

TOWN OF SMITHFIELD RHODE ISLAND

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2013



Georgiaville Beach

Dennis G. Finlay
Town Manager

Randy R. Rossi
Finance Director/Treasurer

Prepared by: Finance Department

TOWN OF SMITHFIELD

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TOWN OF SMITHFIELD, RHODE ISLAND

YEAR ENDED JUNE 30, 2013

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Town of Smithfield

64 Farnum Pike • Smithfield, Rhode Island 02917

Finance Director & Tax Collector

Randy R. Rossi

(401) 233-1072 • Fax (401) 233-1060

December 23, 2013

To the Honorable Town Manager, Members of the Town Council, and Citizens of the Town of Smithfield, Rhode Island:

The Comprehensive Annual Financial Report of the Town of Smithfield, for the fiscal year ended June 30, 2013 is submitted herewith. This report was prepared by the Town's Finance Department. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the Town. We believe the information, as presented, is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial positions, results of operations and cash flows of the Town. All disclosures necessary to enable the reader to gain maximum understanding of the Town's financial affairs have been included.

The Comprehensive Annual Financial Report is presented in four sections: Introductory, Financial, Single Audit and Statistical. The Introductory section includes this transmittal letter, the Town's organizational chart and a list of principal officials. The Financial section includes, under the new Governmental Accounting Standards Board Statement No. 34, the Independent Auditors' Report, the Management Discussion and Analysis, the basic financial statements, required supplementary information, and other supplemental information. The Statistical section includes selected financial and demographic information generally presented on a multiyear basis.

The Town is required to undergo an annual Single Audit in conformity with the provisions of the Single Audit Act of 1996 and U.S. Office of Management and Budget Circular A-133, "Audits of State and Local Governments". Information related to this Single Audit, including the schedule of expenditures of federal awards, and independent auditors' reports on the internal control structure and compliance with applicable laws and regulations, are included in the Single Audit section of this report.

The Town of Smithfield is a Rhode Island municipal corporation which provides the following services to its residents: general administrative services, public safety, public works, parks and recreation, social services and education.

GOVERNMENT PROFILE

The Town of Smithfield was settled in 1636 and later incorporated as a town in 1730. The Town, primarily a residential community, comprises 26.7 square miles of land, 1.1 square miles of water and is situated 11 miles northwest of Providence, the State capital. Smithfield is bounded by the Town of North Smithfield on the north, by the Towns of North Providence and Johnston on the south, by the Town of Lincoln on the east and the Town of Gloucester on the west.

The Town operates under a charter form of government, which provides for a five members Town Council, which is responsible for enacting local legislation; and an appointed Town Manager who executes the laws and the administration of the town government. The Town Council is granted all powers to enact, amend or repeal ordinances relating to the Town's property, affairs and government as well as the authorization of the issuance of bonds or notes by ordinance. Members are elected at-large for two (2) year terms.

GENERAL

Except as provided below, under Rhode Island law the Town may not, without special statutory authorization, incur any debt which would increase its aggregate indebtedness not otherwise excepted by law to an amount greater than 3% of the taxable property of the Town. Deducted from the computation of aggregated indebtedness is the amount of any borrowing in anticipation of taxes authorized by law and the amount of any sinking funds maintained by the Town. The 3% debt limit of the Town is \$81,410,117 based on net assessed valuations of \$2,713,670,555 as of December 31, 2011. As of June 30, 2013, the Town has no debt outstanding under the 3% debt limit provision; all outstanding debt has been authorized by special act of the Rhode Island State Legislature and referenda approved by the Town Electorate.

STATE SCHOOL AID

Pursuant to Rhode Island General Laws Sections 16-7-15 et seq., as amended, the State provides school operations aid to each municipality and school district in the State, subject to annual appropriation by the General Assembly. The statutes provide for reimbursement of school expenditures based on a formula which adjusts the reimbursement ratio based on the relative equalized evaluation of property and median family income of a community relative to the state as a whole. The Town's School Department received \$4,966,983 in direct state aid for the fiscal year ended June 30, 2013. The Town budgeted \$4,927,615 in direct state aid for fiscal year ending June 30, 2014.

The State provides construction aid to Rhode Island municipalities for the cost of building new public schools. All buildings constructed since July 1, 1949 are eligible for assistance of a minimum of 30% of the full cost of such buildings. Such assistance level may be further increased by a formula which takes into account the equalized assessed valuation and debt service burden of the particular municipality. For the fiscal year ended June 30, 2013, the Town received \$332,642 in such construction aid and the Town budgeted \$200,000 for fiscal year ending June 30, 2014.

EDUCATION

A five-member School Committee that is elected at large at the regular biennial elections for staggered four-year terms directs the general administration of the Smithfield School System. The School Committee determines and controls all policies affecting the administration, maintenance, and operation of the public schools in the Town. The School Committee appoints a Superintendent as its chief administrative agent; submits a detailed budget of expenditures and revenues to the Town Council and, once the school budget has been approved, determines the allocation of the amount appropriated. The cost of operating the Town's School System (Unrestricted Fund) for the fiscal year ended June 30, 2013 was \$32,590,358 (excluding the State on-behalf pension contribution). The School Department budget for fiscal year ending June 30, 2014 is \$32,544,732. The cost per student is \$13,523 shared by the Town and the State of Rhode Island in the form of School Operations Aid.

The Town has an elementary school (PK-5), a middle school (6-8) and a senior high school (9-12). As of October at the beginning of each school year, the student enrollment in the Smithfield School System for the past ten years has been and is as follows:

<u>FISCAL YEAR ENDING</u>	<u>ENROLLMENT</u>
2004	2,615
2005	2,659
2006	2,625
2007	2,609
2008	2,599
2009	2,555
2010	2,504
2011	2,470
2012	2,407
2013	2,410

MUNICIPAL SERVICES

The Town provides major public services, which are detailed as follows:

WASTEWATER FACILITIES

The Town maintains all sewer lines and pumping stations within the Town in accordance with the State of Rhode Island's base plan. The Town sewer system extends to approximately 80% of the Town's residents. It was completed at a cost to the Town of \$11,400,000 which was financed through general obligation bonds, which matured in 1998, exclusive of Federal and/or State grants in aid.

The Wastewater Division operates as an Enterprise Fund, with all operations funded from user fees and assessments. This provides a meaningful measure of the financial position and results of operations of the system, and also provides information necessary for calculation of future rate changes. The distribution of the accounts is as follows:

	<u>Accounts</u>	<u>Units</u>
Residential	4,687	5,368
Commercial	331	2,754
Industrial	25	352
Total	<u>5,043</u>	<u>8,474</u>

User charges are assessed each year in an amount necessary to cover the projected operating expenses and debt service of the Sewer Authority for that year. For the fiscal year ended June 30, 2013 residential users were charged a flat rate of \$320 for the year.

In fiscal year ended June 30, 2003, the Town contracted with the firm, Veolia Water North America to operate the Town's wastewater treatment facility over the next ten years. There are approximately \$7.5 million dollars in capital improvements that were performed at the sewer plant and pumping stations which was financed through a certificate of participation agreement.

SANITATION

Weekly rubbish and garbage collection is provided by the Town through the use of private contractors. For the fiscal year ended June 30, 2013, the Public Works Department expended \$949,495 for these services. For the fiscal year ending June 30, 2014 the approved budget is \$960,000.

PUBLIC WORKS

The Town of Smithfield's Department of Public Works provides a full range of services including street construction and maintenance, snow removal and maintenance of Town facilities. Total expenditures for the fiscal year ended June 30, 2013 totaled \$2,358,459 (including \$56,440 of capital outlays) and budgeted \$2,616,219 for fiscal year ending June 30, 2014.

PUBLIC SAFETY

The Town of Smithfield Public Safety Department provides fire prevention, emergency medical rescue, police patrol, investigations, community education and animal control functions.

The Police Department consists of 41 full-time police officers and 1 auxiliary officer. In addition, there are 12 civilian full-time and 6 civilian part-time employees of support personnel including dispatch and animal control. The Police Department expended \$4,466,253 (including \$48,212 of capital outlays) for fiscal year ended June 30, 2013 and budgeted \$4,679,279 for fiscal year ending June 30, 2014.

The Fire Department has 3 fire stations staffed by 48 full-time fire fighters and support personnel of 5 full-time employees. The Fire Department expended \$4,917,880 (including \$212,461 of capital outlays) for fiscal year ended June 30, 2013 and budgeted \$4,800,874 for fiscal year ending June 30, 2014.

PUBLIC LIBRARIES

The Town operates two public libraries, Greenville Public Library and East Smithfield Public Library. For the fiscal year ended June 30, 2013 the combined allocation from the Town was \$1,187,734 and budgeted \$1,217,734 for the fiscal year ending June 30, 2014.

EMPLOYEE RELATIONS

The Town of Smithfield currently employs 165 full-time employees exclusive of those employed by the School Department. The School Department employs 219 certified employees and 85 full-time and part-time non-certified employees.

The current status of union contract for municipal and school employees is as follows:

Police Department	1 year contract expired June 30, 2012
Fire Department	3 year contract expires June 30, 2014
Police Civilian Employees	3 year contract expires June 30, 2014
Public Works Employees	3 year contract expires June 30, 2014
Town Hall Employees	3 year contract expires June 30, 2014
Teachers	3 year contract expires August 31, 2014
Custodians	3 year contract expires June 30, 2016
Teacher Para-Professionals & Clerical Employees	3 year contract expires June 30, 2015

FINANCIAL INFORMATION

A detail understanding of the financial position and operating results of the Town is provided in the Comprehensive Annual Financial Report (CAFR). The Management's Discussion and Analysis starting on Page 4 of the CAFR provides additional information to assess the Town's financial condition.

INTERNAL CONTROLS

In developing and evaluating the Town's accounting control system, consideration is given to the adequacy of internal accounting controls. Accounting control comprises the plan of organization, procedures and records that are concerned with the safeguarding of assets and the reliability of financial records and consequently is designed to provide reasonable assurance that:

Transactions are executed in accordance with management's general or specific authorization.

Transactions are recorded as necessary (1) to permit preparation of financial statements in conformity with generally accepted accounting principles or any other criteria, such as finance – related legal and contractual compliance requirements applicable to such statements, and (2) to maintain accountability of assets.

Access to assets is permitted only in accordance with management's authorization.

The recorded accountability of assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

The definition of accounting control presumes reasonable, but not absolute, assurance that the objectives expressed in it will be accomplished by the system. The concept of reasonable assurance recognizes that the cost of internal controls should not exceed the benefits to be derived. The benefits consist of reductions in the risk of failing to achieve the objectives implicit in the definition of accounting control.

All internal control evaluations occur within the above framework. We believe that the Town's internal accounting control adequately safeguards assets and provides reasonable assurance of proper recording of financial transactions.

DEBT ADMINISTRATION

The ratio of net bonded debt to net assessed valuation and the amount of bonded debt per capita are useful indicators of the Town's debt position to municipal management, citizens and investors. This data for the Town at June 30, 2013 is as follows:

	AMOUNT	RATIO OF NET BONDED DEBT TO NET ASSESSED VALUE	DEBT PER CAPITA
Net Bonded Debt	\$16,150,000	0.60%	\$753.62

The Town's bond ratings as of June 30, 2013 are as follows:

- Moody's: Aa2
- S & P: AA

LONG-TERM FINANCIAL PLANNING

The Town Council has continued to support Capital Improvements and Projects. The fiscal year 2014 budget includes an appropriation of \$1,655,000 for the following projects: various town building improvements, radio system upgrades, police vehicles, information technology, fuel tank and system upgrade, 3 dump trucks, school department technology, and dam and bridge improvements. The Town uses a combination of capital reserve funds, police and fire capital funds, and tax dollars to fund these capital improvements.

The Town Charter calls for a six-year Capital Improvements Program (CIP) bi-annually in odd-numbered years. The CIP is a multi-year planning instrument used by the Town to identify needed capital projects and to coordinate financing and scheduling of major capital equipment and improvements in a way that maximizes the return to the public. Selection and scheduling is based on adherence to community goals, capital needs priorities, the Comprehensive Plan and the Town's fiscal capabilities.

CASH MANAGEMENT

The intention of the cash management system is to limit the amount of funds placed in accounts where low or no interest is paid. Idle cash is invested in various instruments with staggered maturity dates, depending on the anticipated cash requirements during the period. All funds are protected by Federal Insurance and full collateralization at each of the Town's banking institutions.

RISK MANAGEMENT

The Town's properties are insured by the Rhode Island Interlocal Risk Management Trust. This agency was established for the primary purpose of providing insurance to local government entities. The following coverage is provided to the Town of Smithfield: worker's compensation, general liability, automobile liability, public buildings and public officials' liability insurance.

INDEPENDENT AUDIT

In accordance with Town's Charter, the Town's Independent Certified Public Accountants, Braver P.C. have completed an audit of the accounts and financial statements, and their opinion is included herein.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Smithfield for its comprehensive annual financial report for the fiscal year ended June 30, 2012. This was the fifth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of the Comprehensive Annual Financial Report on a timely basis could not have been accomplished without the efforts and dedication of the competent staff of the Department of Finance. I would like to express my appreciation to the Town Controller, my staff and other personnel from various departments who assisted in its preparation. Also, I would like to thank the Town Manager and the Town Council for their interest and support in planning and conducting the financial operation of the Town in a dedicated and responsible manner.

Respectfully Submitted,

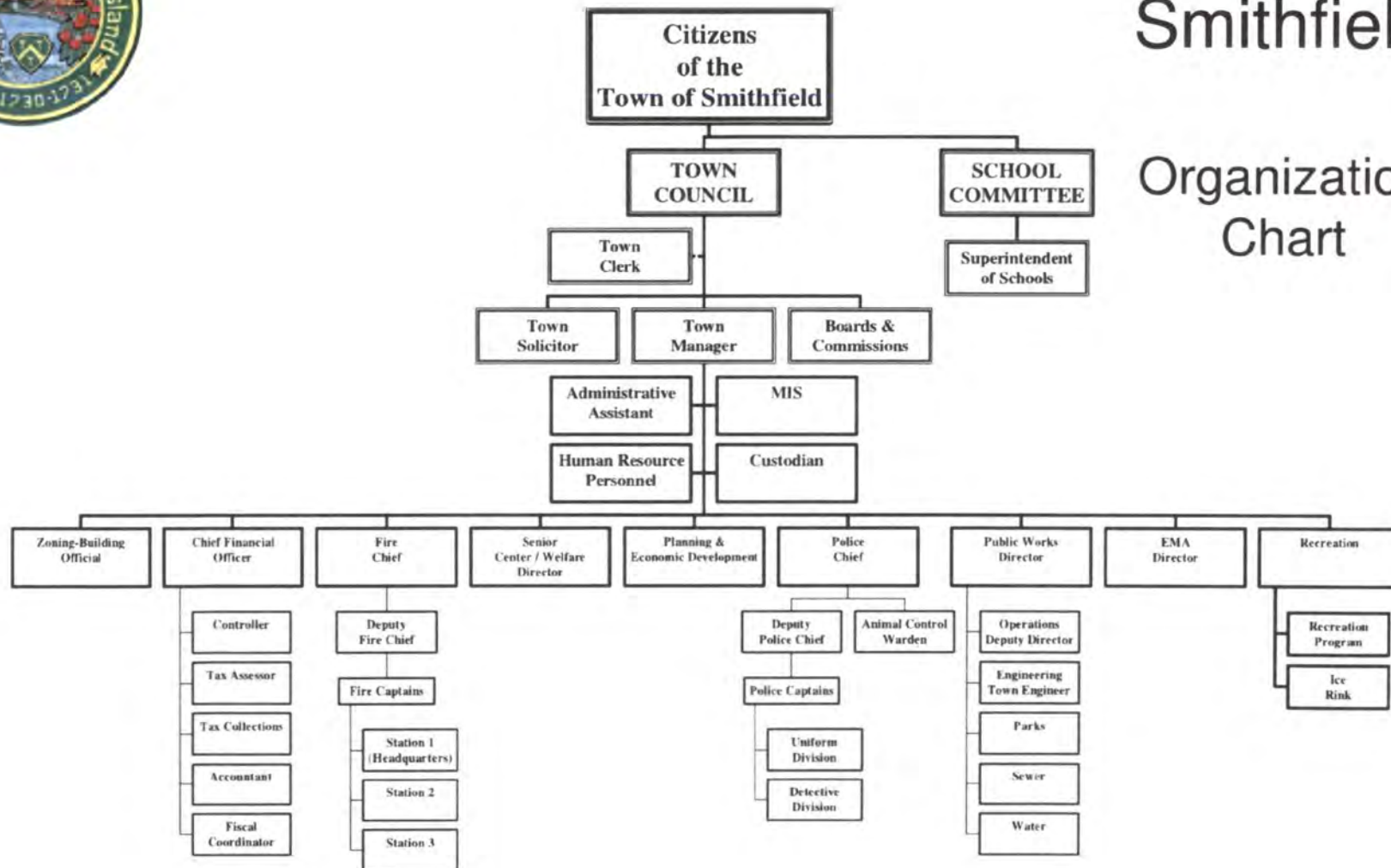
A handwritten signature in black ink, appearing to read 'R. R. Rossi', written in a cursive style.

