, as well as what remains for future spending.
 - ✓ *Proprietary funds* statements offer short and long-term financial information about the activities the government operates like businesses, such as the water system.
 - ✓ *Fiduciary funds* statements provide information about assets that are held by the Town as a trustee or agent for the benefit of someone or something other than the Town itself. The Town cannot use these assets to support its own programs.

The financial statements also include notes that provide more detailed data about some of the information in the financial statements. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and relate to one another.

**Figure A-1
Required Components of the
Town of Lincoln's Basic Financial Report**



**Summary
Information**

**Detail
Information**

Figure A-2 summarizes the major features of the Town’s financial statements, including the portion of the Town government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the statements.

Figure A- 2

Major Features of the Town of Lincoln’s Government-Wide and Fund Financial Statements

	Government- Wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire Town government (except fiduciary funds)	The activities of the Town that are not proprietary or fiduciary, such as police and education.	Activities the Town operates similar to private businesses such as the water system.	Instances in which the Town is the trustee or agent for someone else’s resources.
Required financial statements	Statement of Net Assets; Statement of Activities	Balance Sheet; Statement of Revenues, Expenditures and Changes in Fund Balances	Statement of Net Assets; Statement of Revenues, Expenses and Changes in Net Assets; Statement of Cash Flows	Statement of Fiduciary Net Assets; Statement of Changes in Fiduciary Net Assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of assets/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or debt included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term. The Town’s funds do not currently contain capital assets, although they may.
Type of inflow/ outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid.

Government-wide Statements

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

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

- Over time, increases or decreases in the Town's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Town, additional non-financial factors should be considered, such as changes in the Town's property tax base and the condition of the Town's roads.

The government-wide financial statements of the Town, which can be found on pages 14 and 15 of this report, are divided into two categories:

- *Governmental activities* – Most of the Town's basic services are included here, such as education, police, library, public works and general administration. Property taxes, charges for services and state funding finance most of these activities.
- *Business-type activities* – The Town charges fees to customers to cover the costs of certain services it provides. The Town's water system, sewer system, police special detail and school lunch activity is included here.

Fund Financial Statements

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

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

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

Governmental funds (continued):

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 funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains fifty-two governmental funds. Three governmental funds are considered major funds for presentation purposes; that is, each major fund is presented in a separate column in the governmental funds financial statements. The Town's three major governmental funds are the General Fund, the Public Building Bond Fund and the School Unrestricted Fund.

The basic governmental fund financial statements can be found on pages 16-19 of this report.

Proprietary funds – The Town maintains one type of proprietary fund (Enterprise Fund). *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses enterprise funds to account for its water operation, school lunch program, sewer operations and police special details.

The basic proprietary funds financial statements can be found on pages 20-23 of this report.

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 statements because the resources of those funds are not available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary funds financial statements can be found on pages 24-25 of this report.

Notes to the financial statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements follow the basic financial statements.

Other information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Such information includes budgetary comparison schedules and reconciliations of the statutory fund balance for budgetary purposes and the fund balances for the General Fund and School Unrestricted Funds as presented in the governmental fund financial statements. Also included in required supplementary information are schedules concerning the Town's progress in funding its obligations to provide pension and other postemployment benefits to its enrolled employees. Required supplementary information follows the notes to the financial statements. In addition, State law requires the presentation of the Tax Collector's Annual Report, which follows the required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The Town's combined net assets (government and business-type activities) totaled \$59,450,626 at June 30, 2010.

The largest portion of the Town's net assets (76%) reflects its investment in capital such as land, buildings, equipment, and infrastructure, less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

Town of Lincoln's Net Assets June 30, 2010

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$26,231,383	\$25,968,566	\$ 4,060,209	\$ 3,845,986	\$30,291,592	\$29,814,552
Capital assets	62,001,787	71,752,160	29,167,522	19,788,960	91,169,309	91,541,120
Other assets	<u>107,000</u>	<u>122,262</u>	<u>0</u>	<u>0</u>	<u>107,000</u>	<u>122,262</u>
Total assets	<u>88,340,170</u>	<u>97,842,988</u>	<u>33,227,731</u>	<u>23,634,946</u>	<u>121,567,901</u>	<u>121,477,934</u>
Current liabilities	13,381,574	13,106,349	1,013,917	689,145	14,395,491	13,795,494
Noncurrent liabilities	<u>45,515,446</u>	<u>47,841,881</u>	<u>2,206,338</u>	<u>1,992,527</u>	<u>47,721,784</u>	<u>49,834,408</u>
Total liabilities	<u>58,897,020</u>	<u>60,948,230</u>	<u>3,220,255</u>	<u>2,681,672</u>	<u>62,117,275</u>	<u>63,629,902</u>
Invested in capital assets, net of related debt	18,574,775	23,943,766	26,690,575	17,951,361	45,265,350	41,895,127
Restricted	8,865,025	10,159,091	0	0	8,865,024	10,159,091
Unrestricted	<u>2,003,351</u>	<u>2,791,901</u>	<u>3,316,901</u>	<u>3,001,913</u>	<u>5,320,252</u>	<u>5,793,814</u>
Total net assets	<u>\$29,443,150</u>	<u>\$36,894,758</u>	<u>\$30,007,476</u>	<u>\$20,953,274</u>	<u>\$59,450,626</u>	<u>\$57,848,032</u>

Current liabilities include \$145,000 for claims and judgments expected to be settled within one year, as discussed in Note 11 to the basic financial statements.

An additional portion of the Town's net assets (14.9%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets may be used to meet the Town's ongoing obligations to citizens and creditors. Internally imposed designations of resources are not presented as restricted net assets.

At the end of the current fiscal year, the Town is able to report positive balances in all three categories of net assets, both for the government as a whole and for its separate governmental and business-type activities.

Changes in Net Assets

The government's net assets increased by \$2,142,766 during the current fiscal year.

Town of Lincoln's Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenue:						
Program revenue:						
Charges for services	\$ 1,656,457	\$3,262,116	\$ 5,068,349	\$3,761,566	\$ 6,724,806	\$7,023,682
General revenue:						
Property taxes	48,188,542	48,939,253			48,188,542	48,939,253
State aid and federal grants	21,405,020	21,906,389	428,606	328,264	21,833,626	22,234,653
Capital grants	1,271,932	1,259,384			1,271,932	1,259,384
Other revenue	<u>333,894</u>	<u>491,432</u>		<u>(63,844)</u>	<u>333,894</u>	<u>427,588</u>
Total revenue	<u>72,855,845</u>	<u>75,858,574</u>	<u>5,496,955</u>	<u>4,025,986</u>	<u>78,352,800</u>	<u>79,884,560</u>
Expenses:						
General government	1,607,140	2,235,798			1,607,140	2,235,798
Financial administration	1,018,275	864,011			1,018,275	864,011
Public safety	6,115,128	7,704,003			6,115,128	7,704,003
Public service	6,568,742	6,582,398			6,568,742	6,582,398
Public library	1,172,372	1,171,258			1,172,372	1,171,258
Interest on long-term debt	1,910,395	2,089,551			1,910,395	2,089,551
School	52,143,447	52,502,953			52,143,447	52,502,953
Sewer			810,614		810,614	
Police Detail			670,497		670,497	
School lunch			905,379	782,682	905,379	782,682
Water			<u>3,288,046</u>	<u>3,202,703</u>	<u>3,288,046</u>	<u>3,202,703</u>
Total expenses	<u>70,535,497</u>	<u>73,149,972</u>	<u>5,674,536</u>	<u>3,985,385</u>	<u>76,210,035</u>	<u>77,135,357</u>
Increase (decrease) in net assets	<u>2,320,347</u>	<u>2,708,602</u>	<u>(177,581)</u>	<u>40,601</u>	<u>2,142,765</u>	<u>2,749,203</u>
Net assets – beginning of year	36,894,758	34,592,426	20,953,274	20,751,798	57,848,032	55,344,224
Prior period adjustment	<u>(9,771,955)</u>	<u>(406,270)</u>	<u>9,231,783</u>	<u>160,875</u>	<u>(540,172)</u>	<u>(245,395)</u>
Net assets – beginning of year as restated	<u>27,122,803</u>	<u>34,186,156</u>	<u>30,185,057</u>	<u>20,912,673</u>	<u>57,307,860</u>	<u>55,098,829</u>
Net assets – end of year	<u>\$29,443,150</u>	<u>\$36,894,758</u>	<u>\$30,007,476</u>	<u>\$20,953,274</u>	<u>\$59,450,626</u>	<u>\$57,848,032</u>

Governmental activities. Governmental activities increased the Town's net assets by \$2,320,347, accounting for 108.3% of the total growth in the Town's net assets.

Business-type activities. Business-type activities decreased the Town's net assets by \$(177,581), accounting for (8.3)% of the total growth in the Town's net assets.

Financial Analysis of the Government's Funds

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

Governmental funds: The focus of the Town's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, *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, 2010, the Town's governmental funds reported combined ending fund balances of \$15,567,095, a decrease of \$978,324 in comparison with the prior year. Of the decrease in fund balance, \$1,880,617 relates to capital outlays, net of interest earnings. The unreserved fund balance of \$15,178,584 or 97.5% of the total fund balance, is available for spending at the Town's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed.

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$5,426,702; however, \$25,000 has been designated for Park Plans. As a measure of General Fund liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 8% of total General Fund budgeted expenditures. If the Open Space and Capital Reserve Fund balances, established and maintained in accordance with a provision in the Town Charter, were added to the unreserved fund balance, this percentage would increase to 11%.

The Town's General Fund balance increased by \$146,841 during the current fiscal year as a result of revenues exceeding expenditures, offset by the transfers to the School Unrestricted Fund of \$46,870,133, other non-major funds of \$888,278, and the Open Space and Capital Reserve Funds of \$290,944 each.

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

Unrestricted net assets of the proprietary funds at June 30, 2010 totaled \$3,316,901, with the Water Fund making up \$2,998,634 of the total. The Water Fund and School Lunch Fund had decreases in net assets of \$246,712 and \$30,383, respectively. The Sewer Fund had an increase in net assets of \$99,514. Other factors concerning the finances of these funds have already been addressed in the discussion of the Town's business-type activities.

General Fund Budgetary Highlights

The Financial Town meeting held in May 2009 approved an operating budget of \$69,681,753, including other financing sources of \$400,000.

Revenue items materially over budget included the Video Lottery Terminal Commissions, \$693,278 (Town ordinance requires the transfer of this revenue in excess of budget into a Town Capital Projects Fund); meals & hotels taxes, \$63,252; school housing aid, \$273,574; and transfers from rescue billing, \$230,000. General Property Tax revenues were under budget by \$862,034 principally due to abatements. School operations aid from the State was reduced by \$16,664; investment earnings were well below expectations due to the rapid market changes, finishing the year below budget by \$172,435; and inspection fees were below budget by \$19,743.

There were significant positive expenditure variances due to the necessity to anticipate and respond to the State budget cuts. Each department was required to restrict spending to essential items and defer purchases to the extent possible. The most significant of the variances resulted from unfilled staff positions and overtime spending of \$375,724, principally split between the public safety and public service category, and reduced healthcare costs of \$682,645.

Capital Assets and Debt Administration

Capital assets: The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2010 amounted to \$91,169,309 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery & equipment, infrastructure and construction in progress. The net increase in the Town's investment in capital assets for the current year was \$474,385.

	Governmental Activities		Business-type Activities		Total	
	2010	2009 (Restated)	2010	2009 (Restated)	2010	2009 (Restated)
Land & land improvements	\$ 21,676,516	\$ 22,336,516	\$ 177,452	\$ 177,452	\$ 21,853,968	\$ 22,513,968
Buildings & improvements	51,047,828	50,029,458	862,464	862,464	51,910,292	50,891,922
Vehicles	2,662,777	2,858,752	520,756	535,656	3,183,533	3,394,408
Machinery & equipment	4,077,867	4,290,804	612,172	612,172	4,690,039	4,902,976
Mains, valves, pumps, etc.			40,145,507	39,655,976	40,145,507	39,655,976
Construction in progress	1,960,324	114,125			1,960,324	114,125
Less accumulated depreciation	(19,423,525)	(18,289,789)	(13,150,829)	(12,488,389)	(32,574,354)	(30,778,178)
Total	<u>\$ 62,001,787</u>	<u>\$ 61,339,866</u>	<u>\$ 29,167,522</u>	<u>\$ 29,355,331</u>	<u>\$ 91,169,309</u>	<u>\$ 90,695,197</u>

Additional information on the Town's capital assets can be found in Note 5 to the basic financial statements.

Long-term debt: At the end of the fiscal year, the Town had total bonded debt outstanding of \$43,735,000. General obligation bonds are backed by the full faith and credit of the Town, including the Town's power to levy additional taxes to ensure repayment of the debt. All general obligation debt currently outstanding was approved by a vote of the citizens.

The Town has an Aa3 rating from Moody's Investors Service and an AA rating from Fitch Investors Service.

State statute limits the amount of bonds a governmental entity can issue to 3% of its total assessed valuation. The current debt limitation for the Town is \$86,185,674.

Additional information on the Town's long-term debt can be found in Note 6 to the basic financial statements.

Economic Factors and Next Year's Budgets and Rates

The latest published unemployment rate as of December 2010 for the Town is 9.3 percent. This compares favorably to the State's average unemployment rate of 11.5 percent and is slightly below the national rate of 9.4 percent. Per capita and median family incomes remain some of the highest in the State.

	Per Capita	Median Family
Lincoln	\$26,779	\$61,257
Rhode Island	\$21,688	\$52,781

At the Annual Town Financial Meeting in May 2010, the voters approved a budget for fiscal year 2011 of \$69,883,619. This budget is .15% lower than the fiscal year 2010 budget. The Town's municipal departments increase was 4.6%; the School Department decrease was .48% and Debt Service and the Education Resolutions decrease was 10.3%.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the Town's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to the Finance Director, 100 Old River Road, Lincoln, Rhode Island 02865.

TOWN OF LINCOLN, RHODE ISLAND

STATEMENT OF NET ASSETS

JUNE 30, 2010

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 19,200,843	\$ 1,015,033	\$ 20,215,876
Investments		1,534,654	1,534,654
Accounts receivable, less allowances for doubtful accounts totaling \$320,285:			
Property taxes	1,977,672		1,977,672
Federal and state government	4,910,456	25,710	4,936,166
Assessments and user fees		1,159,243	1,159,243
Other	278,022	72,818	350,840
Prepaid expenses	-	26,666	26,666
Inventory		90,475	90,475
Internal balances	(135,610)	135,610	-
Deferred charges	107,000		107,000
Capital assets not being depreciated	16,383,797	177,452	16,561,249
Capital assets being depreciated, net	45,617,990	28,990,070	74,608,060
Total assets	88,340,170	33,227,731	121,567,901
LIABILITIES:			
Accounts payable and accrued expenses	9,648,859	743,308	10,392,167
Long-term obligations:			
Due within one year	3,732,715	270,609	4,003,324
Due in more than one year	43,408,250	2,206,338	45,614,588
Other postemployment benefits	2,107,196		2,107,196
Total liabilities	58,897,020	3,220,255	62,117,275
Commitment and contingencies (Note 11)			
NET ASSETS:			
Invested in capital assets, net of related debt	18,574,775	26,690,575	45,265,350
Restricted for:			
Education	2,433,358		2,433,358
Capital projects	6,275,584		6,275,584
Community development	156,082		156,082
Unrestricted	2,003,351	3,316,901	5,320,252
Total net assets	\$ 29,443,150	\$ 30,007,476	\$ 59,450,626

See notes to basic financial statements

TOWN OF LINCOLN, RHODE ISLAND

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2010

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 1,607,140	\$ 546,004	\$ -	\$ -	\$ (1,061,136)		\$ (1,061,136)
Financial administration	1,018,275	29,027	-	-	(989,248)		(989,248)
Public library	1,172,372	18,739	176,403	-	(977,230)		(977,230)
Public safety	6,115,128	511,328	33,565	-	(5,570,235)		(5,570,235)
Public services	6,568,742	458,459	279,211	(91,642)	(5,922,714)		(5,922,714)
Education	52,143,447	92,900	11,430,909	1,363,574	(39,256,064)		(39,256,064)
Interest on long-term debt	1,910,395				(1,910,395)		(1,910,395)
Total governmental activities	<u>70,535,497</u>	<u>1,656,457</u>	<u>11,920,088</u>	<u>1,271,932</u>	<u>(55,687,021)</u>		<u>(55,687,021)</u>
Business-type activities:							
Water Fund	3,288,046	3,041,334				\$ (246,712)	(246,712)
School Lunch Fund	905,379	463,374	411,622	-		(30,383)	(30,383)
Sewer Fund	810,614	893,144	16,984			99,514	99,514
Police Detail Fund	670,497	670,497				-	-
Total business-type activities	<u>5,674,536</u>	<u>5,068,349</u>	<u>428,606</u>	<u>-</u>		<u>(177,581)</u>	<u>(177,581)</u>
Total	<u>\$ 76,210,033</u>	<u>\$ 6,724,806</u>	<u>\$ 12,348,694</u>	<u>\$ 1,271,932</u>	<u>(55,687,021)</u>	<u>(177,581)</u>	<u>(55,864,602)</u>
General revenues:							
Property taxes					48,188,542	-	48,188,542
Grants and contributions not restricted to specific programs					9,484,932		9,484,932
Investment earnings					333,894		333,894
Total general revenues					<u>58,007,368</u>	<u>-</u>	<u>58,007,368</u>
Change in net assets					<u>2,320,347</u>	<u>(177,581)</u>	<u>2,142,766</u>
Net assets, beginning of year:							
As previously reported					36,894,758	20,953,274	57,848,032
Prior period adjustments and reclassification					(9,771,955)	9,231,783	(540,172)
As restated					<u>27,122,803</u>	<u>30,185,057</u>	<u>57,307,860</u>
Net assets, end of year					<u>\$ 29,443,150</u>	<u>\$ 30,007,476</u>	<u>\$ 59,450,626</u>

See notes to basic financial statements.

TOWN OF LINCOLN, RHODE ISLAND
BALANCE SHEET – GOVERNMENTAL FUNDS

JUNE 30, 2010

	General Fund	School Unrestricted Fund	Public Building Bond Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 16,926,335	\$ 1,986,137		\$ 288,371	\$ 19,200,843
Accounts receivable, less allowance for doubtful accounts of \$203,147:					
Property taxes	1,977,672				1,977,672
Federal and state governments	2,412,740	-		2,497,716	4,910,456
Other	119,269	10,287		148,466	278,022
Due from other funds	367,859	5,708,396	\$ 3,037,518	6,420,800	15,534,573
Total assets	\$ 21,803,875	\$ 7,704,820	\$ 3,037,518	\$ 9,355,353	\$ 41,901,566
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued expenses	\$ 2,911,800	\$ 5,183,337	\$ 459,990	\$ 339,747	\$ 8,894,874
Due to other funds	11,636,513	112,818		3,920,852	15,670,183
Deferred revenue	1,440,350			329,065	1,769,415
Total liabilities	15,988,663	5,296,155	459,990	4,589,664	26,334,472
Fund balances:					
Reserved for encumbrances	388,511				388,511
Unreserved, reported in:					
General Fund	5,426,702				5,426,702
Special revenue funds		2,408,665		1,067,633	3,476,298
Capital project funds			2,577,528	3,698,056	6,275,584
Total fund balances	5,815,213	2,408,665	2,577,528	4,765,689	15,567,095
Total liabilities and fund balances	\$ 21,803,876	\$ 7,704,820	\$ 3,037,518	\$ 9,355,353	\$ 41,901,567

See notes to basic financial statements.

TOWN OF LINCOLN, RHODE ISLAND

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO STATEMENT OF NET ASSETS

JUNE 30, 2010

Total fund balances for governmental funds		\$	15,567,095
Assets used in governmental activities which are not financial resources and, therefore, are not reported in the funds:			
Capital assets, net	\$	62,001,787	
Deferred charges		<u>107,000</u>	62,108,787
Some taxes and grants will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as deferred revenue in the funds.			1,769,415
Liabilities not due and payable in the current period which therefore are not reported in the funds:			
Bonds payable		(43,331,276)	
Capital leases		(202,736)	
Claims and judgments		(145,000)	
Other postemployment benefits (OPEB), net		(2,107,196)	
Compensated absences payable		(3,461,953)	
Accrued interest		<u>(753,985)</u>	<u>(50,002,146)</u>
Net assets of governmental activities			<u>\$ 29,443,150</u>

See notes to basic financial statements.

TOWN OF LINCOLN, RHODE ISLAND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2010

	General Fund	School Unrestricted Fund	Public Building Bond Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 48,686,067				\$ 48,686,067
Intergovernmental	18,196,160			\$ 2,576,701	20,772,861
Local revenues	1,124,731	\$ 92,900		956,378	2,174,009
Interest and investment income	331,682		\$ 2,212	39,494	373,388
State contribution to teachers' pension plan		1,837,579			1,837,579
Total revenues	68,338,640	1,930,479	2,212	3,572,573	73,843,904
Expenditures:					
Current:					
General government	1,047,935				1,047,935
Financial administration	829,383				829,383
Public library	1,004,432				1,004,432
Public safety	4,616,724			103,027	4,719,751
Public services	4,325,380			432,495	4,757,875
Grants and contributions	62,000				62,000
Other expenditures	2,897,207				2,897,207
Education		48,496,708		2,366,259	50,862,967
Debt service:					
Principal	3,734,369				3,734,369
Interest	1,964,069				1,964,069
Capital outlay			1,882,829	1,059,411	2,942,240
Total expenditures	20,481,499	48,496,708	1,882,829	3,961,192	74,822,228
Excess (deficiency) of revenues over expenditures	47,857,141	(46,566,229)	(1,880,617)	(388,619)	(978,324)
Other financing sources (uses):					
Transfers from other funds	630,000	47,012,241		1,675,166	49,317,407
Transfers to other funds	(48,340,300)			(977,107)	(49,317,407)
Total other financing sources (uses)	(47,710,300)	47,012,241		698,059	-
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	146,841	446,012	(1,880,617)	309,440	(978,324)
Fund balance, beginning of year	5,668,372	1,962,653	4,458,145	4,456,250	16,545,420
Fund balance, end of year	\$ 5,815,213	\$ 2,408,665	\$ 2,577,528	\$ 4,765,690	\$ 15,567,096

See notes to basic financial statements.

TOWN OF LINCOLN, RHODE ISLAND

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES TO STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2010

Net change in fund balances for governmental funds		\$ (978,324)
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities these costs are allocated over the life of the related debt and reported as depreciation expense.</p>		
Capital outlays, including amounts charged to current expenditures	\$ 2,405,514	
Depreciation expense	<u>(1,743,593)</u>	661,921
<p>Governmental funds report bond issuance costs as expenditures. However, in the statement of activities these costs are allocated over the life of the related debt and reported as amortization expense.</p>		
Amortization expense	<u>(15,262)</u>	(15,262)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.</p>		
		(963,256)
<p>The issuance of long-term debt (including premiums or discounts) provides current resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment and refunding of bonds and notes use current financial resources, but decrease long-term liabilities in the statement of net assets. Bond premiums and refunding charges are deferred and amortized as part of future interest expense.</p>		
Principal repayment on long-term debt	3,734,369	
Amortization of:		
Deferred charge on refunding	(79,348)	
Bond premiums	<u>76,479</u>	3,731,500
<p>Some liabilities not requiring the use of current financial resources in governmental funds are not accrued in the governmental funds but are accrued on the statement of net assets:</p>		
Claims and judgments	1,155,000	
Other postemployment benefits (OPEB), net	(1,107,520)	
Accrued compensated absences	<u>(220,254)</u>	(172,774)
<p>Accrued interest reported in the statement of activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in governmental funds</p>		
		<u>56,543</u>
Change in net assets of governmental activities:		<u>\$ 2,320,348</u>

See notes to basic financial statements.