Randy R. Rossi
Finance Director



Town of Smithfield

Organization Chart



TOWN OF SMITHFIELD, RHODE ISLAND

TOWN COUNCIL

Alberto J. LaGreca, Jr., President
Ronald F. Manni, Vice President
Maxine A. Cavanagh
Bernard A. Hawkins
Suzanna L. Alba

TOWN MANAGER

Dennis G. Finlay

DEPARTMENT DIRECTORS

Animal Control Warden	Thomas B. Taylor
Building Official	Peter R. Scorpio
Emergency Management Director	Todd S. Manni
Engineer	Kevin Cleary
Finance Director / Treasurer	Randy R. Rossi
Fire Chief	Robert W. Seltzer
Human Resources / Personnel	Susan M. Pilkington
Library Director (East Smithfield)	Elodie E. Blackmore
Library Director (Greenville)	Christopher LaRoux
Planning and Economic Development Director	Michael A. Phillips
Police Chief	Richard P. St. Sauveur
Public Works Director / Water Superintendent	Seth J. Lemoine
Recreation and Ice Rink Director	Thomas J. Tullie
School Superintendent	Robert O'Brien
Senior Center / Welfare Director (Acting)	Karen L. Armstrong
Tax Assessor	Suzanne P. Kogut
Town Clerk	Dianne L. Ady
Town Solicitor	Edmund L. Alves, Jr.



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Town of Smithfield
Rhode Island**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

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TOWN OF SMITHFIELD

FINANCIAL SECTION

- REPORT OF INDEPENDENT AUDITORS
 - MANAGEMENT'S DISCUSSION AND ANALYSIS
 - BASIC FINANCIAL STATEMENTS
 - REQUIRED SUPPLEMENTARY INFORMATION
 - OTHER SUPPLEMENTARY INFORMATION
-

REPORT OF INDEPENDENT AUDITORS

To the Town Council
Town of Smithfield, Rhode Island

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Smithfield, Rhode Island as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, 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 Smithfield, Rhode Island, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of Funding Progress for Pension Plans, and the Schedule of Funding Progress for OPEB Plans on Pages 4 through 15, Pages 75 through 80, Pages 81 through 82, and Page 83, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Smithfield, Rhode Island's financial statements. The introductory section, combining and individual nonmajor fund financial statements, other exhibits, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements.

The combining and individual nonmajor fund financial statements, other exhibits, and Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, other exhibits, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Matters (Continued)

Other Information (Continued)

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2013, on our consideration of the Town of Smithfield, Rhode Island'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Smithfield, Rhode Island's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited the Town of Smithfield, Rhode Island's 2012 basic financial statements, and in our report dated December 21, 2012, expressed an unmodified opinion on those statements. The comparative information on the Statement of Net Position of the Proprietary Funds has been restated to reflect the adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. In our opinion, the summarized comparative information presented herein for the proprietary funds as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Providence, Rhode Island
December 23, 2013

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TOWN OF SMITHFIELD, RHODE ISLAND
Management's Discussion and Analysis
For the Year Ended June 30, 2013
(Un-audited)

As management of the Town of Smithfield, we offer readers of the Town of Smithfield's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with the letter of transmittal and the Town's financial statements that follow this section.

Financial Highlights

- ❖ The assets and deferred outflow of resources for the Town of Smithfield exceeded its liabilities at the close of the most recent fiscal year by \$55,008,042. Of this amount, \$17,596,026 may be used to meet the government's ongoing obligations to citizens and creditors.
- ❖ The government's total net position decreased by \$1,412,692. The decrease is primarily attributable to the increase in the Net Pension Obligation and the issuance of new bonded debt for upgrades at the Town's Wastewater Treatment Facility.
- ❖ As of the close of the fiscal year, the Town of Smithfield's governmental funds reported combined ending fund balances of \$24,107,248. Approximately 9% of this amount, \$2,166,171 is unassigned and available for use at the government's discretion.
- ❖ The remaining fund balance of \$21,941,077 includes \$328,354 in non-spendable funds, \$421,507 in restricted funds, \$17,341,216 in committed funds, and \$3,850,000 in assigned funds.
- ❖ At the end of the current fiscal year, the General Funds unassigned fund balance was \$3,159,111, or 10.9% of the total general fund expenditures for the fiscal year. The general fund's current fiscal year's expenditures and transfers exceeded revenues and transfers by \$836,343.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Smithfield's basic financial statements. These basic financial statements consist of three components:

- Government-wide financial statements
- Fund financial statements
- Notes to financial statements

In addition to the basic financial statements, this report also contains other supplementary information. The Town's basic financial statements and other supplementary information provide information about the Town's activities. They provide both a short-term and a long-term view of the Town's financial health as well as information about activities for which the Town acts solely as a trustee for the benefit of those outside of the Town's government.

Government-wide financial statements – are designed to provide readers with a broad overview of the Town's finances in a manner, which is similar to a private-sector business. They are presented on the accrual basis of accounting where revenues and expenditures are recognized on the date they occurred rather than on the date they were collected or paid.

The *Statement of Net Position* presents information on all of the Town's assets, deferred outflow of resources, liabilities, and deferred inflow of resources with the difference between these reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

TOWN OF SMITHFIELD, RHODE ISLAND
Management's Discussion and Analysis
For the Year Ended June 30, 2013
(Un-audited)

The *Statement of Activities* presents information which shows how the Town's net position changed during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods. Examples are uncollected taxes and earned but unused compensated absences.

Both of the government-wide financial statements distinguish functions of the Town of Smithfield, which are supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The Town's governmental activities include general government, public safety, public works, public health and assistance, public libraries, education, recreation and senior activities, and interest on long-term debt. The business-type activities of the Town include the Sewer Authority, Water Supply Board, Ice Rink, and School Lunch Program.

The government wide financial statements are reported on Pages 16 through 17.

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

Governmental Funds - Governmental funds (Pages 18-21) are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The Town of Smithfield maintains governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund and the School Special Revenue Unrestricted Fund, which are considered to be major funds. Data from the other funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Proprietary Funds - The Town of Smithfield's proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town has four enterprise funds. The Smithfield Sewer Authority, which accounts for the Town's sewer system; the Water Supply Board, which accounts for the Town's water system; the Smithfield Ice Rink, which houses an ice rink and associated facilities; the School Lunch Program, which accounts for School Lunch operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Smithfield Sewer Authority, Smithfield Water Supply Board, Smithfield Ice Rink, and School Lunch Fund.

TOWN OF SMITHFIELD, RHODE ISLAND
Management's Discussion and Analysis
For the Year Ended June 30, 2013
(Un-audited)

The proprietary fund financial statements are presented on Pages 22 through 25.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because resources of those funds are *not* available to support the Town of Smithfield's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The fiduciary fund financial statements can be found on Pages 26 and 27.

Notes to 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 are presented on Pages 28 through 74.

Other Information - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information pertinent to the Town of Smithfield's operations. Required Supplementary information is presented on Pages 75 through 83.

The combining statements referred to earlier in connection with non-major governmental funds and proprietary funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules are presented on Pages 84 through 100.

Government-wide Financial Analysis

As noted earlier, over time net position may serve as a useful indicator of a government's financial position and an important determinant of its ability to finance services in the future. In the case of the Town of Smithfield, assets exceeded liabilities by \$55,008,042 as of June 30, 2013.

Listed below is a comparison of the current and prior fiscal years. The June 30, 2012 amounts have been restated to reflect the implementation of GASB Statement #65.

TOWN OF SMITHFIELD, RHODE ISLAND
Management's Discussion and Analysis
For the Year Ended June 30, 2013
(Un-audited)

TOWN OF SMITHFIELD, RHODE ISLAND
NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
ASSETS						
Current assets	\$ 28,281,966	\$ 30,051,825	\$ 10,483,569	\$ 10,122,854	\$ 38,765,535	\$ 40,174,679
Noncurrent assets	38,875,697	39,250,174	20,268,185	18,067,469	59,143,882	57,317,643
Total Assets	67,157,663	69,301,999	30,751,754	28,190,323	97,909,417	97,492,322
DEFERRED OUTFLOWS OF RESOURCES						
Deferred charges on refunding	137,530	-	-	-	137,530	-
LIABILITIES						
Current liabilities	4,449,356	5,714,715	685,816	449,550	5,135,172	6,164,265
Noncurrent liabilities	28,886,802	29,103,739	9,016,931	5,803,584	37,903,733	34,907,323
Total Liabilities	33,336,158	34,818,454	9,702,747	6,253,134	43,038,905	41,071,588
NET POSITION						
Net Investment in Capital Assets	22,580,542	20,789,268	14,831,474	15,985,739	37,412,016	36,775,007
Unrestricted	11,378,493	13,694,278	6,217,533	5,951,450	17,596,026	19,645,728
Total Net Position	\$ 33,959,035	\$ 34,483,546	\$ 21,049,007	\$ 21,937,189	\$ 55,008,042	\$ 56,420,735

By far largest portion of the Town's net position \$37,412,016 (68%) reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment); less any related debt used to acquire these assets that are still outstanding. The Town uses these capital assets to provide services to its 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.

The remaining balance of unrestricted net position (\$17,596,026) may be used to meet the government's ongoing obligations to its citizens and creditors.

The Town's net position decreased by \$1,412,692 during the current fiscal year. The decrease was primarily due to an increase in the Town's net pension obligation and the issuance of bond for upgrades at the Town's Wastewater Treatment Facility. Of this amount, governmental activities accounted for \$524,510 of the decrease, while business-type activities accounted for a decrease of \$888,182.

Governmental Activities

Governmental activities decreased the Town's net position by \$524,510 for the current period, which is an overall decrease of 1.5% in the Town's governmental net position.

Property taxes increased by \$830,833 (1.7 percent) during the year. Most of this increase is the product of continued collection efforts for both current and delinquent taxes. Operating grants for governmental activities decreased by \$155,721, while charges for services increased by \$77,505.

The net change in fund balance for the fiscal year ended June 30, 2013 was a decrease of \$1,273,866 for the Town's governmental fund types.

Reduction in net position was due mainly to an increase in the Town's net pension obligation of \$1,076,547.

TOWN OF SMITHFIELD, RHODE ISLAND
Management's Discussion and Analysis
For the Year Ended June 30, 2013
(Un-audited)

There are various other items which are reconciliations between the Statement of Activities and the Schedule of Revenues, Expenditures and Changes in Fund Balances, all of which can be seen on Page 20.

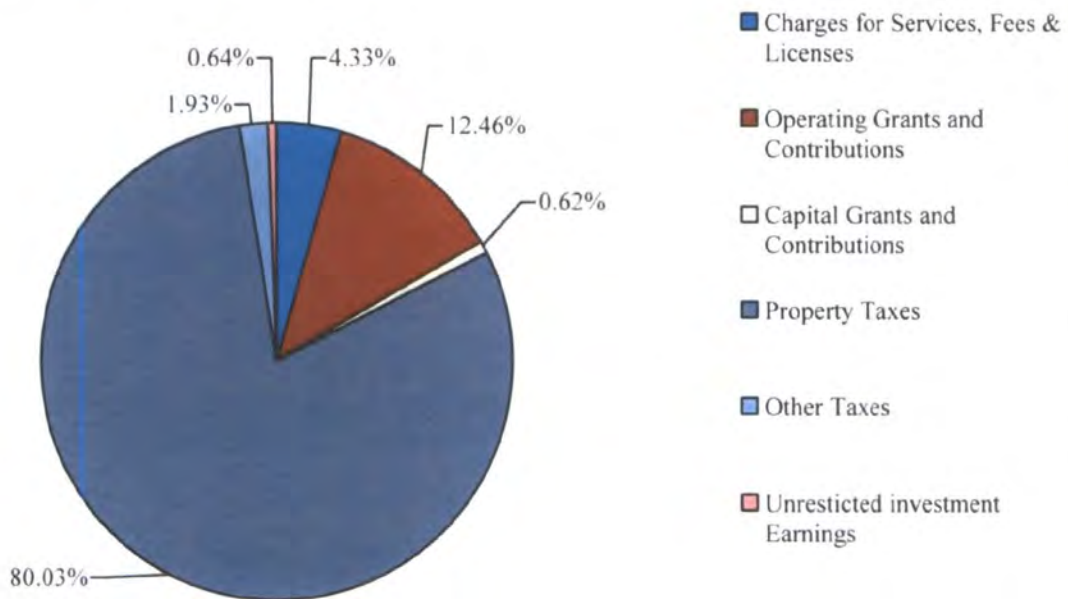
The following presents the Changes in Net Position for the current year's activity. The June 30, 2012 amounts have been restated to reflect the implementation of GASB Statement #65.