TOWN OF LINCOLN, RHODE ISLAND

STATEMENT OF NET ASSETS – ENTERPRISE FUNDS

JUNE 30, 2010

	Water Fund	School Lunch Fund	Sewer Fund	Police Detail Fund	Total
ASSETS:					
Current assets:					
Cash and cash equivalents	\$ 923,334	\$ 91,699			\$ 1,015,033
Investments	1,534,654				1,534,654
Accounts receivable, less allowance for doubtful accounts of \$117,138:					
Water usage fees	1,121,729		\$ 37,514		1,159,243
Due from other governmental units		25,710			25,710
Other		19,588		\$ 53,230	72,818
Due from other funds		112,818	106,472		219,290
Prepaid and other expenses	26,666				26,666
Inventory	90,475				90,475
	<u>3,696,858</u>	<u>249,815</u>	<u>143,986</u>	<u>53,230</u>	<u>4,143,889</u>
Noncurrent assets:					
Capital assets not being depreciated	177,452				177,452
Capital assets being depreciated, net	18,847,257		10,142,813		28,990,070
	<u>22,721,567</u>	<u>249,815</u>	<u>10,286,799</u>	<u>53,230</u>	<u>33,311,411</u>
LIABILITIES:					
Current liabilities:					
Accounts payable and accrued expenses	667,774	50,718	24,816		743,308
Due to other funds	30,450			53,230	83,680
Current portion of long-term obligations	74,000		196,609		270,609
	<u>772,224</u>	<u>50,718</u>	<u>221,425</u>	<u>53,230</u>	<u>1,097,597</u>
Noncurrent liabilities, long-term obligations, net of current portion					
	<u>2,012,353</u>		<u>193,985</u>		<u>2,206,338</u>
	<u>2,784,577</u>	<u>50,718</u>	<u>415,410</u>	<u>53,230</u>	<u>3,303,935</u>
NET ASSETS:					
Invested in capital assets, net of related debt	16,938,356		9,752,219	-	26,690,575
Unrestricted	2,998,634	199,097	119,170		3,316,901
	<u>\$ 19,936,990</u>	<u>\$ 199,097</u>	<u>\$ 9,871,389</u>	<u>\$ -</u>	<u>\$ 30,007,476</u>

See notes to basic financial statements.

TOWN OF LINCOLN, RHODE ISLAND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS –
ENTERPRISE FUNDS
YEAR ENDED JUNE 30, 2010

	Water Fund	School Lunch Fund	Sewer Fund	Police Detail Fund	Total
Operating revenues:					
Assessments and user fees	\$ 2,277,220		\$ 893,144	\$ 670,497	\$ 3,840,861
Intergovernmental		\$ 411,622			411,622
Other revenues	764,114	463,374	16,984		1,244,472
Total operating revenues	<u>3,041,334</u>	<u>874,996</u>	<u>910,128</u>	<u>670,497</u>	<u>5,496,955</u>
Operating expenses:					
Maintenance and servicing	1,791,394		354,585	657,347	2,803,326
Cafeteria operations		905,379			905,379
Administration	993,039		162,954	13,150	1,169,143
Depreciation	396,839		269,481		666,320
Total operating expenses	<u>3,181,272</u>	<u>905,379</u>	<u>787,020</u>	<u>670,497</u>	<u>5,544,168</u>
Operating income (loss)	(139,938)	(30,383)	123,108	-	(47,213)
Nonoperating expense, interest expense	(106,774)		(23,594)	-	(130,368)
Change in net assets	<u>(246,712)</u>	<u>(30,383)</u>	<u>99,514</u>	<u>-</u>	<u>(177,581)</u>
Net assets, beginning of year:					
As previously reported	20,723,794	229,480		-	20,953,274
Prior period adjustments	(540,092)		9,771,875		9,231,783
As restated	<u>20,183,702</u>	<u>229,480</u>	<u>9,771,875</u>	<u>-</u>	<u>30,185,057</u>
Net assets, end of year	<u>\$ 19,936,990</u>	<u>\$ 199,097</u>	<u>\$ 9,871,389</u>	<u>\$ -</u>	<u>\$ 30,007,476</u>

See notes to basic financial statements.

TOWN OF LINCOLN, RHODE ISLAND
STATEMENT OF CASH FLOWS – ENTERPRISE FUNDS
YEAR ENDED JUNE 30, 2010

	Water Fund	School Lunch Fund	Sewer Fund	Police Detail Fund	Total
Cash flows from operating activities:					
Cash received from customers	\$ 2,399,872	\$ 463,374	\$ 872,614	\$ 617,267	\$ 4,353,127
Cash received from other sources	759,631	489,270			1,248,901
Cash paid to and for employees	(1,039,334)		(252,586)	(670,497)	(1,962,417)
Cash paid to suppliers	(1,672,305)	(924,379)	(240,218)	-	(2,836,902)
Net cash provided by (used in) operating activities	<u>447,864</u>	<u>28,265</u>	<u>379,810</u>	<u>(53,230)</u>	<u>802,709</u>
Cash provided by (used in) non-capital financing activities, interfund balances	<u>27,820</u>	<u>(10,622)</u>	<u>(106,472)</u>	<u>53,230</u>	<u>(36,044)</u>
Cash flows from capital and related financing activities:					
Acquisition and construction of capital assets	(351,678)	-		-	(351,678)
Proceeds from loans	325,754				325,754
Principal paid on loans	(77,000)		(249,745)		(326,745)
Interest paid on loans	(108,436)		(23,594)		(132,030)
Net cash used in capital and related financing activities	<u>(211,360)</u>	<u>-</u>	<u>(273,339)</u>	<u>-</u>	<u>(484,699)</u>
Cash used in investing activities, interest and dividends on investments	<u>(83,894)</u>				<u>(83,894)</u>
Net increase in cash and cash equivalents	180,430	17,643	-	-	198,072
Cash and cash equivalents, beginning of year	<u>742,906</u>	<u>74,056</u>	<u>-</u>	<u>-</u>	<u>816,962</u>
Cash and cash equivalents, end of year	<u>\$ 923,336</u>	<u>\$ 91,699</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,015,034</u>

(continued)

TOWN OF LINCOLN, RHODE ISLAND

STATEMENT OF CASH FLOWS – ENTERPRISE FUNDS (CONTINUED)

YEAR ENDED JUNE 30, 2010

	<u>Water Fund</u>	<u>School Lunch Fund</u>	<u>Sewer Fund</u>	<u>Police Detail Fund</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ (139,940)	\$ (30,383)	\$ 123,108		\$ (47,215)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:					
Depreciation	396,839		269,481		666,320
Increase in:					
Accounts receivable			(37,515)	\$ (53,230)	(90,745)
Prepaid expenses	(15,942)				(15,942)
Accounts payable and accrued expenses	78,763		24,736		103,499
Decrease in:					
Accounts receivable	122,652	77,648			200,300
Inventory	5,492				5,492
Accounts payable and accrued expenses		<u>(19,000)</u>			<u>(19,000)</u>
Net cash provided by (used in) operating activities	<u>\$ 447,864</u>	<u>\$ 28,265</u>	<u>\$ 379,810</u>	<u>\$ (53,230)</u>	<u>\$ 802,709</u>

See notes to basic financial statements.

TOWN OF LINCOLN, RHODE ISLAND
STATEMENT OF FIDUCIARY NET ASSETS –
FIDUCIARY FUNDS

JUNE 30, 2010

	Pension Trust Fund	Private Purpose Trust Funds	Agency Funds
ASSETS:			
Cash and cash equivalents	\$ 89,106	\$ 33,902	\$ 337,690
Investments	13,575,165		
Receivables	1,085		110,118
Total assets	13,665,356	33,902	\$ 447,808
LIABILITIES:			
Other payables	-	257	
Deposits held in custody for others			\$ 447,808
Total liabilities	-	257	\$ 447,808
NET ASSETS:			
Held in trust for pension benefits and other purposes	\$ 13,665,356	\$ 33,645	

See notes to basic financial statements.

TOWN OF LINCOLN, RHODE ISLAND

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS –
FIDUCIARY FUNDS

YEAR ENDED JUNE 30, 2010

	Pension Trust Fund	Private Purpose Trust Funds
	<u> </u>	<u> </u>
Additions to net assets:		
Investment income, net:		
Interest income	\$ 258,622	\$ 16
Net appreciation in fair value of investments	<u>917,027</u>	
	<u>1,175,649</u>	<u>16</u>
Contributions:		
Employer	598,798	-
Plan members	<u>274,639</u>	
	<u>873,437</u>	<u>-</u>
Total additions	<u>2,049,086</u>	<u>16</u>
Deductions from net assets:		
Benefits	1,173,183	-
Administrative expense	<u>127,428</u>	
Total deductions	<u>1,300,611</u>	<u>-</u>
Change in net assets	748,475	16
Net assets, beginning of year	<u>12,916,881</u>	<u>33,630</u>
Net assets, end of year	<u>\$ 13,665,356</u>	<u>\$ 33,646</u>

See notes to basic financial statements.

TOWN OF LINCOLN, RHODE ISLAND
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

1. Summary of significant accounting policies:

The financial statements of the Town of Lincoln, Rhode Island (the Town) have been prepared in conformity with accounting principles generally accepted in the United States applicable to governmental entities. In certain instances, summaries of the Town's significant accounting policies have been presented throughout the notes to the financial statements in conjunction with other disclosures to which they relate.

Financial reporting entity:

The Town was founded in 1871. The Town is governed largely under the 1958 Home Rule Charter, which provides for a Council-Administrator form of government. The Town provides various services including education, water, libraries, public safety (police and rescue), public works, (engineering, highway, recycling, sewer, public buildings, parks and recreation), social services and general government services.

The elected Town Administrator serves as chief administrative agent over all municipal services including public safety (police and rescue), public works (highway, maintenance, and sanitation), social services, parks and recreation, planning, zoning and inspection, and general administrative services. The Superintendent of Schools, appointed by the School Committee, serves as the chief administrative agent for the School Department, which provides elementary and secondary education to Town residents. The Superintendent of the Water Commission, appointed by the Board of Water Commissioners, serves as the Chief Administrative Agent for the Water Commission, a quasi-municipal agency/department of the Town.

In evaluating the inclusion of other separate and distinct legal entities as component units within its financial reporting structure, the Town applied the criteria prescribed by Governmental Accounting Standards Board (GASB) Statement No. 14, as amended by GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units." A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable or for which the nature and significance of its relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The Town has identified no component units through the application of GASB Statement No. 14 criteria.

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

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 Town as a whole. They include all funds of the Town except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of activities presents a comparison between expenses and program revenue for each function of the Town's governmental activities. Program revenues include a) fees, fines and charges paid by the recipients of goods or services offered by the programs and b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund financial statements:

Fund financial statements of the Town are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues, and expenditures. Funds are organized into three major categories: governmental, proprietary and fiduciary. An emphasis is placed on major funds, each displayed in a separate column. 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.

All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

1. Summary of significant accounting policies (continued):

Basis of presentation (continued):

Fund financial statements (continued):

Fund types used by the Town and a description of the funds comprising each are as follows:

Governmental funds:

Governmental funds are used to account for operations that supply basic government services. The Town uses the following 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 specific purposes. The Town's major special revenue fund is the School Unrestricted Fund, part of the School Department, which provides primary education to the Town's children.

Capital projects funds:

Capital projects funds are used to account for resources restricted for the acquisition or construction of specific capital projects or items. For the fiscal year ended June 30, 2010, the Town's Public Building Bond Fund is a major capital projects fund.

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

1. Summary of significant accounting policies (continued):

Basis of presentation (continued):

Fund financial statements (continued):

Proprietary funds:

Proprietary funds are used to account for business-like activities provided to the general public (enterprise funds) or within the government (internal service funds). These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The Town considers all enterprise funds to be major funds for financial statement purposes even though they may not qualify under the GASB guidelines. The Town's proprietary funds consist of the Water Fund, School Lunch Fund, Sewer Fund, and the Police Detail Fund. The Town has no internal service funds.

Fiduciary funds:

Fiduciary funds are used to report assets held by the Town in a trustee or agency capacity and, therefore, cannot be used to support the Town's own programs. The following fiduciary funds are used by the Town:

Pension trusts:

Pension trust funds account for contributions made by the Town and its participating employees to provide retirement benefits to the participating employees.

Private purpose trust:

The Town's private purpose trust accounts for resources legally held in trust for use by an outside committee to provide awards and scholarships in accordance with a donor's instructions. All resources of the fund, including any earnings on investments, may be used. There is no requirement that any portion of these resources be preserved as capital.

Agency:

Agency funds are established when the Town holds assets in custody for others in an agency capacity.