TOWN OF SMITHFIELD, RHODE ISLAND
Changes in Net Position

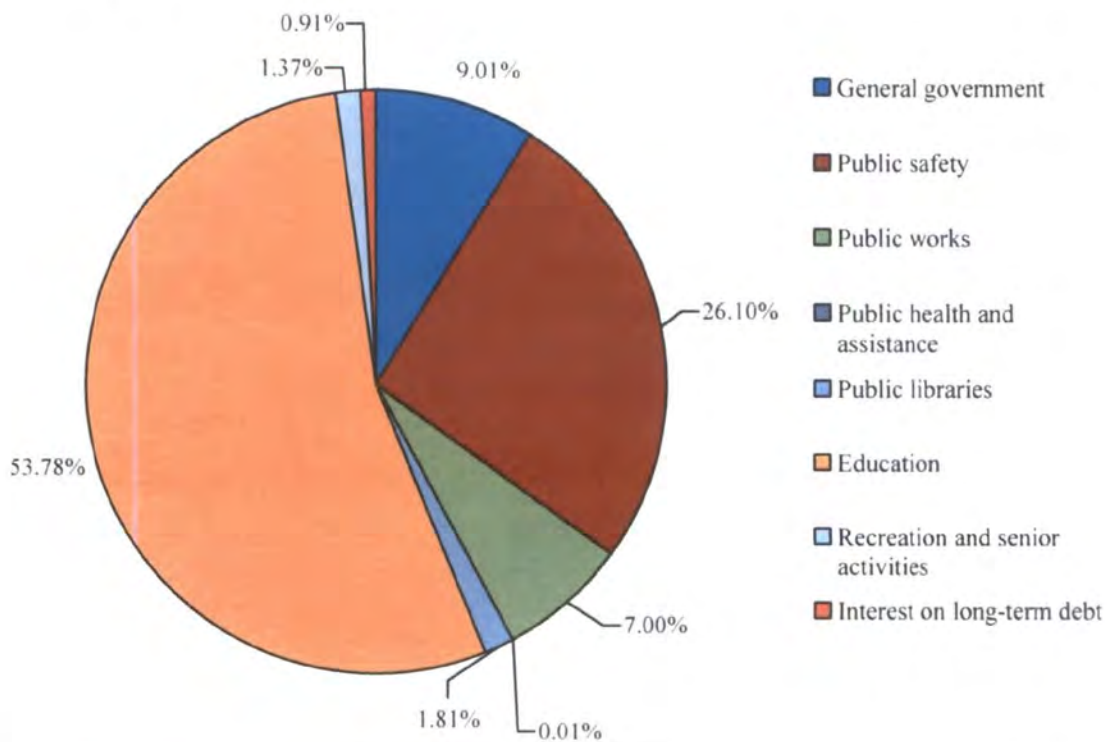
	Governmental Activities			Business-Type Activities		
	2013	2012	Change	2013	2012	Change
Revenues						
Program revenues						
Charges for services	\$ 2,753,688	\$ 2,676,183	\$ 77,505	\$ 5,556,697	\$ 5,332,061	\$ 224,636
Operating grants and contributions	7,930,129	8,085,850	(155,721)	191,472	182,508	8,964
Capital grants and contributions	394,814	883,067	(488,253)	-	-	-
General revenues						
Property taxes	50,944,942	50,114,109	830,833	-	-	-
Unrestricted investment earnings	404,920	377,649	27,271	14,442	15,705	(1,263)
Miscellaneous	1,231,637	1,184,943	46,694	-	-	-
Total Revenues	<u>63,660,130</u>	<u>63,321,801</u>	<u>338,329</u>	<u>5,762,611</u>	<u>5,530,274</u>	<u>232,337</u>
Expenses						
General government	5,918,235	7,752,644	(1,834,409)	-	-	-
Public safety	17,137,904	17,429,845	(291,941)	-	-	-
Public works	4,598,921	4,351,841	247,080	-	-	-
Education	35,311,450	35,543,656	(232,206)	-	-	-
Recreation and senior activities	901,172	945,504	(44,332)	-	-	-
Public health & assistance	8,350	7,450	900	-	-	-
Community development	-	-	-	-	-	-
Public libraries	1,187,734	1,187,734	-	-	-	-
Interest on long-term debt	597,249	705,512	(108,263)	-	-	-
Sewer Authority	-	-	-	2,799,184	2,568,654	230,530
Water Supply Board	-	-	-	1,171,217	1,127,768	43,449
Smithfield Ice Rink	-	-	-	608,256	613,405	(5,149)
School Lunch Program	-	-	-	595,761	687,068	(91,307)
Total Expenses	<u>65,661,015</u>	<u>67,924,186</u>	<u>(2,263,171)</u>	<u>5,174,418</u>	<u>4,996,895</u>	<u>177,523</u>
Increase (Decrease) in Net Position before transfers	(2,000,885)	(4,602,385)	2,601,500	588,193	533,379	54,814
Transfers	1,476,375	1,473,000	3,375	(1,476,375)	(1,473,000)	(3,375)
Increase (Decrease) in Net Position	<u>(524,510)</u>	<u>(3,129,385)</u>	<u>2,604,875</u>	<u>(888,182)</u>	<u>(939,621)</u>	<u>51,439</u>
Net Position - beginning (as restated)	<u>34,483,545</u>	<u>37,612,930</u>	<u>(3,129,385)</u>	<u>21,937,189</u>	<u>22,876,810</u>	<u>(939,621)</u>
Net Position - ending	<u>\$ 33,959,035</u>	<u>\$ 34,483,545</u>	<u>\$ (524,510)</u>	<u>\$ 21,049,007</u>	<u>\$ 21,937,189</u>	<u>\$ (888,182)</u>

TOWN OF SMITHFIELD, RHODE ISLAND
Management's Discussion and Analysis
For the Year Ended June 30, 2013
(Un-audited)

Revenue by Source - Governmental Activities



Expenses by Function - Governmental Activities



TOWN OF SMITHFIELD, RHODE ISLAND
Management's Discussion and Analysis
For the Year Ended June 30, 2013
(Un-audited)

Education expenses account for approximately 53.8 percent of the total expenses within the governmental funds of the Town of Smithfield. Public safety and General government expenses account for approximately 26.1 percent and 9 percent, respectively of the total expenses for the 2013 fiscal year. Major expense factors include:

- Governmental activities expenses decreased by \$2,263,171 from \$67,924,186 to \$65,661,015. The decrease was largely generated from a reduction in General Government expenditures of \$1,834,409. While Public Safety and Education also recognized a decrease of \$291,941 and \$232,206 respectfully.
- Public works saw an increase in expenditures by \$247,080 from \$4,351,841 to \$4,598,921 due to an increase in capital outlay which took place during the fiscal year.
- Interest of long term debt decreased by \$108,263 based on a declining debt schedule.

Business-type Activities – Net position in business-type activities decreased by \$888,182 resulting in a 4% decrease in business-type net position.

Charges for services for business-type activities accounted for 96.4% of the total revenue sources. The balance of revenues for business-type activities was from operating grants and contributions (3.3%), and investment earnings (0.3%).

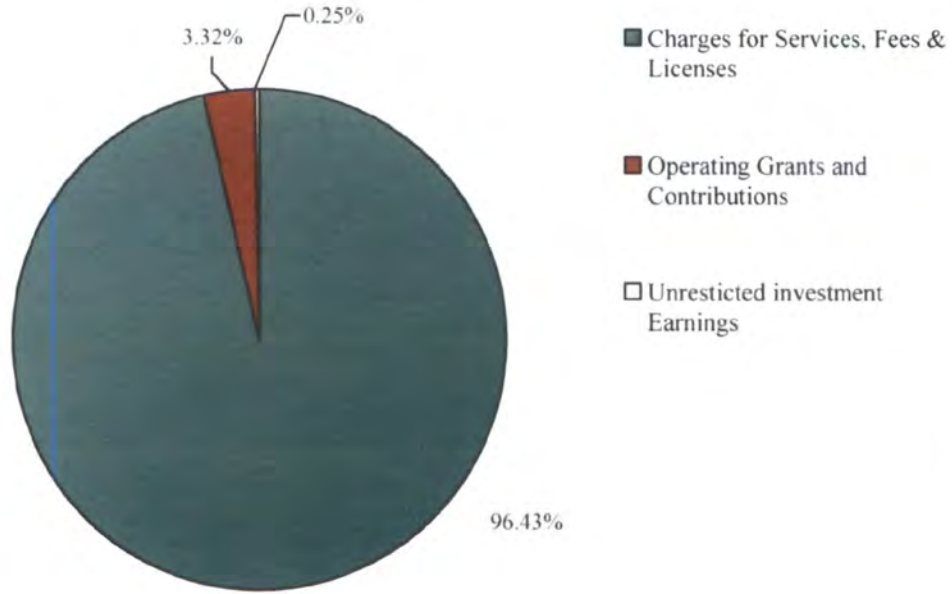
Sewer authority expenses account for approximately 54.1% of the total expenditures within the business-type activities of the Town. Water Supply Board, Ice Rink, and School Lunch Program expenses account for approximately 22.6%, 11.8%, and 11.5%, respectively of the total business-type activities expenditures for the 2013 fiscal year.

Charges for service for business-type activities increased by \$224,636 from \$5,332,061 to \$5,556,697. The Sewer Authority fund had an increase of \$229,018. Increases in delinquent and current collections helped with the slight increase. Charges for services in the Water Supply Board fund increased by \$72,155, while the Ice Rink fund experienced a slight decrease of \$31,736 in these program revenues. Ice Rink fees decreased mainly due to decrease rentals and the collection of other charges. School Lunch Programs recognized a decrease of \$44,801 due primarily to a reduction in the quantity of meals sold. Unrestricted investment earnings declined from \$15,705 to \$14,442 for all business-type activities. Reductions in interest rates earned on investments were responsible for generating the decline in this revenue source.

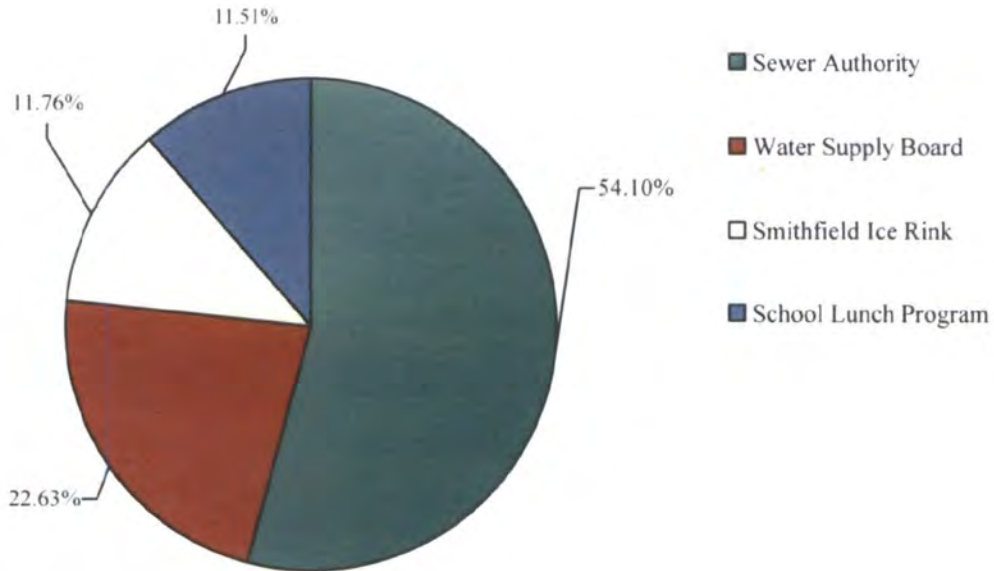
Expenses in the Sewer Authority fund increase by \$230,530 as of result capital projects that took place during the fiscal year. Water Supply expenses increased by \$43,449 due to increases in maintenance expenses, while the Ice Rink fund experienced a decrease of \$5,149 through reductions in operating costs. The School Lunch Program fund recognized a decrease in expenditures of \$91,307 due to a reduction in operating cost.

TOWN OF SMITHFIELD, RHODE ISLAND
Management's Discussion and Analysis
For the Year Ended June 30, 2013
(Un-audited)

Revenue by Source - Business-type Activities



Expenses by Function - Business-type Activities



TOWN OF SMITHFIELD, RHODE ISLAND
Management's Discussion and Analysis
For the Year Ended June 30, 2013
(Un-audited)

Financial Analysis of the Town of Smithfield's Funds

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

At the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$24,107,248. Approximately 8.99% of the total amount, or \$2,166,171 constituted unassigned fund balances. The remainder of the fund balance is non-spendable, restricted, committed or assigned for future commitments or designated for specific purposes.

For a more detailed review of changes in fund balances, see the statement of revenues, expenditures and changes in fund balances on Page 20.

Proprietary Funds -The Town of Smithfield's proprietary fund statements provide the same type of information as presented in the government-wide financial statements, but in more detail.

Unrestricted net position in the Sewer Authority at the end of the fiscal year amount to \$4,985,387, an increase of \$169,148. Unrestricted net position in the Water Supply increased by \$29,609 for a total of \$737,181. The Ice Rink finished the year with an unrestricted net position of \$448,533, which was an increase in value of \$71,151 due to reductions in operating expenditures. The School Lunch Program recognized a decrease in unrestricted net position by \$3,825.

General Fund Budgetary Highlights

For the year ended June 30, 2013, the General Fund revenues and transfers were over budget projections by \$180,276, or 0.27%. General Fund expenditures were under budget by \$350,685, or 0.53%. This resulted in a \$530,961 budgetary surplus in the General Fund for the year ended June 30, 2013. See details on Pages 75 through 78.

Revenues:

General property taxes - were over budget by \$550,370 due to continued collection efforts of delinquent tax collections during the operating year.

Intergovernmental revenues - were over budget by \$278,968 due to conservative budgeting for state aid revenues based on the Governor's Budget.

License, fees and permits - were over budget by \$516,471 due to an unanticipated increase in building permit fees and recording fees collected.

Other funding sources - were under budget by \$1,171,781 due to the availability of other revenue sources and the lack of need to transfer amounts from other funds.

Expenditures:

Public Safety - was over budget by \$148,661 due to covering long-term vacancies.

Public Works – was under budget by \$88,008 due to unfilled positions.

TOWN OF SMITHFIELD, RHODE ISLAND
Management's Discussion and Analysis
For the Year Ended June 30, 2013
(Un-audited)

Town Miscellaneous - was under budget by \$705,083 due to unfilled positions and reductions in operating costs.

Municipal Capital Improvements – was under budget by \$140,812 due to project time constraints.

The Town of Smithfield's Capital Assets

The Town of Smithfield's investment in capital assets for its governmental and business-type activities as of June 30, 2013 amounts to \$58,521,575 (net of accumulated depreciation). The investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, infrastructure, and construction in progress.

TOWN OF SMITHFIELD, RHODE ISLAND
Capital Assets (Net of Accumulated Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$14,557,927	\$13,729,999	\$ 485,688	\$ 485,688	\$15,043,615	\$14,215,687
Construction in progress	71,430	104,175	3,216,271	186,849	3,287,701	291,024
Land improvements	-	-	7,595	10,340	7,595	10,340
Plant and buildings	12,687,656	12,459,433	2,106,262	2,382,375	14,793,918	14,841,808
Equipment	935,044	951,799	6,100,500	6,424,398	7,035,544	7,376,197
Motor vehicles	1,258,367	1,578,303	6,398	14,928	1,264,765	1,593,231
Infrastructure	9,365,273	10,275,066	7,723,164	7,883,309	17,088,437	18,158,375
Total	\$38,875,697	\$39,098,775	\$19,645,878	\$17,387,887	\$58,521,575	\$56,486,662

Additional information on the Town of Smithfield's capital assets is located in "Note 5" of the notes to the financial statements on Pages 46 and 47.

The Town of Smithfield's Debt Administration

At the end of the current fiscal year, the Town of Smithfield's Governmental Activities had a total bonded debt of \$16,150,000. Of this amount, 100% comprises bonded debt backed by the full faith and credit of the government. The following is a summary of the Town's long-term debt.

TOWN OF SMITHFIELD, RHODE ISLAND
Bonds, Notes, and Lease Purchase Obligations

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Bonds payable	\$ 16,150,000	\$ 17,330,000	\$ 8,646,101	\$ 5,138,000	\$24,796,101	\$22,468,000
Lease purchase obligations & leases	43,539	908,105	-	-	43,539	908,105
Total	\$ 16,193,539	\$ 18,238,105	\$ 8,646,101	\$ 5,138,000	\$24,839,640	\$23,376,105

TOWN OF SMITHFIELD, RHODE ISLAND
Management's Discussion and Analysis
For the Year Ended June 30, 2013
(Un-audited)

Note 7, Pages 48 through 51 provides additional information on the Town's long-term debt obligations.

The Town's general obligation bond rating as assigned by Moody's Investors Service in 2012 is Aa2 and AA by S&P. The State of Rhode Island imposes a limit of 3 percent of the fair value of all taxable Town property on the general obligation debt that a municipality can issue. The Town of Smithfield's limit is \$81,410,117 at year-end. The Town's outstanding general obligation debt is \$16,150,000 at year-end, of which none is subject to the legal debt margin. See Schedule 12 on Page 115 (Statistical Section) for a further explanation of debt subject to the margin.

EMPLOYMENT

Since Smithfield is easily accessed via Interstate 295 and U.S. Route 44 and is strategically located 50 minutes from Boston and 10 minutes from Providence most employment opportunities extend outside the Town. The principle employers are the Fidelity Investments, Town of Smithfield and Bryant University.

HOUSING

At the end of October 2013 the median sale price for single family homes in Smithfield was \$232,081 and the median price of all sales was \$229,155.

POPULATION

In 2010 Smithfield was ranked 17th in population among the thirty-nine cities and towns in Rhode Island. Based on the U.S. Bureau of Census, Smithfield experienced a moderate increase in populations from 1970 through 2010.