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

1. Summary of significant accounting policies (continued):

Basis of presentation (continued):

Measurement focus and basis of accounting:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are susceptible to accrual. Susceptibility occurs when revenues are both measurable and available for liquidating liabilities of the current period. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period (sixty days). Revenues not considered to be available are recorded as deferred revenues. Expenditures, including capital outlays, are recognized when a liability has been incurred, except for those involving debt service and other long-term obligations that are recognized when paid.

Those revenues susceptible to accrual are property taxes, special assessments, intergovernmental revenues and interest and charges for services. Fines, licenses and permit revenues are not susceptible to accrual because generally they are not measurable until received in cash and thus are recognized when received.

Recognition of grant revenues is based on the susceptibility of accrual as determined by the legal and contractual requirements established by each grantor. For grants not restrictive as to specific purposes and revocable only for failure to comply with general prescribed requirements, revenues are recognized when received. Where expenditure is the prime factor in determining eligibility, grant revenue is recognized as allowable expenditures are made provided they are collected during the year or within 60 days subsequent to year-end. Prior to expenditure, proceeds are recorded as deferred revenues.

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

1. Summary of significant accounting policies (continued):

Basis of presentation (continued):

Measurement focus and basis of accounting (continued):

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and enterprise fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds consist of charges to customers for sales and services. Operating expenses of the enterprise funds include the cost of sales and services, administrative expenses and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, and then unrestricted resources as they are needed.

Effective for the year ending June 30, 2011, the Town will be required to adopt the provisions of GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" (GASB 54). GASB 54 requires changes to the classifications and reporting of fund balance classifications. The Town will also be required to assess the activities reported in each fund according to the clarified definitions of the governmental fund types. The Town does not expect the adoption of GASB 54 to have a material effect on its financial statements.

Certain immaterial rounding differences may exist between amounts reported in these notes and amounts reported in the basic financial statements.

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

1. Summary of significant accounting policies (continued):

Use of estimates:

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements. Estimates also affect the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

Property taxes:

Property taxes are recognized as revenue in the year they are levied and become available. Taxes are levied on July 1 on (a) one hundred percent of the full and fair value of real and tangible personal property owned within the Town the previous December 31; and, (b) the value, as determined by the Rhode Island Vehicle Valuation Commission, of vehicles registered within the Town the previous calendar year, prorated for the actual number of days so registered. Taxes levied on July 1 are payable July 31 or may be paid quarterly on July 31, October 31, January 31, and April 30. Failure to make payments by March 10 will result in a lien on the taxpayer's property.

Rhode Island general laws restrict the Town's ability to increase its total tax levy by more than 4.75% over that of the preceding year for 2010. The rate decreases by 0.25% annually to 4% in 2013.

Intergovernmental revenues:

State aid and other intergovernmental revenue is recognized in the year in which the funds are appropriated by the Rhode Island General Assembly, provided they are collected during the fiscal year.

Cash and cash equivalents:

Cash and cash equivalents consist of cash on hand, time and demand deposits and short-term investments maturing within three months from the date of acquisition.

Under Rhode Island general laws, depository institutions must insure deposits of municipalities or pledge eligible collateral equal to 100% of deposits maturing in greater than 60 days. Any institution not meeting certain federally prescribed minimum capital standards must insure deposits or provide collateral regardless of date of maturity. The Town complied with these requirements. The Town does not have a deposit policy for custodial credit risk or other risks.

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

1. Summary of significant accounting policies (continued):

Investments:

Investments are reported at fair value. Fair values are established by quotations from applicable national securities exchanges. Unrealized gains and losses from changes in fair value are recognized as investment income. The State does not have pertinent laws regarding investments that apply to cities and towns. The Town does not have an investment policy for custodial credit risk or other risks other than those relating to its pension trust fund. The Town's investment commission is responsible for the supervision of the investment of the Town's Pension Trust Fund investments, with the objective of preserving capital and investing with care to minimize the risk of large losses.

Interfund transactions:

Transactions between funds have been eliminated in the government-wide financial statements but fully presented within the governmental fund financial statements with no elimination made between or within funds. Reimbursements are accounted for as expenditures in the reimbursing fund and reductions to expenditures in the reimbursed fund. All other interfund transactions in the governmental fund financial statements are operating transfers on the operating statements of the funds involved.

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either "due from/to other funds" (current portion) or "advances from/to other funds" (noncurrent portion). All other outstanding balances between funds are reported as "due from/to other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, if any, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Capital assets:

In the government-wide financial statements, fixed 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 capital assets, which are recorded at their estimated fair value at the date of donation.

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

1. Summary of significant accounting policies (continued):

Capital assets (continued):

Capitalizable fixed 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 one year. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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 ranges of estimated useful lives by type of asset are as follows:

	<u>Years</u>
Land improvements	20
Buildings and improvements	20-60
Furniture and equipment	2-30
Motor vehicles	5-10
Water mains, valves, tanks, hydrants and services	10-100
Infrastructure	20-60

Capital assets acquired by governmental funds are accounted for as capital outlay expenditures.

Bond issuance costs:

Bond issuance costs for government-wide operations and enterprise funds are deferred and amortized over the term of the bonds using the straight-line method. In governmental funds, bond issuance costs are recognized in the current period.

Compensated absences:

The liability for compensated absences reported in the government-wide financial statements consists of unpaid, accumulated annual vacation and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

1. Summary of significant accounting policies (continued):

Compensated absences (continued):

In the governmental fund financial statements, vested or accumulated vacation and sick leave that is expected to be liquidated with expendable available financial resources is reported as expenditures and a fund liability of the governmental fund that will pay it.

Long-term obligations:

In the government-wide and enterprise fund financial statements, long-term debt and other long-term obligations (including compensated absences and accrued claims and judgments) are reported as liabilities in the statement of net assets.

In the governmental fund financial statements, long-term debt is recognized as a liability of a governmental fund when due. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The face amount of debt issued is reported as an other financing source. Bond issuance costs are expensed as incurred. Bond premiums are reported as other financing sources while discounts are reported as other financing uses.

Fund equity:

Government-wide and enterprise fund financial statements:

Net assets:

The Town's net assets have been segregated into the following three components in accordance with GASB Statement No. 34:

Invested in capital assets, net of related debt – represents the net book value of all capital assets less the outstanding balances of bonds and other debt used to acquire, construct or improve these assets.

Restricted – those that have been limited to uses specified either externally by creditors, contributors, laws or regulations of other governments or internally by enabling legislation or law.

Unrestricted – a residual category for the balance of net assets.

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

1. Summary of significant accounting policies (continued):

Fund equity:

Governmental fund financial 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. Reserves represent those portions of fund equity not appropriable for expenditures or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

2. Fund balances:

The following individual funds had deficit fund equity as of June 30, 2010:

Nonmajor governmental funds:

Child Safety Seatbelt Fund	\$	(368)
Open Space Acquisition Fund		(220,508)
Police Vest Grant		(325)
RIEMA Grant		(22,804)
School Capital Reserve		(81,175)

These deficits will be funded through bond proceeds, sales of property or transfers from other funds. At June 30, 2010, \$25,000 of the Town's fund balance was designated for Park Plans.

3. Deposits and investments:

Cash and cash equivalents (deposits):

At June 30, 2010, the carrying amount of the Town's deposits, including \$9,996,018 of cash equivalents, was \$20,676,574 and the bank balance was \$22,016,529, of which \$6,053,293 was uninsured and collateralized with securities held by the pledging financial institution, but not in the Town's name.

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

3. Deposits and investments (continued):

Cash and cash equivalents (deposits) (continued):

At June 30, 2010, deposits are categorized as follows:

	Insured/ collateralized in Town's name	Rating	Maturities	Total bank balance	Carrying amount
Deposits:					
Demand deposits	\$ 11,976,045	N/A	N/A	\$ 12,020,511	\$ 10,680,556
Money market	<u>3,987,191</u>	N/A	N/A	<u>9,996,018</u>	<u>9,996,018</u>
	<u>\$ 15,963,236</u>			<u>\$ 22,016,529</u>	<u>\$ 20,676,574</u>

Investments:

Investments other than Pension Trust Fund:

	Carrying amount	Maturities	Rating
Corporate bonds	\$ 394,919	2011 – 2018	A1
Corporate bonds	156,806	2013 – 2017	A2
Corporate bonds	155,128	2010 – 2012	AA2
Corporate bonds	163,695	2015 – 2018	AA3
Mutual funds, U.S. Government securities	<u>664,106</u>	Not applicable	Not rated
Total investments	<u>\$ 1,534,654</u>		

Pension Trust Fund investments:

	Carrying amount
Mutual funds	\$ 8,720,555
Group annuity	<u>4,854,610</u>
Total investments	<u>\$13,575,165</u>

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

3. Deposits and investments (continued):

Investments (continued):

Interest rate risk:

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market value interest rates.

The Town does not have a formal investment policy, except for its Pension Trust Fund, and does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk:

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The Town's formal investment policy for its Pension Trust Fund states that no security can be purchased that is rated below B by Moody's Investor Services or Standard & Poor's Ratings Group. The pension investment policy also states that no more than 10% of the portfolio's fixed income allocation may be invested in securities rated below investment grade. The pension portfolio may not invest in or use synthetic securities or derivatives of any kind. The Town does not have a formal policy that limits investment choices for its other funds.

Concentration of credit risk:

Concentration of credit risk is the risk of loss attributed to the magnitude of the investment in a single issuer. The Town's formal investment policy for its Pension Trust Fund states that no more than 5% of the portfolio's value may be invested in the securities of any one issuer except for securities of the U.S. Government, its agencies or instrumentalities. The Town does not have a formal policy that limits the amount that the Town may invest in one issuer for its other funds.

Custodial credit risk:

Custodial credit risk for investments is the risk that in the event of failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town's investments in Federal National Mortgage Association notes and bonds, corporate bonds and variable rate preferred stock are held in the Town's name by the counterparty.

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

3. Deposits and investments (continued):

Investments (continued):

Foreign currency risk:

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The Town does not have a formal policy for foreign currency risk. The Pension Trust Fund's common collective trust investment includes an international value fund totaling \$1,534,905 as of June 30, 2010.

4. Interfund transactions:

Interfund receivables and payables at June 30, 2010 are as follows:

Receivable Fund	Payable Fund	Amount
Due to/from:		
Governmental funds:		
General Fund	Governmental funds, nonmajor funds	\$ 284,178
	Enterprise funds:	
	Water	30,451
	Police Detail	53,230
		367,859
School Unrestricted Fund	Governmental funds:	
	General Fund	2,071,723
	Nonmajor funds	3,636,673
		5,708,396
Public Building Bond Fund	Governmental funds, General Fund	3,037,518
Nonmajor governmental funds	Governmental funds, General Fund	6,420,800

(continued)

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

4. Interfund transactions (continued):

Receivable Fund	Payable Fund	Amount
Due to/from (continued):		
Governmental funds (continued):		
Enterprise funds:	Governmental funds:	
School Lunch Fund	School Unrestricted Fund	\$ 112,818
Sewer Fund	General Fund	106,472
		<u>219,290</u>
		<u>\$ 15,753,863</u>

Operating transfers between funds for the year ended June 30, 2010 were as follows:

Transfer to Fund	Transfer from Fund	Amount
Governmental funds:		
General Fund	Governmental funds, nonmajor funds	\$ <u>630,000</u>
School Unrestricted Fund	Governmental funds, General Fund	46,870,133
	Nonmajor governmental funds:	
	School Restricted Fund	127,817
	Athletic Fund	<u>14,290</u>
		<u>47,012,241</u>
Nonmajor governmental funds:	Governmental funds:	
Open Space Reserve Fund	General Fund	290,944
Capital Projects Reserve Fund	General Fund	290,944
	Lincoln Park Fields	205,000
Capital Projects Fund	General Fund	<u>888,278</u>
		<u>1,675,166</u>
		<u>\$ 49,317,407</u>

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

5. Capital assets:

Capital asset activity for the year ended June 30, 2010 was as follows:

	Beginning balances (Restated) *	Increases	Decreases	Ending balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 15,173,473		\$ (750,000)	\$ 14,423,473
Construction in progress	114,125	\$ 1,960,324	(114,125)	1,960,324
Total capital assets not being depreciated	15,287,598	1,960,324	(864,125)	16,383,797
Capital assets being depreciated:				
Land improvements and infrastructure	7,163,043	150,000	(60,000)	7,253,043
Buildings and improvements	50,029,458	1,027,770	(9,400)	51,047,828
Machinery and equipment	4,290,804	184,083	(397,020)	4,077,867
Motor vehicles	2,858,752	79,206	(275,181)	2,662,777
Total capital assets being depreciated	64,342,057	1,441,059	(741,601)	65,041,515
Less accumulated depreciation for:				
Land improvements and infrastructure	(4,233,066)	(229,743)	23,500	(4,439,309)
Buildings and improvements	(9,739,851)	(1,025,604)	2,444	(10,763,011)
Machinery and equipment	(2,749,006)	(278,698)	339,980	(2,687,724)
Motor vehicles	(1,567,866)	(209,548)	243,933	(1,533,481)
Total accumulated depreciation	(18,289,789)	(1,743,593)	609,857	(19,423,525)
Total capital assets being depreciated, net	46,052,268	(302,534)	(131,744)	45,617,990
Governmental activities capital assets, net	\$ 61,339,866	\$ 1,657,790	\$ (995,869)	\$ 62,001,787

Depreciation for governmental activities was charged to functions as follows:

General government	\$ 92,713
Public safety	198,794
Public service	329,683
Library	609
Education	1,121,794
	<u>\$ 1,743,593</u>

* Beginning balance has been restated to reflect the transfer of capital assets from governmental activities assets to business-type activities assets for the establishment of the Sewer Fund. See Note 12.