Population in the Town from 1950 to 2010 was as follows:

<u>Years</u>	<u>Population</u>
1950	6,690
1960	9,442
1970	13,468
1980	16,886
1990	19,163
2000	20,613
2010	21,430

Economic Factors and Next Year's Budgets and Rates

Smithfield is known as the Apple Valley for orchards. In the 20th century, the Town transformed into a suburban community with a solid industrial and commercial base. Residential accounts for 65.72% of the tax base while commercial and industrial account for 24.91 % of the tax base.

The Town of Smithfield's total general fund budget for fiscal year 2014 amounts to \$63,182,217 which reflects an increase of \$1,133,774 or 1.82% above the fiscal year 2013 budget of \$62,048,443. Of the Town's 2014 budget, \$32,544,732, or 52% is budgeted for education expenditures.

The State of Rhode Island is budgeted to contribute \$4,927,615 to the Town's education department based on State Aid in fiscal 2014.

The Town's tax rate for fiscal year 2013 is \$17.52 per \$1,000 of assessed value with 48% allocated for general government and 52% allocated for education. For fiscal year 2013 the Town's tax rate was \$16.02 per \$1,000 of assessed value with 47% allocated for general government and 53% allocated for education.

TOWN OF SMITHFIELD, RHODE ISLAND
Management's Discussion and Analysis
For the Year Ended June 30, 2013
(Un-audited)

Request for Information

The financial report is designed to provide our citizens, taxpayers and creditors with a general overview of the Town's finances and to show the Town's accountability for the tax dollars received. If you have questions about this report or need additional financial information, contact the Finance Director's Office, Town of Smithfield, 64 Farnum Pike, Smithfield, RI 02917.



Randy R. Rossi
Finance Director

TOWN OF SMITHFIELD

BASIC FINANCIAL STATEMENTS

TOWN OF SMITHFIELD, RHODE ISLAND

Statement of Net Position
June 30, 2013

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 19,740,019	\$ 7,125,421	\$ 26,865,440
Cash on deposit with funding agency	-	4,056,427	4,056,427
Restricted cash	-	579,476	579,476
Investments	1,632,084	-	1,632,084
Accounts receivable	4,164,896	562,993	4,727,889
Internal balances	1,868,543	(1,868,543)	-
Due from federal and state governments	797,987	-	797,987
Inventory	-	27,795	27,795
Prepays	78,437	-	78,437
Total Current Assets	28,281,966	10,483,569	38,765,535
Noncurrent Assets:			
Assessment fees	-	622,307	622,307
Capital assets not being depreciated	14,629,357	3,701,959	18,331,316
Capital assets, net of accumulated depreciation	24,246,340	15,943,919	40,190,259
Total Noncurrent Assets	38,875,697	20,268,185	59,143,882
TOTAL ASSETS	67,157,663	30,751,754	97,909,417
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred charges on refunding	137,530	-	137,530
LIABILITIES:			
Current Liabilities:			
Accounts payable and accrued expenses	2,687,169	324,724	3,011,893
Unearned revenue, assessments, and fees	111,057	69,092	180,149
Current portion of compensated absences	250,000	35,000	285,000
Current portion of bonds	1,401,130	257,000	1,658,130
Total Current Liabilities	4,449,356	685,816	5,135,172
Noncurrent Liabilities:			
Compensated absences	4,023,740	48,469	4,072,209
Unearned revenue, assessments, and fees	-	579,361	579,361
Net pension and OPEB obligations	9,969,037	-	9,969,037
General obligation bonds, net	14,894,025	8,389,101	23,283,126
Total Noncurrent Liabilities	28,886,802	9,016,931	37,903,733
TOTAL LIABILITIES	33,336,158	9,702,747	43,038,905
NET POSITION			
Net Investment in Capital Assets	22,580,542	14,831,474	37,412,016
Unrestricted	11,378,493	6,217,533	17,596,026
TOTAL NET POSITION	\$ 33,959,035	\$ 21,049,007	\$ 55,008,042

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

TOWN OF SMITHFIELD, RHODE ISLAND

Statement of Activities
For the Year Ended June 30, 2013

Functions/Programs:	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services, Fees & Licenses	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 5,918,235	\$ 1,132,533	\$ 32,671	\$ 29,998	\$ (4,723,033)		\$ (4,723,033)
Public safety	17,137,904	1,261,267	57,389	91,180	(15,728,068)		(15,728,068)
Public works	4,598,921	-	2,000	-	(4,596,921)		(4,596,921)
Public health and assistance	8,350	-	6,208	-	(2,142)		(2,142)
Public libraries	1,187,734	-	-	-	(1,187,734)		(1,187,734)
Education	35,311,450	356,258	7,457,214	-	(27,497,978)		(27,497,978)
Recreation and senior activities	901,172	3,630	42,005	273,636	(581,901)		(581,901)
Interest on long-term debt	597,249	-	332,642	-	(264,607)		(264,607)
Total governmental activities	65,661,015	2,753,688	7,930,129	394,814	(54,582,384)		(54,582,384)
Business-type activities:							
Sewer Authority	2,799,184	3,060,558				\$ 261,374	261,374
Water Supply Board	1,171,217	1,449,291				278,074	278,074
Smithfield Ice Rink	608,256	633,350				25,094	25,094
School Lunch Program	595,761	413,498	191,472			9,209	9,209
Total business-type activities	5,174,418	5,556,697	191,472	-	-	573,751	573,751
Total	\$ 70,835,433	\$ 8,310,385	\$ 8,121,601	\$ 394,814	\$ (54,582,384)	573,751	(54,008,633)
General revenues:							
Property taxes					50,944,942		50,944,942
Motor vehicle phase-out taxes					271,301		271,301
Telephone taxes					257,910		257,910
Hotel, meals, and beverage tax					702,426		702,426
Unrestricted investment earnings					404,920	14,442	419,362
Transfers					1,476,375	(1,476,375)	(0)
Total general revenues and transfers					54,057,874	(1,461,933)	52,595,941
Change in Net Position					(524,510)	(888,182)	(1,412,692)
Net Position - beginning of year (as restated)					34,483,545	21,937,189	56,420,734
Net Position - ending of year					\$ 33,959,035	\$ 21,049,007	\$ 55,008,042

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

TOWN OF SMITHFIELD, RHODE ISLAND

EXHIBIT B-1

Balance Sheet
Governmental Funds
June 30, 2013

	General Fund	School Unrestricted Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Cash and cash equivalents	\$ 12,869,240	\$ 962,708	\$ 5,908,071	\$ 19,740,019
Investments	1,632,084	-	-	1,632,084
Taxes receivable, net	3,860,963	-	11,295	3,872,258
Other receivables	292,638	-	-	292,638
Due from federal and state governments	-	61,273	736,714	797,987
Prepaid expenditures	-	78,437	-	78,437
Due from other funds	4,403,241	2,997,256	2,809,766	10,210,263
TOTAL ASSETS	\$ 23,058,166	\$ 4,099,674	\$ 9,465,846	\$ 36,623,686
LIABILITIES:				
Accounts payable	\$ 449,587	\$ 153,197	\$ 26,037	\$ 628,821
Accrued liabilities	829,649	1,012,882	20,793	1,863,324
Retainage payable	-	-	39,924	39,924
Due to federal & state governments	-	-	-	-
Due to other funds	4,704,306	739,841	2,897,573	8,341,720
Unearned grant and other revenues	-	77,472	33,585	111,057
TOTAL LIABILITIES	5,983,542	1,983,392	3,017,912	10,984,846
DEFERRED INFLOW OF RESOURCES:				
Unearned tax revenue	1,531,592			1,531,592
FUND BALANCE:				
Non-Spendable	249,917	78,437	-	328,354
Restricted	94,933	-	326,574	421,507
Committed	8,189,071	2,037,845	7,114,300	17,341,216
Assigned	3,850,000	-	-	3,850,000
Unassigned	3,159,111	-	(992,940)	2,166,171
TOTAL FUND BALANCE	15,543,032	2,116,282	6,447,934	24,107,248
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCE	\$ 23,058,166	\$ 4,099,674	\$ 9,465,846	\$ 36,623,686

(CONTINUED)

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

TOWN OF SMITHFIELD, RHODE ISLAND

EXHIBIT B-1 (Continued)

*Balance Sheet
Governmental Funds
June 30, 2013*

Amounts reported for governmental activities in the Statement of Net Position are different because of the following:

<i>Total Fund Balance reported in Exhibit B-1</i>	\$ 24,107,248
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the Gov't Fund balance sheet	38,875,697
Deferred debt charges resulting from issuance of refunding and advance refunding bonds. These charges have been included in the governmental activities in the Statement of Net Position.	137,530
Net OPEB Obligation and Net Pension Obligations are reported on the Statement of Net Position as a long-term obligation at June 30, 2013 but these obligations are not reported on the Fund Statements.	(9,969,037)
Long-term debt liabilities are not due and payable in the current period and therefore are not reported in the funds. These liabilities are reported in the Statement of Net Position.	(20,467,279)
Deferred tax revenues (net of an allowance for uncollectibles) are recorded in the funds, but are not deferred under the measurement focus employed in the Statement of Net Position.	1,531,592
Interest accrued on long-term debt obligations is reported as a liability in the Statement of Net Position but does not get reported in the Fund Statements.	(155,100)
Net premium on refunding has been recorded as long-term debt on the Statement of Net Position	<u>(101,616)</u>
<i>Total Net Position reported in Exhibit A-1</i>	<u>\$ 33,959,035</u>

(CONCLUDED)

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

TOWN OF SMITHFIELD, RHODE ISLAND

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2013

	General Fund	School Unrestricted Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:				
General property taxes	\$ 50,437,531			\$ 50,437,531
Intergovernmental	1,938,328	\$ 4,966,983	\$ 1,552,929	8,458,240
Licenses, fees, fines, charges, and assessments	976,471	-	1,468,378	2,444,849
Investment income (loss)	397,481	-	7,439	404,920
Contributions	-	-	165,133	165,133
State on behalf pension contribution	-	1,337,000	-	1,337,000
Other miscellaneous	32,783	356,258	38,054	427,095
TOTAL REVENUES	53,782,594	6,660,241	3,231,933	63,674,768
EXPENDITURES:				
Current:				
General government	2,545,195			2,545,195
Public safety	9,244,248		249,190	9,493,438
Public works	3,278,514			3,278,514
Public health and assistance	8,350			8,350
Libraries	1,187,734			1,187,734
Education	-	34,147,121	981,260	35,128,381
Recreation, Senior and Neighborhood Center	670,535		70,145	740,680
Miscellaneous	8,592,796		312,882	8,905,678
Debt Service:				
Principal	2,088,105			2,088,105
Interest and other costs	566,611		14,414	581,025
Capital:				
Capital expenditures	752,433	684,881	1,097,875	2,535,189
TOTAL EXPENDITURES	28,934,521	34,832,002	2,725,766	66,492,289
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	24,848,073	(28,171,761)	506,167	(2,817,521)
OTHER FINANCING SOURCES (USES)				
Proceeds from lease purchase obligation	67,280	-	-	67,280
Transfers in	2,086,414	27,267,117	570,993	29,924,524
Transfers out	(27,838,110)	-	(610,039)	(28,448,149)
TOTAL OTHER FINANCING SOURCES (USES)	(25,684,416)	27,267,117	(39,046)	1,543,655
NET CHANGE IN FUND BALANCES	(836,343)	(904,644)	467,121	(1,273,866)
FUND BALANCE BEGINNING OF YEAR	16,379,375	3,020,926	5,980,813	25,381,114
FUND BALANCE AT END OF YEAR	\$ 15,543,032	\$ 2,116,282	\$ 6,447,934	\$ 24,107,248

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

TOWN OF SMITHFIELD, RHODE ISLAND

*Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds (Exhibit B-2) to the Statement of Activities (Exhibit A-2)
Year Ended June 30, 2013*

Net Change in Fund Balances - Total Governmental Funds (Exhibit B-2):	\$ (1,273,866)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital expenditures in the current period.	(223,078)
Proceeds from issuance of long-term debt are reported as other financing sources in the fund statements but are not reported on the statement of activities in the government-wide statements.	(67,280)
Governmental funds report principal repayments on debt obligations as an expenditure. However, the repayment of principal has no effect on the net position.	2,111,846
Decrease in the Net OPEB Obligation is reported as a reduction to expense for governmental activities but is not reported as an expenditure in the fund financial statements. This is the decrease in the Net OPEB Obligation for fiscal 2013.	487,338
Increase in the Net Pension Obligation is reported as an expense for governmental activities but is not reported as an expenditure in the fund financial statements until it is paid with measurable and available resources. This is the increase in the Net Pension Obligation for fiscal 2012.	(1,562,722)
Governmental funds report deferred outflows on refundings and premiums on debt financing when they occur. The Statement of Activities amortizes these costs over the life of the obligations. This is the net amount of the amortization of bond discounts, premiums, and deferred charges on refundings.	(8,224)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds. Net unearned tax revenue decreased from fiscal 2012.	(14,638)
Accrued interest on long-term debt obligations is reported in the governmental activities but is not reported in the government fund statements. This is the increase in accrued interest expense in fiscal 2013.	(8,000)
Decrease in compensated absences. The governmental fund reflects this activity when it will be paid with measurable and available resources. The change from prior year balances is reflected in the statement of activities and changes in net position.	34,114
Change in Net Position of Governmental Activities in the Statement of Activities (Exhibit A-2)	\$ (524,510)

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

TOWN OF SMITHFIELD, RHODE ISLAND

Statement of Net Position
Proprietary Funds
June 30, 2013

(With Comparative Totals at June 30, 2012)

	Business-type Activities-Enterprise Funds								Totals (current year)
	Sewer Authority (current year)	Sewer Authority (prior year)	Water Supply Board (current year)	Water Supply Board (prior year)	Smithfield Ice Rink (current year)	Smithfield Ice Rink (prior year)	School Lunch Program (current year)	School Lunch Program (prior year)	
ASSETS:									
Current Assets:									
Cash and cash equivalents	\$ 5,686,645	\$ 5,647,417	\$ 760,955	\$ 1,070,755	\$ 619,350	\$ 619,110	\$ 58,471	\$ 61,866	\$ 7,125,421
Restricted cash	579,476	355,280	-	-	-	-	-	-	579,476
Cash on deposit with funding agency	3,831,697	3,735,953	224,730	-	-	-	-	-	4,056,427
Water and sewer assessments and user fees - net	243,656	246,535	254,991	148,073	-	-	-	-	498,647
Other receivables, net	-	-	-	-	49,880	40,869	14,466	11,367	64,346
Due from federal and state governments	-	-	-	-	-	-	-	9,114	-
Due from other funds	-	-	-	-	-	-	24,240	30,828	24,240
Inventory	-	-	27,795	29,294	-	-	-	-	27,795
Total Current Assets	10,341,474	9,985,185	1,268,471	1,248,122	669,230	659,979	97,177	113,175	12,376,352
Noncurrent Assets:									
Sewer Assessment fees	622,307	679,582	-	-	-	-	-	-	622,307
Capital assets not being depreciated	3,485,762	456,340	1,197	1,197	215,000	215,000	-	-	3,701,959
Capital assets, net of accumulated depreciation	12,117,295	13,033,467	2,623,940	2,447,342	1,167,116	1,212,007	35,568	22,534	15,943,919
Total Noncurrent Assets	16,225,364	14,169,389	2,625,137	2,448,539	1,382,116	1,427,007	35,568	22,534	20,268,185
TOTAL ASSETS	26,566,838	24,154,574	3,893,608	3,696,661	2,051,346	2,086,986	132,745	135,709	32,644,537
LIABILITIES:									
Current Liabilities:									
Accounts payable and accrued expenses	205,499	34,737	60,902	84,642	9,923	76,032	48,400	57,659	324,724
Due to other funds	1,280,108	1,299,248	453,138	427,211	159,537	155,793	-	1,355	1,892,783
Unearned assessments and user fees	61,800	61,800	-	-	4,947	6,776	2,345	3,904	69,092
Current portion of compensated absences	10,000	10,000	10,000	10,000	15,000	15,000	-	-	35,000
Current portion of bonds	257,000	89,000	-	-	-	-	-	-	257,000
Total Current Liabilities	1,814,407	1,494,785	524,040	521,853	189,407	253,601	50,745	62,918	2,578,599
Noncurrent Liabilities:									
General obligation bonds, net of current portion	8,162,101	5,049,101	227,000	-	-	-	-	-	8,389,101
Unearned assessments and user fees	579,361	696,430	-	-	-	-	-	-	579,361
Compensated absences	9,929	10,360	7,250	18,697	31,290	28,996	-	-	48,469
Total Noncurrent Liabilities	8,751,391	5,755,891	234,250	18,697	31,290	28,996	-	-	9,016,931
TOTAL LIABILITIES	10,565,798	7,250,676	758,290	540,550	220,697	282,597	50,745	62,918	11,595,530
NET POSITION:									
Net Investment in Capital Assets	11,015,653	12,087,659	2,398,137	2,448,539	1,382,116	1,427,007	35,568	22,534	14,831,474
Unrestricted	4,985,387	4,816,239	737,181	707,572	448,533	377,382	46,432	50,257	6,217,533
TOTAL NET POSITION	\$ 16,001,040	\$ 16,903,898	\$ 3,135,318	\$ 3,156,111	\$ 1,830,649	\$ 1,804,389	\$ 82,000	\$ 72,791	\$ 21,049,007