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

5. Capital assets (continued):

	Beginning balances (Restated) *	Increases	Decreases	Ending balances
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 177,452	\$ -	\$ -	\$ 177,452
Construction in progress	-			-
Total capital assets not being depreciated	<u>177,452</u>	<u>-</u>	<u>-</u>	<u>177,452</u>
Capital assets being depreciated:				
Buildings and improvements	862,464			862,464
Infrastructure	39,655,976	489,531		40,145,507
Machinery and equipment	612,172			612,172
Vehicles	535,656		(14,900)	520,756
Total capital assets being depreciated	<u>41,666,268</u>	<u>489,531</u>	<u>(14,900)</u>	<u>42,140,899</u>
Less accumulated depreciation for:				
Buildings and improvements	(488,602)	(18,137)		(506,739)
Infrastructure	(11,287,929)	(587,748)		(11,875,677)
Machinery and equipment	(424,333)	(22,481)		(446,814)
Vehicles	(287,525)	(37,955)	3,880	(321,600)
Total accumulated depreciation	<u>(12,488,389)</u>	<u>(666,320)</u>	<u>3,880</u>	<u>(13,150,829)</u>
Total capital assets being depreciated, net	<u>29,177,879</u>	<u>(176,789)</u>	<u>(11,020)</u>	<u>28,990,070</u>
Business-type activities capital assets, net	<u>\$ 29,355,331</u>	<u>\$ (176,789)</u>	<u>\$ (11,020)</u>	<u>\$ 29,167,522</u>
Depreciation for business-type activities was charged to functions as follows:				
Water Fund			\$ 396,839	
Sewer Fund			<u>269,481</u>	
			<u>\$ 666,320</u>	

* Beginning balance has been restated to reflect the transfer of capital assets from governmental activities assets to business-type activities assets for the establishment of the Sewer Fund. See Note 12.

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

6. Long-term obligations:

General obligation bonds, notes and loans payable:

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both general government and proprietary activities. In addition, general obligation bonds have been issued to refund previously outstanding general obligation bonds.

Rhode Island general laws cap the amount of each municipality's general obligation bonds that may be outstanding to 3% of its assessed property values. Exceptions apply to bonds financed from nontax revenues and special exemptions are granted for other purposes as well. The assessed value of the Town's properties at December 31, 2009 was \$2,872,855,793, limiting the amount of nonexcepted general obligation bonds outstanding to \$86,185,674. At June 30, 2010, bonds outstanding totaled \$43,735,000.

The Town has financed the acquisition of certain equipment through lease-purchase agreements. Equipment financed under capital leases has been acquired for the General Fund and recorded in the governmental activities as capital assets. Governmental activities and business-type activities fixed assets under capital lease of \$524,689 and \$151,678, respectively, are recorded net of \$104,746 and \$47,967, respectively, of accumulated depreciation at June 30, 2010. Interest expense for the year ended June 30, 2010 of \$17,885 is reported within the governmental activities, interest on long-term debt on the statement of activities.

Defeasance of debt:

On July 1, 2003, the Town issued \$18,770,000 in general obligation bonds with an average interest rate of 3.83% to refund in advance \$6,980,000 in 1996 bonds and \$11,360,000 in 1993 bonds. The net proceeds were used to purchase U.S. Government securities which were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1996 bonds and the redemption of the 1993 bonds. Accordingly, the trust account assets and the liability for defeased bonds are not included in the Town's financial statements. On June 30, 2010, the outstanding balance of defeased bonds is \$3,480,000.

A summary of long-term obligations at June 30, 2010 is as follows:

	Governmental activities	Business-type activities	Total
General obligation bonds	\$ 43,344,406	\$ 390,594	\$ 43,735,000
Deferred amounts:			
For issuance premiums	542,302		542,302
On refunding	(555,432)		(555,432)
Total bonds payable	43,331,276	390,594	43,721,870
Loans payable		2,086,353	2,086,353
Capital leases	202,736		202,736
Claims and judgments	145,000		145,000
Accrued compensated absences	3,461,953		3,461,953
	47,140,965	2,476,947	49,617,912
Less portion due within one year	3,732,715	270,609	4,003,324
	<u>\$ 43,408,250</u>	<u>\$ 2,206,338</u>	<u>\$ 45,614,588</u>

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

6. Long-term obligations (continued):

Governmental activities:

Purpose	Amount of original issue	Date issued	Interest rate	Maturity date	Balance, July 1, 2009	New issues	Retired	Balance, June 30, 2010	Amounts due within one year
General obligation bonds:									
Refunding and open space	\$ 3,800,000	02/15/02	3.00-4.00%	04/15/12	\$ 1,125,000		\$ 380,000	\$ 745,000	\$ 375,000
Refunding	18,770,000	07/01/03	2.00-5.00%	08/01/16	6,010,000		1,850,000	4,160,000	1,140,000
School construction and renovation	35,000,000	08/01/06	4.25-5.00%	08/01/26	32,740,000		1,210,000	31,530,000	1,265,000
Open space	3,000,000	06/15/07	4.13-5.50%	06/15/27	2,700,000		150,000	2,550,000	150,000
Improvements to municipal buildings	5,000,000	07/01/08	3.75-4.75%	07/01/28	5,000,000		250,000	4,750,000	250,000
Transfer refunding to Sewer Fund					(589,828)		(199,234)	(390,594)	-
Total general obligation bonds	<u>\$ 65,570,000</u>				46,985,172		3,640,766	43,344,406	3,180,000
Deferred amounts:									
For issuance premiums					618,781		76,479	542,302	76,479
On refunding					(634,780)		(79,348)	(555,432)	(79,348)
Total bonds payable					<u>46,969,173</u>		<u>3,637,897</u>	<u>43,331,276</u>	<u>3,177,131</u>
Capital leases:									
Rescue vehicle	\$ 179,511	10/18/06	5.34%	07/15/09	56,646		56,646	-	
Sewer jet	151,678	07/27/07	5.25%	07/27/09	50,511		50,511	-	
Street sweeper	140,178	01/05/09	4.72%	01/05/13	109,498		25,510	83,988	26,715
Recycle truck	205,000	05/20/09	4.46%	05/20/13	155,000		36,252	118,748	37,869
Transfer sewer jet to Sewer Fund	(151,678)				(50,511)		(50,511)	-	
Total capital leases	<u>\$ 524,689</u>				<u>321,144</u>		<u>118,408</u>	<u>202,736</u>	<u>64,584</u>
Claims and judgments					<u>1,300,000</u>	<u>\$ 145,000</u>	<u>1,300,000</u>	<u>145,000</u>	<u>145,000</u>
Accrued compensated absences					<u>3,241,699</u>	<u>220,254</u>	<u>-</u>	<u>3,461,953</u>	<u>346,000</u>
Total long-term obligations					<u>\$ 51,832,016</u>	<u>\$ 365,254</u>	<u>\$ 5,056,305</u>	<u>\$ 47,140,965</u>	<u>\$ 3,732,715</u>

Claims and judgments and compensated absences will be liquidated in the General and School Department governmental funds. Beginning balance of general obligation bonds reflects the transfer on July 1, 2009 of certain amounts to the Sewer Fund.

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

6. Long-term obligations (continued):

Business-type activities:

Purpose	Amount of original issue	Date issued	Interest rate	Maturity date	Balance, July 1, 2009	New issues	Retired	Balance, June 30, 2010	Amounts due within one year
General obligation bonds:									
Refunding bond	Allocated from the General Fund	07/01/03	2.00-5.00%	08/01/16	\$ 589,828	\$ -	\$ 199,234	\$ 390,594	\$ 196,609
Capital leases:									
Sewer jet	Allocated from the General Fund	07/27/07	5.25%	07/27/09	50,511		50,511	-	
					<u>\$ 640,339</u>	<u>\$ -</u>	<u>\$ 249,745</u>	<u>\$ 390,594</u>	<u>\$ 196,609</u>
Loans payable are as follows:									
Enterprise fund, Water:									
Rhode Island Clean Water Finance Agency:									
Water system improvements	\$ 300,000	04/19/04	3.50%	09/01/24	\$ 254,000		\$ 161,417	\$ 92,583	\$ 5,000
Water system improvements	1,800,000	03/01/07	3.03-3.40%	09/01/27	1,738,000		65,000	1,673,000	67,000
Water system improvements	1,500,000	11/06/09		09/01/29	-	\$ 1,500,000		1,500,000	1,000
Water system improvements	<u>362,568</u>	02/12/10		09/01/30	<u>-</u>	<u>362,567</u>		<u>362,567</u>	<u>1,000</u>
	<u>\$ 3,962,568</u>				1,992,000	1,862,567	226,417	3,628,150	74,000
Less undrawn loan proceeds held by the State					<u>(154,401)</u>	<u>(1,536,813)</u>	<u>149,417</u>	<u>(1,541,797)</u>	
					<u>\$ 1,837,599</u>	<u>\$ 325,754</u>	<u>\$ 77,000</u>	<u>\$ 2,086,353</u>	<u>\$ 74,000</u>

At June 30, 2010, the Water Fund has \$1,541,797 due from the State for undrawn loan proceeds available for water construction projects. Beginning balance of general obligation bonds reflects the transfer on July 1, 2009 of certain amounts from governmental activities.

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

6. Long-term obligations (continued):

At June 30, 2010, annual debt service requirements to maturity for general obligation bonds, loans payable (excluding effects of undrawn proceeds), and capital leases are as follows:

General obligation bonds:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 3,180,000	\$ 1,842,407	\$ 5,022,407
2012	2,625,000	1,720,206	4,345,206
2013	2,305,000	1,614,270	3,919,270
2014	2,350,000	1,520,800	3,870,800
2015	2,410,000	1,423,750	3,833,750
2016-2020	11,635,000	5,563,553	17,198,553
2021-2025	12,855,000	2,914,652	15,769,652
2026-2030	6,375,000	336,182	6,711,182
	<u>\$ 43,735,000</u>	<u>\$ 16,935,820</u>	<u>\$ 60,670,820</u>

For business-type activities, the annual debt service to maturity for the allocated portion of the general obligation bond is \$196,609 for 2011 and 193,985 for 2012.