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

TOWN OF SMITHFIELD, RHODE ISLAND

Statement of Revenues, Expenses, and Changes in Fund Net Position
 Proprietary Funds
 For the Year Ended June 30, 2013
 (With Comparative Totals For the Year Ended June 30, 2012)

	Business-type Activities-Enterprise Funds								Totals (current year)
	Sewer Authority (current year)	Sewer Authority (prior year)	Water Supply Board (current year)	Water Supply Board (prior year)	Smithfield Ice Rink (current year)	Smithfield Ice Rink (prior year)	School Lunch Program (current year)	School Lunch Program (prior year)	
OPERATING REVENUES:									
Charges for usage and service	\$ 2,996,106	\$ 2,817,970	\$ 1,424,433	\$ 1,341,027	\$ 633,350	\$ 665,086			\$ 5,053,889
Food sales	-	-	-	-	-	-	\$ 413,498	\$ 458,299	413,498
Intergovernmental	-	-	-	-	-	-	191,472	182,508	191,472
Other revenues	64,452	13,570	24,858	36,109	-	-	-	-	89,310
Total Operating Revenues	3,060,558	2,831,540	1,449,291	1,377,136	633,350	665,086	604,970	640,807	5,748,169
OPERATING EXPENSES:									
Salaries and benefits	110,280	109,140	253,831	268,489	264,217	251,940			628,328
Operations	1,387,610	1,298,124	801,335	769,591	227,408	268,146			2,416,353
Depreciation and amortization	1,134,800	1,136,779	113,781	89,688	116,631	93,319	7,856	5,133	1,373,068
School cafeteria operations	-	-	-	-	-	-	587,905	681,935	587,905
Total Operating Expenses	2,632,690	2,544,043	1,168,947	1,127,768	608,256	613,405	595,761	687,068	5,005,654
OPERATING INCOME (LOSS)	427,868	287,497	280,344	249,368	25,094	51,681	9,209	(46,261)	742,515
NONOPERATING REVENUES (EXPENSES):									
Interest income	12,143	11,668	1,133	1,374	1,166	2,663	-	-	14,442
Bond/Debt issuance costs	(135,466)	-	(2,270)	-	-	-	-	-	(137,736)
Interest expense	(31,028)	(24,611)	-	-	-	-	-	-	(31,028)
Net Nonoperating Revenues	(154,351)	(12,943)	(1,137)	1,374	1,166	2,663	-	-	(154,322)
INCOME (LOSS) BEFORE CONTRIBUTIONS	273,517	274,554	279,207	250,742	26,260	54,344	9,209	(46,261)	588,193
Transfers (Out)	(1,176,375)	(1,173,000)	(300,000)	(300,000)	-	-	-	-	(1,476,375)
CHANGE IN NET ASSETS	(902,858)	(898,446)	(20,793)	(49,258)	26,260	54,344	9,209	(46,261)	(888,182)
TOTAL NET POSITION - BEGINNING OF YEAR	16,903,898	17,802,344	3,156,111	3,205,369	1,804,389	1,750,045	72,791	119,052	21,937,189
TOTAL NET POSITION - END OF YEAR	\$ 16,001,040	\$ 16,903,898	\$ 3,135,318	\$ 3,156,111	\$ 1,830,649	\$ 1,804,389	\$ 82,000	\$ 72,791	\$ 21,049,007

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

TOWN OF SMITHFIELD, RHODE ISLAND

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2013

	Business-type Activities- Enterprise Funds				
	Sewer Authority	Water Supply Board	Smithfield Ice rink	School Lunch Program	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from customers	\$ 3,003,643	\$ 1,342,373	\$ 622,510	\$ 609,426	\$ 5,577,952
Cash paid to suppliers for goods and services and other operating payments	(1,216,848)	(823,576)	(293,517)	(598,519)	(2,932,460)
Cash paid for employees and benefits	(110,711)	(265,278)	(261,923)	-	(637,912)
Net cash provided (used) by operating activities	1,676,084	253,519	67,070	10,907	2,007,580
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfers to (from) other funds	(1,176,375)	(300,000)	-	-	(1,476,375)
(Increase) decrease in due to other funds	-	-	-	6,588	6,588
Increase (decrease) in due from other funds	(19,140)	25,927	3,744	-	10,531
Net cash provided (used) by noncapital financing activities	(1,195,515)	(274,073)	3,744	6,588	(1,459,256)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition of capital assets	(3,248,050)	(290,379)	(71,740)	(20,890)	(3,631,059)
Payment of finance acquisition costs	(135,466)	(2,270)	-	-	(137,736)
Principal paid on bonds	(719,000)	-	-	-	(719,000)
Proceeds from note payable obligation	4,000,000	227,000	-	-	4,227,000
Interest paid on bonds	(31,028)	-	-	-	(31,028)
Net cash provided (used) for capital and related financing activities	(133,544)	(65,649)	(71,740)	(20,890)	(291,823)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Investment income	12,143	1,133	1,166	-	14,442
Net cash provided by investing activities	12,143	1,133	1,166	-	14,442

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2013

	Business-type Activities- Enterprise Funds				
	Sewer Authority	Water Supply Board	Smithfield Ice rink	School Lunch Program	Totals
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	359,168	(85,070)	240	(3,395)	270,943
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	9,738,650	1,070,755	619,110	61,866	11,490,381
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 10,097,818</u>	<u>\$ 985,685</u>	<u>\$ 619,350</u>	<u>\$ 58,471</u>	<u>\$ 11,761,324</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 427,868	\$ 280,344	\$ 25,094	\$ 9,209	\$ 742,515
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation and amortization expense	1,134,800	113,781	116,631	7,856	1,373,068
Decrease (increase) in water and sewer assessments and user fees	60,154	(106,918)	-	-	(46,764)
(Increase) in other receivables	-	-	(9,011)	(3,099)	(12,110)
Decrease in due from Federal and State governments	-	-	-	9,114	9,114
Decrease in inventory	-	1,499	-	-	1,499
Increase (decrease) in accounts payable and accrued expenses	170,762	(23,740)	(66,109)	(9,259)	71,654
Increase (decrease) in due to other funds	-	-	-	(1,355)	(1,355)
Increase (decrease) in compensated absences	(431)	(11,447)	2,294	-	(9,584)
Increase (decrease) in unearned assessments and fees	(117,069)	-	(1,829)	(1,559)	(120,457)
Net cash provided (used) by operating activities	<u>\$ 1,676,084</u>	<u>\$ 253,519</u>	<u>\$ 67,070</u>	<u>\$ 10,907</u>	<u>\$ 2,007,580</u>

NOTE: Cash and cash equivalents includes cash on deposit with funding agency, and restricted cash.

(CONCLUDED)

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

TOWN OF SMITFIELD, RHODE ISLAND

*Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2013*

	Police Pension Trust Fund	Fire Pension Trust Fund	OPEB Trust Fund	Agency Funds
ASSETS				
Cash and cash equivalents			\$ 17,268	\$ 354,435
Other receivables		\$ 66,695	3,875	8,525
<i>Investments, at fair value:</i>				
Annuity contracts	\$ 2,034,579	592,489		
Indexed stock fund	1,229,938	7,391,811		
Diversified stock fund	1,205,709	6,796,310		
Multi-Sector bond fund	306,905	1,422,228		
Mutual funds			429,893	
Common stock			526,411	
TOTAL ASSETS	<u>4,777,131</u>	<u>16,269,533</u>	<u>977,447</u>	<u>362,960</u>
LIABILITIES				
Deposits held in custody for others				362,960
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>362,960</u>
NET POSITION				
Funds held in trust	<u>\$ 4,777,131</u>	<u>\$ 16,269,533</u>	<u>\$ 977,447</u>	<u>\$ -</u>

TOWN OF SMITHFIELD, RHODE ISLAND

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

	Police Pension Trust Fund	Fire Pension Trust Fund	OPEB Trust Fund
ADDITIONS:			
Contributions			
Employee contributions		\$ 217,856	
Employer contributions	\$ 1,648,000	533,747	\$ 976,369
Total contributions	<u>1,648,000</u>	<u>751,603</u>	<u>976,369</u>
Investment earnings:			
Net increase (decrease) in fair value of investments	627,184	2,602,821	
Interest and dividends	92,959	132,249	1,078
Total investment earnings	<u>720,143</u>	<u>2,735,070</u>	<u>1,078</u>
Total additions	<u>2,368,143</u>	<u>3,486,673</u>	<u>977,447</u>
DEDUCTIONS:			
Benefits paid	1,705,133	1,186,363	
Operating expenses	37,666	81,596	
TOTAL DEDUCTIONS	<u>1,742,799</u>	<u>1,267,959</u>	<u>-</u>
CHANGE IN NET POSITION	625,344	2,218,714	977,447
NET POSITION - BEGINNING OF YEAR	4,151,787	14,050,819	-
NET POSITION - END OF YEAR	<u>\$ 4,777,131</u>	<u>\$ 16,269,533</u>	<u>\$ 977,447</u>

TOWN OF SMITHFIELD, RHODE ISLAND

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

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

Reporting Entity

The Town of Smithfield was settled in 1636 and later incorporated as a Town in 1730. The Town is a municipal corporation governed by a Council/Town Manager form of government with a five-member Town Council headed by a Council President. The financial statements and related notes include the activity and net position of the Smithfield Public School, a department of the Town of Smithfield, Rhode Island.

In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement No. 61. Under GASB Statement No. 61, a legally separate entity is required to be included as a component unit if it is fiscally dependent upon the primary government and there is a financial benefit or burden relationship present. The primary government is financially accountable if it appoints the voting majority of the organization's governing board and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A potential component unit has a financial benefit or burden relationship with the primary government if, for example, any one of the following conditions exists:

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

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

- Greenville Public Library
- East Smithfield Public Library
- East Smithfield Neighborhood Center

The entities noted above did not meet the criteria to be reported as component units and as such are omitted from these financial statements.

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Basis of Presentation

Government-Wide Financial Statements

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

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts which constitute its assets, deferred outflow of resources, liabilities, deferred inflow of resources, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary. Major individual governmental funds and enterprise funds are reported as separate columns in the fund financial statements. A fund is considered a major fund if it is the primary operating fund of the Town or meets the following criteria:

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

and

- (b) Total assets and deferred outflow of resources, liabilities and deferred inflow of resources, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

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

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are committed or restricted to expenditures for specific purposes other than debt service or capital projects.

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds (Continued)

Capital Project Funds

Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Permanent Funds

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

Proprietary Funds

Proprietary funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The Proprietary Funds include Enterprise and Internal Service Funds. The Town currently maintains four enterprise funds and no internal service funds.

Fiduciary Funds (Not included in government wide statements)

Agency Funds

Agency funds account for assets held by the Town in a purely custodial capacity. The reporting entity includes four agency funds at June 30, 2013. Since agency funds are custodial in nature (i.e. assets equal liabilities), they do not involve the measurement of results of operations. The agency funds are as follows:

- Pupil Activity Fund
- Probate Court Fund
- Street Lighting Fund
- Soil Erosion Fund

Pension and Other Employee Benefit Trust Funds

Pension and Other Employee Benefit Trust Funds are used to account for resources legally held in trust for use for payment of pension and OPEB benefits, and cannot be used at the Town's discretion or to support the Town's general operations. The reporting entity has three such trust funds, Police Pension Trust Fund, Fire Pension Trust Fund and OPEB Trust Fund. These funds are used to account for the activity and balances of funds restricted for the future retirement benefits of public safety personnel and OPEB benefits for all Town personnel (including school department).

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Major and Non-Major Funds

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

<u>Fund</u>	<u>Brief Description</u>
Major: General Fund:	See above for description
Special Revenue Funds:	
School Unrestricted Fund	This fund is used to report all financial transactions of the Smithfield School Department, which are not legally required to be accounted for separately.
Proprietary Funds:	
Sewer Authority	Accounts for the overseeing of the sewer operations of the Town of Smithfield including the administration of the ten-year contract with Veolia Water, Inc. operations of the regional wastewater treatment facility.
Water Supply Board	Responsible for supplying water service for approximately one-third of the Town, and additionally a certain area in the Town of North Providence.
Smithfield Ice Rink	Accounts for the operations of the public ice rink which is owned and operated by the Town. This fund did not meet the criteria for reporting as a major fund however, management elected to present the fund as a major fund.
School Cafeteria	Accounts for the operation of the school breakfast and lunch program of the Smithfield School Department. This fund did not meet the criteria for reporting as a major fund however, management elected to present the fund as a major fund.

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Major and Non-Major Funds (Continued)

<u>Fund</u>	<u>Brief Description</u>
Non-Major:	
Special Revenue Funds:	School Restricted Funds, Active Shooter Training Fund, Animal Control Fund, Animal Control Spay/Neuter, Bulletproof Vest Grant, Byrne Grant, Police Restricted Revenue, CDBG, Document Preservation & Tech Upgrades, EMA Radio, Planning Challenge Block Grant, Fire Prevention, Historical Records, Municipal Contingency Escrow, Operation Blue Riptide, Police Confiscated Funds, Tri-Town III Police Grant, Wal-mart Grant, Retirement Escrow, Revaluation Escrow, RIDOT Children Passenger Safety, RIDOT Click it or Ticket, Scholarship Fund, Senior Center Grant, Smithfield Fire Rescue, Seatbelt Safety, Senior Center Memorial Donations, Police Memorial Fund, General Public Assistance, Senior Center Expansion Donations, and Safe Route School.
Capital Project Funds:	Fanning Lane Road Construction, Green Acres Acquisition Fund, Highway Drainage, Smithfield Historic Landmark, Impact fees, Land Acquisition-Open Space Bond, Log Road Fund, Middle School Additions, Open Space & Recreation Area, Police Equipment, Esmond Street Enhancement, Water District Improvement Fee, Handicap Accessibility, Special Projects Fund, Capital Reserve Fund, Land Trust, and Salt Barn Property.
Permanent Funds:	Cemetery Fund

Measurement Focus

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

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Measurement Focus (Continued)

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

- (a) All governmental funds utilize a "current financial resources" measurement focus and the modified accrual basis of accounting. Only current financial assets, deferred outflow of resources, liabilities, and deferred inflow of resources are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period. The Town considers property taxes as available if they are collected within 60 days after year end. Grant revenue (for expenditure reimbursement grants) of the governmental funds is generally recognized as revenue when earned as long as the payment is expected to be received within twelve months after year end. Substantially all other revenue of the governmental funds is recognized utilizing the modified accrual method of accounting and as such is recognized as revenue when received.
- (b) The proprietary funds and private purpose trust funds utilize "economic resources" measurement focus and the accrual basis of accounting. The accounting objectives of this measurement focus are the determination of net income, financial position and cash flows. All assets, deferred outflows of resources, liabilities (whether current or noncurrent), and deferred inflows of resources associated with their activities are reported. Fund equity is classified as net position.
- (c) Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Basis of Accounting

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

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

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

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Basis of Accounting (Continued)

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

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

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Cash

Cash and cash equivalents are carried at cost. Cash equivalents include amounts invested in certificate of deposits as management believes that these certificates can be accessed at any point in time. Substantially, all of the Town's cash and cash equivalents are held in public deposit institutions. Pursuant to Section 35-10-1 of the Rhode Island General Laws, as of October 1, 1991, public deposit institutions are required to insure accounts which hold public funds in excess of the \$250,000 which is guaranteed by FDIC. At times, the Town pools cash resources of its various funds to facilitate the management of cash and maximize investment returns.