Loans payable:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 74,000	\$ 77,183	\$ 151,183
2012	147,000	97,515	244,515
2013	151,000	101,713	252,713
2014	154,000	97,987	251,987
2015	159,000	93,933	252,933
2016-2020	869,000	397,111	1,266,111
2021-2025	1,029,582	249,056	1,278,638
2026-2030	921,000	78,952	999,952
	<u>123,568</u>	<u>513</u>	<u>124,081</u>
	<u>\$ 3,628,150</u>	<u>\$ 1,193,963</u>	<u>\$ 4,822,113</u>

Capital leases:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 64,584	\$ 9,261	\$ 73,845
2012	67,534	6,311	73,845
2013	70,618	3,227	73,845
	<u>\$ 202,736</u>	<u>\$ 18,799</u>	<u>\$ 221,535</u>

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

7. Accounts payable and accrued expenses:

	<u>Vendors</u>	<u>Other governments</u>	<u>Employees</u>	<u>Accrued interest</u>	<u>Total</u>
Governmental activities:					
General Fund	\$ 2,481,830		\$ 429,970		\$ 2,911,800
School Unrestricted Fund	926,844	\$ 14,234	4,242,259		5,183,337
Public Building Bond Fund	459,990				459,990
Nonmajor funds	167,171		172,576		339,747
Reconciliation of balances in fund financial statements to government-wide financial statements				\$ 753,985	753,985
	<u>\$ 4,035,835</u>	<u>\$ 14,234</u>	<u>\$ 4,844,805</u>	<u>\$ 753,985</u>	<u>\$ 9,648,859</u>
Business-type activities:					
Water Fund	\$ 647,673	\$ -		\$ 20,101	\$ 667,774
School Lunch Fund	50,718				50,718
Sewer Fund	19,326		\$ 5,490		24,816
Police Detail Fund					
	<u>\$ 717,717</u>	<u>\$ -</u>	<u>\$ 5,490</u>	<u>\$ 20,101</u>	<u>\$ 743,308</u>

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

8. Pension plans:

All eligible employees of the Town are covered by one of four pension plans: the Town of Lincoln Retirement Plan (Town Plan), the Laborers' International Union of North America Pension Fund (Union Plan), the Employees' Retirement System of the State of Rhode Island (Teachers' Plan), and the Municipal Employees' Retirement System (Municipal Plan).

Town Plan

Plan description:

The Town Plan is a single employer, defined benefit pension plan that covers substantially all Town and School Department employees not covered by other plans, as well as eligible firefighters employed by three fire districts: Lonsdale Fire, Saylesville Fire and Lime Rock Fire. Employees who work twenty hours or more per week for more than five months are eligible to participate. The Town Plan is reported as a Pension Trust Fund in the Town's financial statements.

As of January 1, 2009, the date of the latest actuarial valuation, employee membership data for the Plan is as follows:

Active participants	115
Retired employees	81
Terminated with vesting	6
Inactive employees	<u>3</u>
Total	<u><u>205</u></u>

Benefit provisions:

The Town Plan provides retirement and survivor benefits. The following benefit provisions were established and may be amended by Town ordinance or union contract:

- Any participant who has attained his or her normal retirement date, as defined in the Town Plan, is eligible for a normal retirement benefit. The monthly benefit payable upon normal retirement is based on average monthly salary multiplied by credited service as follows:

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

8. Pension plans (continued):

Town Plan (continued)

Benefit provisions (continued):

Police and Lonsdale Firefighters	2 ½% of average monthly salary multiplied by credited service up to 20 years, plus 2% of average monthly salary multiplied by up to five additional years of credited service.
Saylesville Firefighters	2 ½% of average monthly salary multiplied by credited service up to 20 years, plus 2% of average monthly salary multiplied by up to ten additional years of credited service.
All other employees	1 ½% of average monthly salary multiplied by credited service, with maximum benefit of 60% of average monthly salary.

Average monthly salary equals 1/36th of the total salaries of the three most highly compensated consecutive years during the final ten years of employment. Salary includes base compensation plus holiday and longevity pay, but not overtime. Payments commence on the first day of the month following the date of an employee's retirement.

- Participants who terminate employment before completing ten years of service are refunded their employee contributions with annual interest credited at 5% after 1997 and 3 ½% before 1998. Participants who terminate employment after completing ten years of service have the option of either a refund of their employee contribution or a monthly benefit, as described above, at the normal retirement date.
- The beneficiary of a participant who dies prior to retirement receives the participant's accumulated contributions. In lieu of this benefit, the surviving spouse can elect to receive a benefit equal to 50% of the participant's benefit accrued to the date of death, payable at the participant's normal retirement date.
- For participants other than police and firefighters, the normal form of benefit is a monthly life annuity. For the police and firefighters, the normal form of benefit is a monthly joint and 67½% survivor annuity. Optional forms of monthly benefits are available and are determined to be actuarially equivalent to the normal form of benefit.

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

8. Pension plans (continued):

Town Plan (continued)

Benefit provisions (continued):

- Police department employees who retire after June 30, 2004 receive an automatic 3% annual compounded Cost-of-Living Adjustment (COLA) to their monthly pension benefit.
- Recent changes to the benefit provisions include the addition of a COLA provision for police and an increase in the benefit accrual rates for Saylesville Firefighters from 2% to 2 ½% per year for the first 20 years of credited service.

Funding policy and contributions:

Contribution requirements are established and may be amended by Town Council ordinance or union contract.

Employees are required to contribute 4% of their salary; police and firefighters must contribute 8% and 6%, respectively.

The Town is required to contribute an amount determined in accordance with the actuarial valuation. Administrative costs are paid from plan assets.

Actuarial method and significant assumptions:

The annual required contribution (ARC) was determined as part of the January 1, 2009 actuarial valuation using the Entry Age Normal Cost Method. Under this method, the normal cost is the amount calculated to be the level percentage of pay necessary to fund the prospective benefits from each employee's entry age to retirement age. The actuarial accrued liability, which is redetermined for each active participant as of each valuation date, represents the theoretical accumulation of all prior years' normal costs for the present participants as if the Town Plan had always been in effect. The unfunded actuarial accrued liability represents the excess of the actuarial accrued liability over the Plan's assets, which are valued using quoted market prices.

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

8. Pension plans (continued):

Town Plan (continued)

Actuarial method and significant assumptions (continued):

Retirement probability:

Retirement probability is assumed to be 100% for each of the members at the earlier of the age or years of service indicated as follows:

	<u>Age</u>	<u>Years of service</u>
Police	47	20
School	63	10
Lonsdale Fire	50	20
Saylesville Fire	55	10
All others	63	10

Mortality – the Unisex Pension Mortality Table for 1984

Disability – none assumed

Withdrawal rate:

Males – ranges from a high of 10% at age 25 to a low of 0% at age 55

Females – ranges from a high of 15% at age 25 to a low of 0% at age 60

Salary increase – 3% per year

Interest rate – 8%

The actuarially determined employer contribution requirement for the Town Plan of \$618,012 was determined in accordance with the above assumptions and was based on an actuarial valuation as of January 1, 2009. The contribution consists of normal cost plus estimated expenses and one year of interest at 8%. Total contributions to the Town Plan in fiscal 2010 amounted to \$872,352, of which \$576,259 and \$296,093 was made by the Town and the plan participants, respectively. Contributions made by the Town and plan participants represented 8.4% and 6.8%, respectively, of covered payroll for the year.

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

8. Pension plans (continued):

Town Plan (continued)

Annual pension costs:

The following table summarizes the annual pension costs and actual contributions over the preceding three years. There was no net pension obligation during the three-year period.

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Annual pension cost	\$ 618,012	\$ 386,977	\$ 358,880
Contributions made	\$ 576,259	\$ 386,977	\$ 358,880
Percent of annual pension cost contributed	<u>93.2%</u>	<u>100%</u>	<u>100%</u>

Funded status and funding progress:

As of January 1, 2009, the most recent actuarial valuation date, the Town Plan was 71.9% funded. The actuarial accrued liability for benefits was \$20,344,766 and the actuarial value of assets was \$14,620,859, resulting in an unfunded actuarial accrued liability (UAAL) of \$5,723,907. Covered payroll under the Town Plan for fiscal 2010 was \$4,943,482. The UAAL was 115.8% of covered payroll.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial values of Town Plan assets are increasing or decreasing over time relative to accrued actuarial liabilities for benefits.

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

8. Pension plans (continued):

Union Plan

Plan description:

The Town of Lincoln Town Hall, Public Works, Library and Water union employees participate in the Laborers' International Union of North America Pension Fund, a cost-sharing multi-employer defined benefit plan. Financial statements for the Union Plan are issued separately and may be obtained from the Laborers National (Industrial) Pension Fund, 905 165th Street, N.W., Washington, D.C., 20006-1765 or by calling (202) 737-1664.

Employees can retire on a regular pension if they have attained at least age 62, earned at least five years of Pension Credit, and earned at least one year of Pension Credit during the period that their employer is contributing to the Pension Fund. The amount of regular pension benefits payable to eligible participants is determined by the highest contribution rate at which they earned Pension Credit and the years of Pension Credits they earned (up to a maximum of 30 years of Pension Credits). Vesting of benefits is attained for participants who have five or more years of vesting credit (without a permanent break in service). The Fund also provides death and disability benefits.

Contributions required and contributions made:

The Town's required contribution is negotiated with the local union. The Town's contribution was based upon \$1.20 per hour for Town Hall employees; \$1.12 per hour for Library employees; \$1.41 per hour for Public Works employees; and \$9.60 per day for Water employees participating in the Union Plan for the period July 1, 2009 to June 30, 2010. Participating employees are not required to contribute. The Town's required contribution for the year ended June 30, 2010 was \$226,695, as follows: Town Hall employees \$64,741; Public Works employees \$114,049; Library employees \$22,292 and Water employees \$25,613.

Trend information:

<u>Fiscal year</u>	<u>Annual required contribution</u>	<u>Percent contributed</u>
2008	\$ 231,488	100%
2009	\$ 225,350	100%
2010	\$ 226,695	100%

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

8. Pension plans (continued):

Teachers' Plan

Plan description:

The Teachers' Plan is a statutory, mandatory, statewide, cost-sharing multi-employer public employee retirement system administered by the State. The Teachers' Plan covers all School Department personnel certified by the Rhode Island Department of Education who are or have been engaged in teaching as a principal occupation. Financial statements for the Teachers' Plan are issued separately and may be obtained from the Employees' Retirement System, 40 Fountain Street, Providence, RI 02903. Total covered payroll under the Teachers' Plan during 2010 was \$25,036,679, including \$1,123,100 of federally reimbursed payroll.

The Teachers' Plan provides a two-tier benefit structure referred to as Schedules A and B.

Schedule A Benefits:

Schedule A benefits are available to members who possessed ten years or more of contributory service on or before July 1, 2005. Schedule A provides unreduced benefits of 1.70% of earnings for each of the first ten years of service; 1.90% for each of the next ten years of service; 3.00% for each of the next fourteen years; and 2.00% for the 35th year. Joint and survivor options are available, as well as an option that provides for the payment of a larger benefit before the attainment of age sixty-two. The maximum benefit is 80% of final average earnings after 35 years of service. Such benefits are available to members who are at least age 60 with 10 years of credited service, or after 28 years of service at any age. Benefits for all employees are based on the average of the highest three consecutive years' earnings, exclusive of overtime.

On the third January after retirement, a cost-of-living increase of 3.00% (compounded annually) is provided. The Teachers' Plan also provides nonservice-connected disability benefits after five years of service; service-connected disability benefits with no minimum service requirement; vested benefits after ten years of service; survivor's benefits for service-connected death; and certain lump-sum death benefits.

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

8. Pension plans (continued):

Teachers' Plan (continued)

Plan description (continued):

Schedule B Benefits:

Schedule B benefits are provided to members who had less than ten years of contributory service on or before July 1, 2005. Schedule B provides unreduced benefits of 1.60% of earnings for each of the first ten years of service; 1.80% for each of the next ten years; 2.00% for years 21 through 25 inclusive; 2.25% for years 26 through 30 inclusive; 2.50% for years 31 through 37 inclusive; and 2.25% for the 38th year. Only single life, and joint and survivor options are available. The maximum benefit is 75% of the average highest three years of compensation after 38 years of service. Such benefits are available to members who are at least age 65 with 10 years of service, or at least age 59 with 29 years of service. Actuarially reduced retirement is available at age 55 with 20 years of service; the benefit is reduced actuarially for each month that the age of the member is less than 65 years.

On the month following the third anniversary date of retirement, and on the month following the anniversary date of each succeeding year, a benefit increase is provided for Schedule B members, consisting of the lesser of a cost-of-living increase of 3.00% (compounded annually) or the percentage increase in the Consumer Price Index, determined as of September 30 of the prior calendar year.