State statutes and the Town charter authorize the Town to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, and repurchase agreements.

Investments

The Town invests in various types of investments, which are stated at fair value in accordance with GASB No. 31.

Accounts Receivable

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include property taxes (92% of balance) and intergovernmental receivables. Business-type activities report service fees as its major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as property taxes collected within 60 days of year-end and grants and other similar intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions earned/measurable but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

***Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance
(Continued)***

Property Taxes

Real and personal property taxes are based on values assessed as of each December 31 (lien date) and attach as an enforceable lien on property as of July 1 (levy date). Taxes are due in equal quarterly installments on September 1-30th, December 1-31st, March 1-31st, and June 1-30th following the levy date. The taxpayer may elect to pay the taxes in full or pay quarterly as noted above. Taxes due and unpaid after the respective due dates are subject to interest at a rate of 12% per annum calculated on the unpaid portion of the total tax dating back to September 30th. An automatic lien is placed on the taxpayer's property if payment has not been received by the tax due date. Property taxes levied are recorded as receivables in the fiscal year of the levy. Property tax revenues are recorded in accordance with the modified accrual basis of accounting in the fund financial statements.

Prepays

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid assets. Prepays recorded in governmental type funds do not reflect current appropriated resources and, as such is reported as nonspendable fund balance.

Property, Plant and Equipment

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

Government-Wide Statements

In the government-wide financial statements, long-lived assets are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets, which are recorded at their estimated fair value at the date of donation. The Town established a capitalization threshold of \$10,000 for an individual item with a useful life in excess of one year.

The government-wide financial statements include all infrastructure assets in accordance with GASB Statement #34.

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

Buildings and improvements	3 - 60 years
Land improvements	10 - 15 years
Equipment	3 - 60 years
Sewer lines and treatment & pumping	5 - 60 years
Vehicles	5 - 15 years
Infrastructure	15 - 65 years

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

Fund Financial Statements

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate section represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that later date. At June 30, 2013 the Town of Smithfield, Rhode Island only had one item that qualified as a deferred outflow of resources; deferred charge on refunding reported in the government-wide statement of net position. The deferred charge on the refunding totaling \$137,530 is the unamortized balance of the difference between the carrying value of the refunded debt and the new debt.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate section represents the acquisition of net position that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until a later date. At June 30, 2013 the Town of Smithfield, Rhode Island had only one item that qualified as a deferred inflow of resources in the governmental funds balance sheet. The unearned tax revenue represents property taxes receivables which are assessed on December 31, 2011 and prior and are not collected within 60 days of June 30, 2013. Net unearned tax revenue included in the fund financial statements were \$1,531,592 at June 30, 2013. This amount is deferred and will be recognized as an inflow of resources in the year(s) in which the amounts become available.

Interfund Transactions

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

- Reciprocal interfund activities:
 - Interfund loans are reported as interfund receivables in the lending fund and interfund payables in borrower funds.
 - Interfund services are reported as revenues in the seller fund and as expenditures or expenses in the purchasing fund.
- Non-reciprocal interfund activities:
 - Interfund transfers are reported in governmental funds as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers. In proprietary funds transfers are reported after nonoperating revenues and expenses.

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

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

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance
(Continued)**

Interfund Transactions (Continued)

- Interfund reimbursements are repayments from the fund responsible for particular expenditures or expenses to other funds that initially paid for them. Reimbursements are not displayed separately within the financial statements.

Fund Balance Transactions

The re-appropriation of prior year's unexpended balances for certain accounts in the General Fund is reported as a transfer of fund balance in the current year for budgetary purposes.

Equity Classifications

Government-Wide Statements

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

- (a) Net Investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- (b) Restricted net position - Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- (c) Unrestricted net position - All remaining net position that does not meet the definition of "restricted" or "net investment in capital assets".

Fund Financial Statements

Governmental fund equity is classified as fund balance. In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, fund balance is classified as nonspendable, restricted, committed, assigned, or unassigned. These categories are defined below:

- **Nonspendable Fund Balance** – includes the amount of fund balance that cannot be spent because it is either (a) not in spendable form or (b) legally or contractually required to be maintained intact. "Not in spendable form" includes items that are not expected to be converted to cash within one year.
- **Restricted Fund Balance** – includes amounts that are restricted to specific purposes. Fund balance is reported as restricted when constraints placed in the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

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

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance
(Continued)**

Fund Financial Statements (Continued)

- **Committed Fund Balance** – includes amounts that can be used only for the specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. The Town Council is the highest level of decision-making authority and utilizes Town Ordinances as a formal procedure to commit fund balance. In addition, the passage of the budget by the taxpayers at the annual financial Town meeting is considered the commitment of funds for the line items included in the fiscal budget.
- **Assigned Fund Balance** – includes amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The intent should be expressed by (a) the governing body itself or (b) a body (a budget or finance committee) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes. The Town Manager through the Town Council has the authority to assign fund balance. Fund balance assigned by the Town Manager is documented through issuance of a memorandum.
- **Unassigned Fund Balance** – is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The unassigned fund balance may also include negative balances for any governmental funds if the expenditures exceed amounts restricted, committed or assigned for specific purposes.

Application of Funds

Expenditures may be incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) amounts are available. Composition of the ending fund balance will be determined by applying the following: In those instances where restricted and unrestricted amounts are available, restricted amounts will be considered to have been spent first [as allowed and in compliance with stated and specified terms or requirements], followed by committed amounts, followed by assigned amounts, and then unassigned amounts.

Minimum Fund Balance

Per the Town's Home Rule Charter: "After each fiscal year, to the extent that the undesignated fund balance exceeds five percent (5%) of the subsequent fiscal year appropriations, commencing with fiscal year 2001, sixty-six and two-thirds percent (66 2/3%) of the excess amount in the undesignated fund balance shall be transferred to the Capital Reserve Funds and thirty three and one-third percent (33 1/3%) of the excess amount in the undesignated fund balance shall be transferred to the Land Trust Fund." Due to the fact that this minimum fund balance policy is part of the Town's Home Rule Charter, the amount calculated at year-end is reported as restricted fund balance in the Town's General Fund.

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

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

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance
(Continued)**

Minimum Fund Balance (Continued)

It is anticipated that this is a level sufficient to provide for the required resources to ensure short-term cash availability when revenue is unavailable or unanticipated expenditures (including emergencies) occur. If the unassigned fund balance falls below the minimum parameter, the Town Council will adopt a plan and a time frame in which to bring the unassigned fund balance into compliance with the Town's Home Rule Charter.

Compensated Absences

It is the policy of the Town to permit employees to accumulate a limited amount of earned but unused vacation and sick leave benefits, which will be paid to the employee upon separation from Town service. Compensated absences that are expected to be liquidated with expendable available financial resources are reported as expenditure and a fund liability of the governmental fund that will pay it. Amounts not expected to be liquidated with expendable available resources are reported as long-term debt in the government-wide financial statements. Long-term debt and other obligations financed by the proprietary funds are reported as liabilities in the appropriate funds. A liability for compensated absences is recorded in the governmental funds only if the liability had matured at June 30, 2013 as a result of employee resignation or retirements.

Compensated absences which are liquidated during the fiscal year are allocated to the applicable fund in which the employee's compensation is allocated. Compensated absences are generally allocated to the Town's General Fund for Town personnel (excluding those working in the business-type activities) and the School Unrestricted Fund.

Reconciliation of Government-wide and Fund Financial Statements

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that "long-term liabilities are not due and payable in the current period and therefore are not reported in the funds." The details of this \$20,467,279 are as follows:

Bonds and lease purchase obligations	\$16,193,539
Compensated absences	4,273,740
Total	<u>\$20,467,279</u>

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense." The details of this (\$223,078) difference are as follows:

Capital outlays	\$2,202,948
Loss on disposal of capital assets	(9,786)
Depreciation expense	<u>(2,416,240)</u>
Net adjustment	<u>(\$ 223,078)</u>

Another element of that reconciliation states that, "Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds." The details of this (\$14,638) difference are as follows:

Net unearned tax revenue - ending	\$1,531,592
Net unearned tax revenue – beginning.....	<u>(1,546,230)</u>
Net adjustment (increase net position)	<u>(\$ 14,638)</u>

Recently Issued Accounting Standards

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

- GASB Statement No. 60 – Accounting and Financial Reporting for Service Concession Arrangements.
- GASB Statement No. 62 – Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.
- GASB Statement No. 63 – Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.
- GASB Statement No. 65 – Items Previously Reported as Assets and Liabilities.
- GASB Statement No. 66 – Technical Corrections – 2012 – an Amendment of GASB Statement No. 10 and No. 62.

The following are recently issued governmental accounting standards which will be applicable in future years:

- GASB Statement No. 67 – Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25, effective for the fiscal year ending June 30, 2014.

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Standards (Continued)

- GASB Statement No. 68 – Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27, effective for the fiscal year ending June 30, 2015.
- GASB Statement No. 69 – Government Combinations and Disposals of Government Operations, effective for the fiscal year ending June 30, 2015.
- GASB Statement No. 70 – Accounting and Financial Reporting for Nonexchange Financial Guarantees, effective for the fiscal year ending June 30, 2014.
- GASB Statement No. 71 – Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68, effective for the fiscal year ending June 30, 2015.

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

Use of Estimates

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

Comparative Totals

The financial statements include certain prior year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Town of Smithfield's financial statements for the year ended June 30, 2012 from which the summarized information was derived.

2. BUDGETARY PROCESS

The Town Council conducts a hearing on the proposed budget submitted by the Town Manager in May of each year based upon requests submitted by Town departments and municipally supported agencies. The Council then makes modifications and its recommended budget is placed before the Financial Town Meeting.

The Financial Town meeting of the Town of Smithfield, Rhode Island is held annually in June. Eligible Smithfield residents, who must be registered voters, determine the tax levy for the coming fiscal year as the result of their vote upon the proposed municipal budget. Each activity of the budget may be debated and voted upon. Increases in the Council-recommended budget require an 80% favorable vote (commonly referred to as the "80% Rule") to open discussion. Following discussion, a simple majority is required for approval. Budget reductions require a simple majority to discuss or authorize.

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

2. BUDGETARY PROCESS (Continued)

The Town Moderator, who is appointed by the Council, conducts the Financial Town Meeting. The Town Council sits as the Budget Committee, and responds to questions along with the Town Manager and staff regarding the recommended municipal budget. The moderator conducts the meeting, ensures that the Rules of Order are enforced, and provides adequate opportunity for discussion upon each issue. Based on state statutes, the School Committee is authorized to spend funds up to the total amount appropriated for the Unrestricted Fund, which is considered the fund level. The budget of the School Unrestricted Fund is prepared annually and submitted to the School Committee for approval. The amount of the annual transfer from the Town's General Fund to the School Unrestricted Fund is ultimately determined through the adoption of the General Fund budget.

Town ordinances require an annual budget for the General Fund. The practices used in the preparation of budget differ in certain respects from the presentation of the actual results of operations prepared in accordance with GAAP. The actual results of operations, for purposes of the Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual on Budgetary Basis – General Fund has been adjusted to basis consistent with the Town's budget. Certain annual appropriations are carried over to next year's budget. There were \$3,706,197 of supplemental budgetary appropriations (RUBS) made during the fiscal year ended June 30, 2013. RUBS available at June 30, 2013 to be carried over to fiscal 2014 totaled \$4,101,748.

Amendments to operating budgets that do not result in additional appropriations may be made within departments by means of a transfer. The Finance Director has authority to make or approve such transfers within departments. The Town Council has the authority to amend the budget. Management must seek approval of the Town Council for all over-expended appropriations.

The adjustments necessary to reconcile actual revenues and expenditures reported on a budgetary basis of accounting to revenue and expenditures reported in accordance with generally accepted accounting principles are as follows for the General Fund and the School Unrestricted Fund:

	<u>Revenues & Transfers</u>	<u>Expenditures & Transfers</u>
General Fund:		
Statement of Revenues, Expenditures, and Changes in Fund Balances (Exhibit B-2)	\$55,936,288	\$56,772,631
Less proceeds and expenditure from/of lease purchase obligation	(67,280)	(67,280)
Add use of appropriated fund balance and RUBS	4,592,941	0
Add RUBS available for carryover to fiscal 2014	0	4,101,748
Add School Unrestricted amounts budgeted in General Fund but not reported for GAAP purposes	5,323,241	5,323,241
Add State PILOT revenue budgeted in General Fund but reported directly in Special Revenue Funds	150,000	150,000
Less activity related to Inspection Fees Fund, Review Fees Fund, and Post Employment Escrow Fund not budgeted .	<u>(274)</u>	<u>(876,385)</u>
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budgetary Basis (RSI-1)	<u>\$65,934,916</u>	<u>\$65,403,955</u>

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

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

2. BUDGETARY PROCESS (Continued)

	<u>Revenues & Transfers</u>	<u>Expenditures & Transfers</u>
School Unrestricted Fund:		
Statement of Revenues, Expenditures, and Changes in Fund Balances (Exhibit B-2)		
	\$33,927,358	\$34,832,002
Add use of prior year fund balance.....	1,286,595	0
Less amount of State on Behalf Pension Contributions reported for GAAP but not part of annual budget.....	<u>(1,337,000)</u>	<u>(1,337,000)</u>
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budgetary Basis (RSI-2)	<u>\$33,876,953</u>	<u>\$33,495,002</u>

3. CASH AND INVESTMENTS

The State of Rhode Island requires, that certain uninsured deposits be collateralized. Section 35-10.1-7 of the General Laws of the State of Rhode Island, dealing with the collateralization of public deposits, requires that all time deposits with maturities of greater than 60 days and all deposits in institutions that do not meet the minimum capital requirements of its Federal regulator must be collateralized.

Deposits

The carrying amount of the Town's cash and cash equivalents at June 30, 2013 was \$27,816,619 (including Fiduciary Funds but excluding cash on deposit with funding agency) while the bank balance was approximately \$26,983,400. Of the bank balance, approximately \$1,000,600 was covered by federal depository insurance while the remaining balance was 100% collateralized.

Investments

At June 30, 2013 the Town's investments totaled \$23,568,357 (including those held in Fiduciary Funds) and consisted of the following:

	<u>Fair Value</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Rating</u>
Annuity contracts	\$ 2,627,068	n/a	n/a	not rated
Index stock mutual fund.....	8,621,749	n/a	n/a	not rated
Diversified stock mutual fund.....	8,002,019	n/a	n/a	not rated
Multi-Sector bonds fund.....	1,729,133	n/a	n/a	not rated
Common Stocks	526,411	n/a	n/a	not rated
Mutual Funds	429,893	n/a	n/a	not rated
U.S. Corporate & Foreign bonds	253,085	5.25%	10/15/2013	A3
U.S. Corporate & Foreign bonds	255,807	6.00%	12/13/2013	BAA2
Municipal tax exempt bonds	246,455	1.30%	11/15/2016	AAA
Municipal tax exempt bonds	200,008	0.800%	11/1/2013	AA2
Municipal tax exempt bonds	122,356	5.00%	12/1/2013	AA1
Municipal tax exempt bonds	350,241	3.5-5.0%	8/1/2013-1/1/2020	A1
Municipal tax exempt bonds	204,132	5.25%	12/01/2013	not rated
Total investments	<u>\$ 23,568,357</u>			

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

3. **CASH AND INVESTMENTS (Continued)**

Investments (Continued)

Investments of all idle funds must be made through national banks or trust companies, provided that the financial conditions and integrity of said institution or institutions are verifiable and can be monitored. The investment of funds shall be in direct obligations of the United States Government and "money market instruments" rated "A" or better. Investments in any one institution cannot exceed five percent of that institutions capital and surplus as set forth in the institutions most recent audited financial statements. All investments are made as would be done by prudent persons of discretion and intelligence in such matters who are seeking a reasonable income and preservation of capital.

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 interest rates. The Town limits its exposure to fair value losses arising from changes in interest rates by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity. The Town invests operating funds primarily in shorter-term securities, money market funds, or similar investment pools although the Town does not have a formal policy relating to a specific investment related risk.

Concentration of Credit Risk

The Town's policy is to maintain a diversified portfolio to minimize the risk of loss resulting from an over concentration of assets in a specific industry and a specific maturity.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of financial institution failure, the Town's deposits and/or investments may not be returned. The Town does not believe that it has a significant custodial credit risk as substantially all investments securities are registered and held in the name of the Town. Additionally, the Town places deposits in financial institutions that are FDIC insured up to \$250,000, rated "well capitalized" on its most recent audited financial statement/SEC filings if deposits exceed \$250,000, and if the capital ratios are currently acceptable but appear to be in jeopardy, the Town will engage an outside rating agency to determine status of the institution. The Town also ensures that all uninsured deposits greater than \$250,000 are collateralized.

Credit Risk

Generally credit risk is the risk that an issuer of a debt type investment will not fulfill its obligation to the holder of the investment. This is measured by assignment of a rating by a nationally recognized rating organization. U.S. Government securities or obligations explicitly guaranteed by the U.S. Government are not considered to have credit risk exposure. At June 30, 2013 the Town's investments in tax exempt municipal obligations totaled \$1,123,192 and are subject to credit risk of the municipality.

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

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

4. PROPERTY TAXES AND ASSESSMENTS RECEIVABLE

The Town assesses taxes each December 31st and the levy thereon may be paid in full on or before September 30th, or quarterly, on or before September 30th, December 31st, March 31st, and June 30th, without penalty, at the taxpayer's option.

During the year ended June 30, 2013, the Town received \$271,301 from the State of Rhode Island as payment in accordance with legislation regarding the phase-out of motor vehicle tax. Under the law, excise tax on motor vehicles and trailers were originally supposed to be phased out entirely over a seven-year period commencing with the 1999-2000 fiscal year. Based on fiscal problems with the State budget over the last several years the program has been reduced to a maximum exemption of \$6,000 as of June 30, 2007 in accordance with legislation passed as part of the State's budget for the fiscal year ended June 30, 2007. The phase-out program freezes the tax rate at \$39.00 which was the rate in fiscal year 1997-1998. The exemption remained at \$6,000 per vehicle for the 2007-2008 and 2008-2009 fiscal years. During fiscal 2010 the State reduced the reimbursement amount for the 3rd and 4th quarters of the fiscal year. Effective July 1, 2010 the State reduced the exemption amount to \$500 per vehicle however the Town was required to maintain the rate frozen at \$39.00.

The State of Rhode Island has also passed legislation to phase-out wholesale and retail inventory tax over a ten-year period effective July 1, 1999. The phase-out of this tax was supposed to be supplemented through an increase in General Revenue Sharing (GRS). The GRS was supposed to be increased from the effective rate of 1% on June 30, 1998 to 4.7% on June 30, 2009. Based on fiscal problems with the State budget over the last few years the program did not increase as scheduled in the 2006, 2007, 2008, or 2009 fiscal years. In fiscal 2004, 2.7% of total State tax revenues were earmarked for GRS to cities and towns. In fiscal 2005 an additional \$1 million was added to the total GRS to cities and towns rather than the planned increase to 3% of the State tax revenues. In fiscal 2006 GRS was increased to 3% of the State tax revenues. In Fiscal 2007 GRS was increased by \$137,875 and then cut by \$10,000,000 in fiscal 2008. During the 2009 fiscal year GRS was cut by another \$25,111,876 through the final adopted supplemental State budget. In fiscal 2010 the Governor's budget eliminated all GRS to Cities and Towns resulting in a loss of over \$25,000,000 to local communities.

An automatic lien is placed on the taxpayer's property if payment has not been received by the due date. Interest is charged on past due accounts at a rate of 12% per annum calculated on the unpaid portion of the total tax.

Net property taxes levied for the fiscal year 2013 were based on a net assessed value of approximately \$2,713,671,000 at December 31, 2011 and amounted to approximately \$50,486,000. Collections through June 30, 2013 amounted to approximately \$46,750,000, which represents approximately 92.6% of the total tax levy. The collection percentage as of August 31, 2013 including the 60 day rule receipts was approximately 97%.

The Town recognizes property tax revenues in accordance with Section P70, "Property Taxes" of the Codification of Governmental Accounting and Financial Reporting Standards on the Fund statements. Unpaid property taxes as of June 30, 2013 (\$7,670,596) are recorded as a receivable, net of an allowance for uncollectible property taxes of \$3,809,633. Those net property taxes receivable which were not collected within the 60 days immediately following June 30, 2013 are recorded as unearned tax revenue and amounted to \$1,531,592 at June 30, 2013. Property taxes recognized as revenue on the Fund statements for the fiscal year ended June 30, 2013 (due to their collection within the 60 days immediately following June 30, 2013) amounted to \$2,329,371.

The allowance for uncollectible accounts is based on that portion of current and delinquent taxes receivable which is estimated to be doubtful of collection. This provision does not constitute an abandonment of claim or cessation of collection efforts.

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

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

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013 was as follows:

	<u>Balances</u> <u>7/1/12</u>	<u>Additions</u>	<u>Retirements &</u> <u>Disposals</u>	<u>Balances</u> <u>6/30/13</u>
Governmental Activity:				
Nondepreciable Assets:				
Land and improvements	\$ 13,729,999	\$ 827,928		\$ 14,557,927
Construction in progress	104,175	69,430	\$102,175	71,430
Depreciable Assets:				
Buildings and improvements	25,694,700	919,452	0	26,614,152
Equipment	3,684,808	268,820	0	3,953,628
Vehicles	6,336,990	219,493	514,269	6,042,214
Infrastructure	<u>77,993,871</u>	<u>0</u>	<u>0</u>	<u>77,993,871</u>
Total cost	<u>127,544,543</u>	<u>2,305,123</u>	<u>616,444</u>	<u>129,233,222</u>
Accumulated Depreciation:				
Building and improvements	(13,235,267)	(691,229)	0	(13,926,496)
Equipment	(2,733,009)	(285,575)	0	(3,018,584)
Vehicles	(4,758,687)	(529,643)	(504,483)	(4,783,847)
Infrastructure	<u>(67,718,805)</u>	<u>(909,793)</u>	<u>0</u>	<u>(68,628,598)</u>
Total accumulated depreciation	<u>(88,445,768)</u>	<u>(2,416,240)</u>	<u>(504,483)</u>	<u>(90,357,525)</u>
Net capital assets	<u>\$ 39,098,775</u>	<u>\$ (111,117)</u>	<u>\$ 111,961</u>	<u>\$ 38,875,697</u>

Depreciation expense for the year ended June 30, 2013 was charged to the following functions/programs of the Town:

Governmental Activities:	
General government	\$ 667,903
Education	181,715
Public safety	639,119
Public works	897,115
Recreation	<u>30,388</u>
Total	<u>\$ 2,416,240</u>

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

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

5. CAPITAL ASSETS (Continued)

	Balances <u>7/1/12</u>	<u>Additions</u>	Retirements & <u>Disposals</u>	Balances <u>6/30/13</u>
Business- type Activities:				
Nondepreciable Assets:				
Land	\$ 485,688			\$ 485,688
Construction in progress	186,848	\$3,052,430	\$ 23,007	3,216,271
Depreciable Assets:				
Land improvements	87,130	0	0	87,130
Plant and Buildings	11,432,226	170,627	0	11,602,853
Equipment	10,104,177	20,890	0	10,125,067
Infrastructure – mains, lines, etc	21,321,227	410,124	0	21,731,351
Motor vehicles	154,349	0	23,415	130,934
Total cost	43,771,645	3,654,071	46,422	47,379,294
 Accumulated Depreciation:				
Land improvements	(76,789)	(2,746)	0	(79,535)
Plant and Buildings	(9,049,856)	(446,735)	0	(9,496,591)
Equipment	(3,679,779)	(344,788)	0	(4,024,567)
Infrastructure – mains, lines, etc	(13,437,918)	(570,269)	0	(14,008,187)
Motor vehicles	(139,421)	(8,530)	(23,415)	(124,536)
Total accumulated depreciation	(26,383,763)	(1,373,068)	(23,415)	(27,733,416)
 Net capital assets	 \$17,387,882	 \$2,281,003	 \$ 23,007	 \$19,645,878

Depreciation expense for the year ended June 30, 2013 was charged to the following Business-type Activities:

Business-type Activities:	
Sewer Authority	\$ 1,134,800
Water Supply Board	113,781
Smithfield Ice Rink	116,631
School Lunch Program	7,856
Total	\$ 1,373,068

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

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

6. DUE FROM FEDERAL AND STATE GOVERNMENTS

Due from/to federal and state governments represent balances on contracts and grants as well as for services provided and consisted of the following at June 30, 2013:

	<u>Due From</u>	<u>Due To</u>
School Unrestricted Fund:		
State of Rhode Island – Department of Education	\$ 21,171	\$ 0
State of Rhode Island – EDS – Medicaid Funding	40,102	0
Other Non-Major Governmental Funds:		
State of Rhode Island – Department of Education	379,767	0
State of Rhode Island – various departments.....	<u>356,947</u>	<u>0</u>
Total all fund types	<u>\$ 797,987</u>	<u>\$ 0</u>

7. LONG-TERM DEBT

(a) General

All of the Town's general obligation debt (now outstanding or authorized by unissued) has been authorized pursuant to the General Laws of the State of Rhode Island or special acts of the State Legislature. Each special act provides for approval thereof by the electors of the Town. After referendum approval has been secured, the borrowing must be authorized by resolution of the Town Council and adopted by a vote of the majority.

The Rhode Island General Laws provide that no Town shall, without special statutory authority, incur any debt which would increase its aggregate indebtedness beyond three (3%) percent of the taxable property of the Town. Tax anticipation notes are not included in the computation of the legal debt limit. Debt may be incurred in excess of the three percent limit with the approval of the State Director of Administration. At June 30, 2013 all of the Town's bonds and notes outstanding or authorized but unissued are either specifically exempt from the three percent debt limit or are within such limit.

At June 30, 2013 the three (3%) debt limit of the Town was approximately \$81,410,000 based on the net assessed value of property at December 31, 2011 of \$2,713,671,000.

At June 30, 2013 the Town had a total of \$3,890,000 in authorized, unissued debt consisting of the following:

• Town Hall Renovation – Chapter 27 PL 1987	\$ 240,000
• Sewer – Chapter 519 PL 1986	650,000
• Water – Chapter 32 PL 1989	<u>3,000,000</u>
Total Authorized, Unissued Debt	<u>\$3,890,000</u>

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

7. **LONG-TERM DEBT (Continued)**

(b) At June 30, 2013, the Town's long-term debt outstanding and activity consisted of the following:

Description	Date Issued	Original Principal	Maturity Date	Interest Rate	Outstanding June 30, 2012	Additions	Retirements	Outstanding June 30, 2013	Due Within One Year
Governmental Activities:									
General obligation bonds:									
Capital Improvement Bond 2003.....	06/25/03	\$ 8,600,000	10/15/24	2.5% - 5.0%	\$ 545,000		\$ 275,000	\$ 270,000	\$ 270,000
School Improvement 2011 Series A....	01/15/11	6,270,000	01/15/31	3.0% - 4.0%	6,165,000		110,000	6,055,000	110,000
School Improvement 2011 Series B....	01/15/11	1,380,000	01/15/16	1.25% - 2.4%	1,100,000		275,000	825,000	275,000
Refunding Bond 2012 Series A.....	05/30/12	4,520,000	10/15/23	2.05%	4,520,000		485,000	4,035,000	460,000
Premium on bond.....					107,261		5,645	101,616	0
Capital Improvement Taxable Series B	05/30/12	<u>5,000,000</u>	05/15/27	4.39%	<u>5,000,000</u>		<u>35,000</u>	<u>4,965,000</u>	<u>265,000</u>
Total general obligations bonds		<u>\$25,770,000</u>			17,437,261	\$ 0	1,185,645	16,251,616	1,380,000
Lease Purchase obligations:									
Lease Participation Certificate	10/15/03	\$ 7,350,000	11/15/12	1.1% - 5.0%	855,000	0	855,000	0	0
Fire equipment lease.....	07/13/06	335,000	07/31/12	4.39%	53,105	0	53,105	0	0
Senior Center van lease.....	09/10/12	<u>67,268</u>	09/10/14	6.00%	<u>0</u>	<u>67,280</u>	<u>23,741</u>	<u>43,539</u>	<u>21,130</u>
Total lease purchase obligations		<u>\$ 7,752,268</u>			908,105	67,280	931,846	43,539	21,130
Other long-term obligations									
Net Pension Obligation					3,977,196	1,562,722	0	5,539,918	0
Net OPEB Obligation					4,916,457	0	487,338	4,429,119	0
Compensated absences					4,307,854	0	34,114	4,273,740	250,000
Total other long-term obligations					13,201,507	1,562,722	521,452	14,242,777	250,000
Governmental Activities Long-Term Obligations					<u>\$31,546,873</u>	<u>\$1,630,002</u>	<u>\$2,638,943</u>	<u>\$30,537,932</u>	<u>\$1,651,130</u>

The Town's General Fund is used to record the activity of the net pension benefit and net OPEB obligations.

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

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

7. LONG-TERM DEBT (Continued)

(b) Long-Term Debt Outstanding and Activity (Continued):

Description	Date Issued	Original Principal	Maturity Date	Interest Rate	Outstanding June 30, 2012	Additions	Retirements	Outstanding June 30, 2013	Due Within One Year
Business Type Activities:									
<i>General revenue bonds/notes:</i>									
RI Clean Water Finance Agency	12/12/07	\$ 850,000	09/01/22	1.492%	\$ 648,000		\$ 53,000	\$ 595,000	\$ 54,000
RI Clean Water Finance Agency	10/06/09	560,000	09/01/24	2.89%	490,101		35,000	455,101	35,000
RI Clean Water Finance Agency	06/28/12	4,000,000	09/01/32	.22% - 2.76%	4,000,000		1,000	3,999,000	167,000
RI Clean Water Finance Agency	06/16/13	3,370,000	09/01/33	.19% - 2.53%	0	\$3,370,000	0	3,370,000	1,000
RI Clean Water Finance Agency	05/01/13	227,000	09/01/23	.25% - 1.91%	0	227,000	0	227,000	0
Total bonds obligations		\$9,007,000			5,138,101	3,597,000	89,000	8,646,101	257,000
Compensated absences					93,053	0	9,584	83,469	35,000
Business-type activities, long-term liabilities					\$5,231,154	\$3,597,000	\$98,584	\$8,729,570	\$292,000

(c) Advanced and Current Refundings and Defeased Debt

During the fiscal year ended June 30, 2012 the Town issued \$4,520,000 of general obligation bonds for the refunding and advance refunding of the 1997 and 2003 Capital Improvement bonds. The proceeds of the refunding bonds were deposited into an irrevocable escrow trust. The trust is held by an independent trustee and is invested in obligations of the United States Government which mature and bear interest in such amounts and at such times as will be sufficient to pay the principal and interest of the defeased bonds upon maturity. Accordingly, the escrow trust fund, as well as the defeased bonds, are not reflected in the financial statements of the Town of Smithfield, Rhode Island at June 30, 2013.

At June 30, 2013 the in-substance defeased bonds outstanding totaled \$2,070,000 and were related to the advance refunding of the 2003 Capital Improvement Bond.