Rhode Island general laws relating to state employees and teachers' benefits were amended during the fiscal year ended June 30, 2009. Members eligible to retire as of September 30, 2009 are not affected by the changes. The legislation established a minimum retirement age of 62 for all members, except those Schedule B members who retire with less than 29 years of service; their retirement eligibility remains age 65 with a minimum of 10 years of service credit. For affected state employees and teachers, the law provides a proportional downward adjustment of the minimum retirement age based on the years of service credit of a member at September 30, 2009, a final average salary based on the five consecutive highest years of salary and a cost-of-living adjustment.

This legislation also amended the disability retirement provision for state employees and teachers. Effective for applications filed after September 30, 2009, accidental disability will be available at 66-2/3% for members who are permanently and totally disabled. If the disability is determined to be partial and the member is able to work in other jobs, the benefit will be limited to 50%.

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

8. Pension plans (continued):

Teachers' Plan (continued)

Funding policy:

Rhode Island general laws set the contribution rates of participating employees at 9.5% of salary. Annual required contributions by both employers and the State on behalf of those employees are determined by actuaries and assessed as a percentage of participants' payroll. The required contributions include (a) normal costs; (b) payments to amortize the unfunded frozen actuarial accrued liability as of June 30, 1999 over 30 years; and (c) interest on the unfunded frozen actuarial liability. Normal cost is determined using the entry age normal cost method with frozen initial liability. The Town participates in the optional Teachers Survivor Benefits Fund whereby the employer and the employee each contribute 1% of the first \$9,600 of each participating employee's salary for survival benefits.

As prescribed by Rhode Island general laws, 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. For fiscal year 2010, actuarial required contributions were 11.73% of participants' salary (20.07% for federally reimbursed salary). This resulted in a contribution rate paid by the State on behalf of Town teachers of 8.08% (\$1,837,759). The Town's required and actual contributions to the Teachers' Plan for fiscal years 2010, 2009, and 2008 were \$2,958,817, \$2,788,083, and \$3,220,866, respectively.

Municipal Plan

Plan description:

The Municipal Plan, an agent multiple-employer public employee retirement system administered by the State, covers non-union employees and rescue personnel. Financial statements for the Municipal Plan are issued separately and may be obtained from the Employees' Retirement System, 40 Fountain Street, Providence, RI 02903. For the year ended June 30, 2010, covered payroll under the Municipal Plan totaled \$1,631,832.

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

8. Pension plans (continued):

Municipal Plan (continued)

Plan description (continued):

Participants' rights to pension benefits become fully vested after ten years of service. They are also eligible to retire after ten years of service if they have attained age 58 (age 55 for police) or after 30 years of service (25 years for police) regardless of age. Benefits are equal to 2% of final average salary for each year of service, with a maximum benefit of 75% of final average salary. Joint and survivor options are available, as well as an option that provides for the payment of a larger benefit before the attainment of age sixty-two. Final average salary is computed using the highest three consecutive years of base earnings, exclusive of overtime. Retiree benefits are adjusted annually by 3% (not compounded) to allow for cost-of-living increases under an optional benefit provision adopted by the Town.

The Municipal Plan also provides nonservice-connected disability benefits after five years of service; service-connected disability benefits with no minimum service requirement; vested benefits after ten years of service; survivor's benefits for service-connected death; and certain lump-sum death benefits.

As of June 30, 2010, 33 active employees were members of the Municipal Plan.

Funding policy:

Rhode Island general laws set contribution rates of participating employees at 6% of salary (8% for police). An additional 1% of salary is assessed to employees under the optional cost-of-living provision. Annual required contributions are actuarially determined for each separate employer and are assessed to each as a percentage of their participating employees' payroll. The annual required contribution covers normal costs and, where applicable, a payment to amortize the unfunded actuarial accrued liability as of June 30, 1999 over a closed period of 30 years. Normal cost is determined using the entry age normal method. Unlike in the Teachers' Plan, the State makes no contributions to the Municipal Plan on behalf of the Town nor does it assume any liability for funding pension benefits for the Town's participants.

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

8. Pension plans (continued):

Municipal Plan (continued)

Annual pension costs and net pension obligation:

The following table summarizes annual pension costs and actual contributions for the Municipal Plan for the past three years. There was no net pension obligation during the three-year period.

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Annual pension costs	\$ 289,257	\$ 308,505	\$ 289,375
Actual contributions:			
Employee	\$ 113,625	\$ 115,261	\$ 115,253
Employer	\$ 175,632	\$ 193,244	\$ 174,122
Percent of annual pension costs contributed	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Funded status and funding progress:

As of June 30, 2009, the date of the most recent actuarial valuation available, the funded status of the Municipal Plan was as follows:

	<u>General Employee Unit</u>	<u>Police and Fire Unit</u>
Actuarial value of assets	\$ 1,307,918	\$ 2,071,497
Actuarial accrued liability (AAL)	\$ 1,483,154	\$ 2,923,841
Unfunded AAL	\$ 175,236	\$ 852,344
Funded ratio	88.2%	70.9%
Covered payroll	\$ 851,031	\$ 766,026
Unfunded AAL as a percentage of covered payroll	20.6%	111.3%

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the basic financial statements, presents multiyear trend information about whether the actuarial values of Municipal Plan assets are increasing or decreasing over time relative to accrued actuarial liabilities for benefits.

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

8. Pension plans (continued):

Municipal Plan (continued)

Actuarial methods and significant assumptions:

The State uses the entry age normal method to determine both the actuarial accrued liabilities and annual required contributions of the Municipal Plan. Pension assets are valued at their fair value as established by quotations from applicable national securities exchanges. Valuations of accrued liabilities, pension assets, and annual required contributions for the Municipal Plan are performed annually as of June 30.

Significant actuarial assumptions used in each valuation are summarized as follows:

Asset appreciation	8.25% annually
Salary increases	4.25% annually
Cost-of-living adjustments	3.0%, not compounded
Retirement probability	100% at age 75 or upon eligibility
Mortality:	
Healthy members	1994 Group Annuity Mortality Tables
Disabled members	PBGC Table set to age 65 (age 55 for police and fire employees)
Disability:	
General employees	Probabilities per 1,000 ranging from .09% at age 25 to 9.87% at age 60
Police	Probabilities per 1,000 ranging from .43% at age 25 to 3.03% at age 50

9. Other postemployment benefits:

In addition to pension benefits, the Town Police and School Departments provide, under the provisions of various union contracts and other employment agreements, postemployment health insurance benefits to eligible retirees for a specified maximum number of years. Eligibility is determined based on years of service, employee age, and other available healthcare coverage. The Town and School Department fund these benefits on a pay-as-you-go basis. Participants do not contribute to the Plan. During the year ended June 30, 2010, expenditures for postemployment benefits totaled \$885,332; 132 participants received such benefits. The Town's postemployment benefit plan does not issue a stand-alone financial report.

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

9. Other postemployment benefits (continued):

The Town engaged an actuary to prepare an actuarial valuation of its postemployment benefits plan as of June 30, 2010. The purpose of the valuation was to analyze the current funded position of the Town's postemployment benefits program, determine the level of contributions necessary to assure sound funding, and provide reporting and disclosure information for financial statements, governmental agencies and other interested parties.

The Town's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" (GASB 45). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year. The following table shows the components of the annual OPEB cost, the amounts actually contributed to the plan, and changes in the Town's net OPEB obligation for the year ended June 30, 2010:

	<u>2010</u>	<u>2009</u>
Annual required contribution and OPEB cost	\$ 1,992,852	\$ 1,907,362
Contributions	<u>885,332</u>	<u>907,686</u>
Increase in Net OPEB obligation	1,107,520	999,676
Net OPEB obligation, beginning of year	<u>999,676</u>	<u>- 0 -</u>
Net OPEB obligation, end of year	<u>\$ 2,107,196</u>	<u>\$ 999,676</u>
Percent of ARC contributed in current year	44.4%	47.6%

The funded status and progress of the plan as of June 30, 2010 are as follows:

Actuarial accrued liability (AAL)	\$ 24,880,760
Actuarial value of plan assets	<u>- 0 -</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 24,880,760</u>
Funded ratio (actuarial value of plan assets (AAL))	0%
Annual covered payroll (active plan members)	\$ 24,943,572
UAAL as a percentage of covered payroll	99.7%

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

9. Other postemployment benefits (continued):

The actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the ARC are subject to continual revision as actual results are compared with past expectations. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations. The ARC was calculated based on the projected unit credit, level percent of payroll actuarial cost method. The assumptions included a 4.5% investment rate of return and an annual healthcare cost trend rate of 10% initially, reduced by decrements to an ultimate rate of 4.5% after ten years.

The schedule of funding progress, presented as required supplementary information following the notes to the basic financial statements, presents multiyear trend information about whether the actuarial values of Town Plan assets are increasing or decreasing over time relative to accrued actuarial liabilities for benefits.

In fiscal 2011, as part of the FY2012 budgetary process, the Town plans to budget funding and arrange for the establishment of an Other Postemployment Benefits (OPEB) Trust, which was authorized by the Rhode Island General Assembly on June 26, 2008. By doing so, the Town will be required, and expects, to implement the provisions of GASB Statement No. 43, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans."

10. Risk management:

Rhode Island Interlocal Risk Management Trust, Inc.:

The Town 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 nonprofit, public entity risk pool (Rhode Island Interlocal Risk Management Trust, Inc.) (Trust) which provides coverage for property/liability 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 a maximum of \$2,000,000 per occurrence. Settled claims resulting from these risks have not exceeded the Trust coverage in any of the past three fiscal years. There were no significant reductions in insurance coverage during the year ended June 30, 2010.

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

11. Commitment and contingencies:

Rhode Island Municipal Insurance Corporation:

The Town is a member of the Rhode Island Municipal Insurance Corporation (RIMIC), a not-for-profit organization formed to jointly administer healthcare related matters for Rhode Island cities, towns, and other governmental units that elect to participate. RIMIC negotiates with qualified healthcare companies/third-party administrators to provide healthcare related administrative services and to provide healthcare benefits and claims services directly to members for the members' employees and retirees. RIMIC is governed by a Board of Directors (Board) that consists of one Board position from each municipality or other governmental unit that is a member.

Upon joining RIMIC, members execute member and adoption agreements. These documents, pursuant to which RIMIC was established and operates, outlines the rights and responsibilities of both the members and RIMIC. Members of RIMIC participate in a health insurance plan administered through Blue Cross Blue Shield of Rhode Island (BCBSRI).

Each member is solely responsible for separately and directly contracting with the qualified healthcare provider/third party administrator chosen by RIMIC and for paying any and all healthcare-related claims directly to the provider. In addition, each member is responsible for determining the types and levels of self-insured healthcare benefits offered, as well as the amount of stop-loss insurance deemed appropriate. The Town purchases stop-loss insurance to covers claims in excess of \$150,000. At June 30, 2010, the incurred but not reported claims, as determined by RIMIC's health benefit advisors based on prior history, were estimated to approximate \$284,500 and are included in accounts payable and accrued expenses of the General Fund (\$67,100) and School Unrestricted Fund (\$217,400), respectively. The RIMIC agreement provides for an annual independent audit of its financial statements. A copy of the latest audit report can be obtained by contacting RIMIC, c/o Rodio & Ursillo, 86 Weybosset St., Providence, RI 02903.

RIMIC members can withdraw from the program effective June 30th of any year provided they give a 90-day written notice of their intention to withdraw prior to June 30th. Failure to provide such notice automatically results in a member's participation and membership in RIMIC for an additional year.

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

11. Commitment and contingencies (continued):

Claims and judgments:

The following matters have been asserted and are outstanding:

- A claim asserting an overcharging of inspection fees names the Town of Lincoln in a class action lawsuit. Although the lawsuit is still ongoing, the Town has provided for a probable settlement of this matter.
- A resident has made a claim of injury for the collapse of a Town-owned sidewalk. Although the lawsuit is still ongoing, the Town has provided for a probable settlement of this matter.
- A former employee of the Town has filed suit for slander against the former Town administrator. Although the lawsuit is still ongoing, the Town has provided for a probable settlement of this matter.

In connection with the above matters, management has recorded a liability of \$145,000 in the government-wide financial statements.

Included in accrued claims and judgment at June 30, 2009 was an amount relating to a taxpayer's appeal of certain property tax assessments on real and personal property. During fiscal 2010, the Town and taxpayer reached an agreement on the assessed value of certain personal property for 2007 and 2009 that resulted in the reduction of personal property tax of \$598,000, and agreement was reached on the value of the tangible property for subsequent assessment. Subsequent to June 30, 2010, a Superior Court rendered an opinion which reduced the assessed value for the real property, resulting in reduction in the real estate taxes for the years disputed of approximately \$1.8 million. Although management has not yet determined if it will appeal the court's decision, at June 30, 2010, a liability for this amount is included in accounts payable and as a reduction of property tax revenue for the year then ended.

The Town is a party to various other claims, legal actions and complaints. It is not presently possible to determine the outcome of these cases; therefore, no liability has been recorded in the accompanying financial statements. In the opinion of the Town's management and Town Solicitor, these matters cannot be estimated nor can the likelihood of a favorable outcome be made at this time.

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

11. Commitment and contingencies (continued):

Other contingencies:

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Town expects such amounts, if any, to be immaterial. Total federal financial assistance received by the Town approximated \$3,153,000 for the year ended June 30, 2010.

12. Prior period adjustments:

Net assets at June 20, 2009 have been restated to reflect the establishment of two proprietary funds (the Sewer Fund and the Police Details Fund) and to correct errors in account balances. The effects of these adjustments on the changes in net assets for the year ended June 30, 2009 have not been determined. The details of the prior period adjustments and impact on net assets are as follows:

Statement of net assets – governmental activities:	
Net assets at June 30, 2009, as originally stated	\$ 36,894,758
Establishment of two enterprise funds, Sewer and Police Detail Funds:	
Transfer of capital assets, net	(10,412,294)
Bonds and capital leases payable	<u>640,339</u>
Net assets at June 30, 2009, as restated	<u>\$ 27,122,803</u>
Statement of net assets – business-type activities:	
Net assets at June 30, 2009, as originally stated	\$ 20,953,274
Creation of Sewer Fund:	
Transfer of capital assets, net	10,412,294
Bonds and capital leases payable	(640,339)
Correction of error in Water Fund, removal of capital assets	<u>(540,172)</u>
Net assets at June 30, 2009, as restated	<u>\$ 30,185,057</u>

TOWN OF LINCOLN, RHODE ISLAND

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Taxes	\$ 49,548,101	\$ 49,548,101	\$ 48,686,067	\$ (862,034)
Intergovernmental	17,412,720	17,412,718	18,196,160	783,442
Local revenues	1,197,100	1,197,100	1,124,729	(72,372)
Interest and investment income	500,000	500,000	331,682	(168,318)
Total revenues	68,657,921	68,657,919	68,338,638	(319,282)
Expenditures:				
Current:				
General government	814,816	1,063,531	1,042,700	20,831
Financial administration	917,551	868,160	834,478	33,682
Public library	1,010,838	1,009,045	1,002,639	6,406
Public safety	4,811,187	4,828,312	4,644,997	183,315
Public services	4,993,411	5,069,771	4,624,509	445,262
Grants and contributions	62,000	62,000	62,000	-
Other expenditures	3,679,584	3,689,584	2,897,207	792,377
Debt service:				
Principal	3,790,766	3,734,408	3,734,369	39
Interest	2,078,258	1,964,069	1,964,069	-
Total expenditures	22,158,410	22,288,880	20,806,969	1,481,911
Excess of revenues over expenditures, budgetary basis	46,499,511	46,369,039	47,531,669	1,162,630
Other financing sources (uses):				
Transfers from other funds	1,023,834	-	630,000	630,000
Transfers to other funds	(47,197,873)	(47,392,873)	(48,340,300)	(947,427)
Total other financing sources (uses)	(46,174,039)	(47,392,873)	(47,710,300)	(317,427)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses, budgetary basis	\$ 325,472	\$ (1,023,834)	(178,631)	\$ 845,203
Adjustments of budgetary basis to U.S. GAAP basis, change in reserve for encumbrances			325,470	
Excess of revenues and other financing sources over expenditures and other financing uses, GAAP basis			146,838	
Fund balance, beginning of year			5,668,372	
Fund balance, end of year			<u>\$ 5,815,211</u>	

TOWN OF LINCOLN, RHODE ISLAND

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE - SCHOOL UNRESTRICTED FUND

YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Local revenues	-	-	92,900	92,900
Total revenues	-	-	92,900	92,900
Expenditures:				
Current:				
Salaries	29,289,037	29,289,037	29,321,736	(32,699)
Employee benefits	9,636,830	9,636,830	9,049,269	587,561
Purchased services	6,023,561	6,023,561	6,627,976	(604,415)
Supplies and materials	1,975,276	1,975,276	1,355,987	619,289
Other	51,827	51,827	53,646	(1,819)
Capital expenditures	221,342	221,342	250,515	(29,173)
Total expenditures	47,197,873	47,197,873	46,659,129	538,744
Excess of expenditures over revenues, budgetary basis	(47,197,873)	(47,197,873)	(46,566,229)	631,644
Other financing source,				
Transfer from other funds	47,197,873	47,197,873	47,012,240	(185,633)
Excess of revenues and other financing sources over expenditures, budgetary and GAAP basis	<u>\$ -</u>	<u>\$ -</u>	446,011	<u>446,011</u>
Fund balance, beginning of year			<u>1,962,653</u>	
Fund balance, end of year			<u>\$ 2,408,664</u>	

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY COMPARISON

YEAR ENDED JUNE 30, 2010

Budget preparation and budgetary basis of accounting:

In accordance with the Town Charter, the Town Administrator must present to the Budget Board a recommended annual budget for the operations of all municipal departments no later than February 15 of each fiscal year. The recommended budget must include an appropriation to fund school expenditures. At least three weeks after the receipt of the budget from the Town Administrator, the Budget Board shall hold a public hearing thereon. The Budget Board shall complete its consideration of the budget thirty days prior to the date of the financial town meeting. The financial town meeting may increase or decrease items of the budget as presented by the Budget Board. The final recommended budget is legally adopted at the annual financial town meeting. All annual appropriations lapse at fiscal year-end.

The General Fund and the School Department annual operating budgets are in conformity with the legally enacted budgetary basis. The legally enacted budgetary basis differs from accounting principles generally accepted in the United States (U.S. GAAP) in several regards. Budgets are adopted on the modified accrual basis with certain exceptions. Budgetary revenues may include reappropriations from fund equity previously recognized under U.S. GAAP. Budgetary expenditures and expenses are recognized when legally binding orders (encumbrances) are placed. Enterprise fund budgetary expenses include expenses for fixed asset additions, debt service issuance costs and debt service principal payments not recognized under U.S. GAAP but exclude depreciation and amortization, U.S. GAAP basis expenses.

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –
BUDGETARY COMPARISON (CONTINUED)

YEAR ENDED JUNE 30, 2010

Budget compliance:

Costs of operations for all departments, offices and agencies established within the Town Charter must be appropriated through an annual budget ordinance. These departments are presented within the General Fund and the School Department Municipal budgetary control is legally enforced at the department level. Appropriation transfers between departments require approval by the Budget Board. Other appropriation increases require both the establishment of a funding source and passage of a budget amendment ordinance. Unencumbered and unexpended appropriations lapse at fiscal year-end.

TOWN OF LINCOLN, RHODE ISLAND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS

YEAR ENDED JUNE 30, 2010

Actuarial valuation date	Actuarial value of assets	Actuarial accrued liability (AAL)	(Funded) Unfunded AAL (UAAL)	Funded ratio	Covered payroll	UAAL as a % of covered payroll
<i>TOWN PENSION PLAN</i>						
January 1, 2004	\$ 14,811,391	\$ 14,724,041	\$ (87,350)	100.6%	\$ 3,155,519	-2.8%
January 1, 2005	15,268,685	16,557,826	1,289,141	92.2%	3,501,567	36.8%
January 1, 2006	15,730,030	17,296,311	1,566,281	90.9%	3,744,435	41.8%
January 1, 2007	17,178,720	18,458,150	1,279,430	93.1%	4,128,827	31.0%
January 1, 2008	17,152,451	19,139,010	1,986,559	89.6%	4,617,858	43.0%
January 1, 2009	14,620,859	20,344,766	5,723,907	71.9%	4,943,482	115.8%
<i>MUNICIPAL PENSION PLAN</i>						
<i>General employee unit:</i>						
June 30, 2007	\$ 1,139,172	\$ 1,333,269	\$ 194,097	85.4%	\$ 889,984	21.8%
June 30, 2008	1,338,095	1,542,400	204,305	86.8%	1,016,081	20.1%
June 30, 2009	1,307,918	1,483,154	175,236	88.2%	851,031	20.6%
<i>Police and fire unit:</i>						
June 30, 2007	\$ 1,687,967	\$ 2,154,798	\$ 466,831	78.3%	\$ 678,188	68.8%
June 30, 2008	1,935,178	2,764,237	829,059	70.0%	738,021	112.3%
June 30, 2009	2,071,497	2,923,841	852,344	70.9%	766,026	111.3%
<i>OTHER POSTEMPLOYMENT BENEFITS</i>						
June 30, 2009	\$ -	\$ 23,939,601	\$ 23,939,601	0.0%	\$ 22,286,201	107.4%
June 30, 2010	-	24,880,760	24,880,760	0.0%	24,943,572	99.7%

TOWN OF LINCOLN, RHODE ISLAND
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 YEAR ENDED JUNE 30, 2010

Town Plan

Year ended June 30,	Annual Required Contribution	Percentage Contributed
2010	\$ 618,012	93.2%
2009	386,977	100%
2008	358,800	100%
2007	348,818	100%
2006	309,674	100%

OPEB

Year ended June 30,	Annual Required Contribution	Percentage Contributed
2010	\$ 1,992,852	44.4%
2009	1,907,362	47.6%

TOWN OF LINCOLN, RHODE ISLAND

TAX COLLECTOR'S ANNUAL REPORT

YEAR ENDED JUNE 30, 2010

Real estate and personal property taxes receivable:

Year	Balance, July 1, 2009	Current year assessment	Additions	Abatements/ adjustments	Amount to be collected	Collections	Balance, June 30, 2010
2009		\$ 50,599,474	\$ 18,186	\$ (255,277)	\$ 50,362,382	\$ 48,760,577	\$ 1,601,806
2008	\$ 1,818,911		2,963	(103,846)	1,718,028	1,486,398	231,630
2007	43,267		2,519	209,390	255,176	126,345	128,830
2006	187,388			(75,485)	111,903	38,037	73,866
2005	71,608			(57,342)	14,266	5,063	9,203
2004	100,265			(58,961)	41,304	(77)	41,381
2003	86,309			(59,588)	26,721	396	26,325
2002	31,484			(19,008)	12,476	5,226	7,250
2001	46,866			(15,086)	31,780	5,899	25,881
2000	45,581			(17,424)	28,157	620	27,537
1999 and prior	138,295			(119,268)	19,027	11,915	7,111
Total	<u>\$ 2,569,974</u>	<u>\$ 50,599,474</u>	<u>\$ 23,668</u>	<u>\$ (571,896)</u>	<u>\$ 52,621,220</u>	<u>\$ 50,440,401</u>	2,180,819
						Less allowance for doubtful accounts	<u>(203,147)</u>
							<u>\$ 1,977,672</u>

TOWN OF LINCOLN, RHODE ISLAND
TAX COLLECTOR'S ANNUAL REPORT (CONTINUED)
YEAR ENDED JUNE 30, 2010

Schedule of net assessed property value by category:

Description of property	Valuation	Levy
Real property	\$ 3,045,203,049	\$ 56,464,655
Motor vehicles	167,598,643	5,138,574
Tangible personal property	<u>188,407,995</u>	<u>5,493,977</u>
Total	3,401,209,687	67,097,206
Exemptions	<u>879,786,934</u>	<u>16,497,732</u>
Current year assessment	<u>\$ 2,521,422,753</u>	<u>\$ 50,599,474</u>

Reconciliation of current year property tax revenue:

Current year collections	\$ 50,440,401
Revenue collected within 60 days subsequent to year ended June 30, 2010	<u>538,296</u>
	50,978,697
Prior year revenue received in current year	<u>(451,999)</u>
Current year real estate and personal property tax revenue	<u>\$ 50,526,698</u>