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

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

7. LONG-TERM DEBT (Continued)

(d) Debt Service Requirements

The Town's future debt service requirements relating to outstanding bond obligations consist of the following and are planned to be raised through future property tax levies, fee assessments, and state aid for school housing and improvements. The future maturities presented below does not include the amortization of the bond premium.

Year ending June 30:	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2014	\$ 1,401,130	\$ 548,879	\$ 257,000	\$ 108,570	\$ 2,315,579
2015	1,402,409	510,706	448,450	140,549	2,502,114
2016	1,380,000	473,871	452,450	138,071	2,444,392
2017	975,000	441,042	456,450	134,993	2,007,485
2018	985,000	410,427	460,450	131,253	1,987,130
2019 - 2023	5,030,000	1,549,103	2,384,250	571,572	9,534,925
2024 - 2028	3,880,000	652,383	1,983,351	380,239	6,895,973
2029 - 2033	1,140,000	91,200	2,035,250	151,038	3,417,488
2034	0	0	168,450	2,132	170,582
Total	<u>\$16,193,539</u>	<u>\$4,677,611</u>	<u>\$8,646,101</u>	<u>\$1,758,417</u>	<u>\$31,275,668</u>

8. FUND EQUITY BALANCES

(a) Fund Balances

As stated in Note 1, Fund Balance may be classified as one of five categories: Nonspendable, Restricted, Committed, Assigned, or Unassigned. See Note 1 of these financial statements for definitions of these five Fund Balance categories. The detail of the composition of Nonspendable, Restricted, Committed, and Assigned Fund Balance follows.

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

MAJOR GOVERNMENTAL FUNDS:

General Fund:

Long-term portion of note receivable from
the Greenville Public Library..... \$ 249,917

School Unrestricted Fund:

Prepaid expenditures..... \$ 78,437

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

8. **FUND EQUITY BALANCES (Continued)**

(a) **Fund Balances (Continued)**

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

MAJOR GOVERNMENTAL FUNDS:

General Fund:

Restricted for the following in accordance with the Section C-5.07 of the Home Rule Charter:

Land Trust Fund.....	\$ 31,644
Capital Reserve Fund.....	63,289
Total General Fund.....	<u>\$ 94,933</u>

NONMAJOR GOVERNMENTAL FUNDS:

Special Revenue Funds:

Document Preservation & Technology Upgrades ...	\$ 28,312
Public Safety Programs.....	36,510
Historical Records.....	37,600
Scholarships.....	4,488
Senior Center Programs and Expansion.....	56,488
School Restricted.....	61,458

Capital Project Funds:

Esmond Street Enhancements.....	38,066
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Permanent Funds:

Cemetery Maintenance.....	63,652
Total Nonmajor Governmental Funds.....	<u>\$326,574</u>

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

MAJOR GOVERNMENTAL FUNDS:

General Fund:

Capital expenditures carryover.....	\$ 3,319,474
Re-appropriation of balances to 2014 expenditures....	4,101,748
To supplement fiscal 2014 budget appropriation.....	742,182
Review Fees Fund.....	17,524
Inspection Fee Fund.....	8,143
Total General Fund.....	<u>\$ 8,189,071</u>

School Unrestricted Fund:

Educational programs.....	<u>\$ 2,037,845</u>
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(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

8. **FUND EQUITY BALANCES (Continued)**

(a) **Fund Balances (Continued)**

At June 30, 2013 **Committed Fund Balance** consisted of the following (Continued):

NONMAJOR GOVERNMENTAL FUNDS:

Special Revenue Funds:

Animal Control.....	\$ 25,112
Public Safety – Police.....	128,002
Municipal Contingencies	1,170,459
Retirement Payouts (compensated absences)	688,820
Property Revaluation.....	277,254
Public Safety – Capital and Operations	1,477,339
General Public Assistance	57,822

Capital Project Funds:

Green Acres Land Acquisition.....	103,181
Open Space – Land Acquisition	318,325
Impact Fees – Capital Expenditures	499,569
Smithfield Historic Landmark.....	882
Middle School Improvements	5,124
Open Space and Recreation	4,539
Police Equipment.....	23,334
Water District Improvements	18,739
Handicap Accessibility.....	10,790
Special Capital Projects.....	115,250
Capital outlays	976,160
Land Trust	<u>1,213,599</u>
Total Nonmajor Governmental Funds	<u>\$7,114,300</u>

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

MAJOR GOVERNMENTAL FUNDS:

General Fund:

Supplement future tax appropriations	<u>\$3,850,000</u>
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The Town Council voted to implement GASB Statement No. 54 and adopted a spending policy as part of the approval. The Town's spending policy specifies the use of restricted resources first when both restricted and unrestricted fund balances are available unless there are legal documents/contracts that prohibit it. Additionally, the Town uses committed fund balance followed by assigned and then unassigned when expenditures are incurred for purposes for which amounts are available in each category.

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

8. **FUND EQUITY BALANCES (Continued)**

(b) **Fund Deficits:**

The following funds had deficit fund equity balances at June 30, 2013:

Nonmajor Governmental Funds:

Seatbelt Safety	\$ 44
Salt Barn Property	<u>992,896</u>
Total Nonmajor Governmental Funds	<u>\$ 992,940</u>

The deficit fund equity balances noted above will be eliminated through the future sale of the property, issuance of bond obligations, and/or transfer of funds from another project.

The following individual funds had deficits for the year ending June 30, 2013:

Major Governmental Funds:

General Fund	\$ 836,343
School Unrestricted Fund	<u>904,644</u>
Total deficits Major Governmental Funds	<u>\$ 1,740,987</u>

Business-Type Activities:

Sewer Authority	\$ 902,858
Water Supply Board	<u>20,793</u>
Total deficits Business-Type activities	<u>\$ 923,651</u>

Non-major Governmental Funds:

Special Revenue Funds:

Document Preservation & Technical Upgrade	\$ 57,735
Fire Prevention	7,617
Wal-Mart Grant	423
Revaluation Escrow	205,820
Seatbelt Safety	44

Capital Project Funds:

Log Road Fund	14,414
Police Equipment Fund	68,775
Land Trust Fund	<u>579,627</u>
Total deficits non-major governmental activities	<u>\$ 934,455</u>

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

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

9. INTERFUND BALANCES AND TRANSFERS

Interfund balances represent short-term advances from one fund (primarily the General Fund) to another fund. The advances may represent balances resulting from operating advances or reimbursement for expenditures paid by one fund on behalf of another fund or may simply be the result of pooling financial resources to maximize investment income. The composition of interfund balances at June 30, 2013 is as follows:

<u>Governmental Funds:</u>	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
Major Governmental Funds:		
General Fund	\$4,403,241	\$4,704,306
School Unrestricted Fund	<u>2,997,256</u>	<u>739,841</u>
Total Major Governmental Funds	<u>7,400,497</u>	<u>5,444,147</u>
Non-major Governmental Funds:		
Animal Control Fund	0	439
Animal Control Spay & Neuter	2,926	0
Byrne Grant	6,010	0
Police Restricted Revenue Fund	134,559	0
Community Development Block Grants	0	1,841
Document Preservation & Tech Upgrades	0	59,829
EMA Radio	7,815	0
Planning Challenge Block Grant	0	17,303
Fire Prevention	0	200
Historical Records	2,078	0
Municipal Contingency Escrow	1,057,672	0
Operation Blue Riptide	0	185
Police Confiscated Funds	2,873	0
Tri Town III Police Grant	0	369
Revaluation Escrow	0	79,052
RI DOT Children Passenger Safety	0	3,324
RI DOT Click It or Ticket	0	574
Senior Center Grant	60,407	0
Smithfield Fire Rescue	0	450,000
Seatbelt Safety	0	4,387
Senior Center Memorial Donations	336	0
General Public Assistance	57,822	0
School Restricted Funds	84,473	386,675
Green Acres Acquisition	2,524	0
Impact Fees Fund	60,010	0
Land Acquisition Open Space Bond	318,325	0
Middle School Additions	5,124	0
Police Equipment	0	110,571
Esmond Street Enhancement	30,652	0
Special Projects Fund	0	12,254
Capital Reserve Fund	976,160	0
Land Trust Fund	0	777,674
Salt Barn Property	0	992,896
Total Non-major Governmental Funds	<u>2,809,766</u>	<u>2,897,573</u>
Total governmental funds	<u>10,210,263</u>	<u>8,341,720</u>

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

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

9. INTERFUND BALANCES AND TRANSFERS (Continued)

	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
Proprietary Funds:		
Sewer Authority.....	0	1,280,108
Wastewater Fund.....	0	453,138
Smithfield Ice Rink.....	0	159,573
School Lunch Program.....	24,240	0
Total proprietary funds.....	24,240	1,892,783
TOTAL ALL FUNDS.....	\$ 10,234,503	\$ 10,234,503

The principal purpose of interfund transfers is to provide a financing source to various funds that may not have the ability to cover all operating costs or capital expenditures with revenue generated by the fund. The composition of interfund transfers for the year ended June 30, 2013 is as follows:

<u>Transfer Out</u>	<u>General Fund</u>	<u>School Unrestricted Fund</u>	<u>Non-major Governmental Funds</u>	<u>Total Transfer Out</u>
General Fund.....		\$27,267,117	\$570,993	\$27,838,110
Enterprise Funds.....	\$1,476,375			1,476,375
Nonmajor Governmental Funds.....	610,039			610,039
Total transfer in.....	\$2,086,414	\$27,267,117	\$570,993	\$29,924,524

10. DEFINED BENEFIT PENSION PLANS

(a) General Municipal Employees' Pension Plan

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

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

Plan Description

All full-time Town general employees and non-certified employees of the School Department participate in MERS, an agent multiple-employer defined benefit plan administered by the Employees' Retirement System of Rhode Island (the System). The plan provides retirement, death and disability benefits and an optional cost of living adjustment (COLA) as outlined in Chapter 45-21 of the Rhode Island General Laws (RIGL). The benefits may be amended by the Rhode Island General Assembly. The payroll for the general and non-certified school employees covered by the System for the year ended June 30, 2013 was approximately \$6,652,000 and the Town-wide payroll was approximately \$33,300,000.

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

10. DEFINED BENEFIT PENSION PLANS (Continued)

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

Plan Description (Continued)

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

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

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

Plan Funding

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

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

The Town is required to contribute at an actuarially determined rate expressed as a percentage of total compensation paid to the active membership. The rate for the fiscal year ended June 30, 2013 was 8.63%.

The annual required contribution for the Town which equals the annual pension cost for the year ended June 30, 2013 was approximately \$571,500 for general employees (\$305,700 Town and \$265,800 for School Department). General municipal employees covered under this plan were required to contribute approximately \$136,400 for fiscal 2013.

Trend Information

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2011	\$360,300	100%	\$0
2012	\$456,500	100%	\$0
2013	\$571,500	100%	\$0

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

10. **DEFINED BENEFIT PENSION PLANS (Continued)**

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

The System issues an annual financial report that includes financial statements and required supplementary information for all of the plans it administers. These reports include all trend information showing the System's progress in accumulating sufficient assets to pay benefits when due. The June 30, 2012 report is the most recent available report and it may be obtained from the administrative offices of the State of Rhode Island Retirement Board, 50 Service Ave, Warwick, Rhode Island or on-line at www.ersri.org.

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

Summary of Actuarial Assumptions Used in the MERS June 30, 2010 and June 30, 2012 Valuations	
Actuarial Cost Method	Entry Age Normal - the Individual Entry Age Actuarial Cost methodology is used.
Amortization Method	Level Percent of Payroll – Closed
Equivalent Single Remaining Amortization Period	25 years as of June 30, 2010 23 years as of June 30, 2012
Asset Valuation Method	5 Year Smoothed Market
Actuarial Assumptions:	
Investment Rate of Return	7.50%
Projected Salary Increases	<u>General Employees</u> 4.00% to 8.00% <u>Police & Fire Employees</u> 4.25% to 14.25%
Inflation	2.75%
Cost of Living Adjustments are equal to the average five-year fund asset performance (percent) greater than 5.5% up to a maximum of 4% - the COLA is to be applied to the first \$25,000 of benefits, indexed over time. COLA is delayed until the later of Social Security eligibility age or 3 years after retirement. For MERS Police and Fire, COLA is delayed until the later of age 55 or 3 years after retirement. A 2% COLA is assumed after July 1, 2012.	

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

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

10. DEFINED BENEFIT PENSION PLANS (Continued)

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

Funded Status of Plan

The required supplementary information which follows the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Listed below are the details of the funding progress of the General Municipal Employees' Pension Plan with a valuation date of June 30, 2012 which is the most recent report available from the State who administers this plan. This information is comprised of the Town of Smithfield Plan unit number 1472 and 1473, and Town of Smithfield Cola Plan unit number 1478.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) – Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
June 30, 2012	\$23,744,757	\$25,105,626	\$1,360,869	94.6%	\$6,540,797	20.8 %

(b) Municipal Police and Fire Pension Plan

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

Plan Description

All full-time Town Police employees participate in the MERS, an agent multiple-employer defined benefit plan administered by the Employees' Retirement System of Rhode Island (the System). In addition, all full-time Fire employees hired after January 1, 2011 also participate in the System. The plan provides retirement, death and disability benefits and an optional cost of living adjustment (COLA) as outlined in Chapter 45-21.2 of the Rhode Island General Laws (RIGL). The benefits may be amended by the Rhode Island General Assembly. The payroll for police and fire employees covered by the System for the year ended June 30, 2013 was approximately \$2,672,000 and \$277,000, respectively, and the Town-wide payroll was approximately \$33,300,000.

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

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

10. **DEFINED BENEFIT PENSION PLANS (Continued)**

(b) **Municipal Police and Fire Pension Plan (Continued)**

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

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

Plan Funding

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

Active police and fire members must contribute 8% of his/her compensation due to the fact that the Smithfield police and fire adopted COLA plan C.

The Town is required to contribute at an actuarially determined rate expressed as a percentage of total compensation paid to the active membership. The rates for the fiscal year ended June 30, 2013 were 5.49% and 8%, for police and fire personnel, respectively.

The annual required contribution for the Town which equals the annual pension cost for the year ended June 30, 2013 was approximately \$146,700 for police personnel and \$22,200 for fire personnel. Police and fire employees covered under this plan were required to contribute approximately \$213,700 and \$22,200, respectively, for fiscal 2013.

Trend Information - Police MERS Plan

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2011	\$549,200	100%	\$0
2012	\$537,800	100%	\$0
2013	\$146,700	100%	\$0

Trend Information - Fire MERS Plan

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2011		Plan did not commence until fiscal 2012.	
2012	\$4,200	100%	\$0
2013	\$22,200	100%	\$0

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

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

10. DEFINED BENEFIT PENSION PLANS (Continued)

(b) Municipal Police and Fire Pension Plan (Continued)

The System issues an annual financial report that includes financial statements and required supplementary information for all of the plans it administers. These reports include all trend information showing the System's progress in accumulating sufficient assets to pay benefits when due. The June 30, 2012 report is the most recent available report and it may be obtained from the administrative offices of the State of Rhode Island Retirement Board, 50 Service Ave, Warwick, Rhode Island or on-line at www.ersri.org.

The required contribution for fiscal 2013 was determined as part of the actuarial valuation performed as of June 30, 2010. The most recent valuation of the plans within the system was performed as of June 30, 2012. The actuarial methods and assumptions used in those valuations for the police and fire plans are summarized and presented in the table on Page 58.

Funded Status of Plan

The required supplementary information which follows the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Listed below are the details of the funding progress of the Police and Fire Employees' Pension Plan with a valuation date of June 30, 2012 which is the most recent report available from the State who administers this plan.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) – Entry Age (b)	Unfunded (Excess Funded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
Police Plan – June 30, 2012	\$10,112,417	\$9,503,865	(\$608,552)	106.4%	\$2,582,148	(23.6%)
Fire Plan – June 30, 2012	\$ 559,741	\$ 549,797	(\$9,944)	101.8%	\$ 203,984	(4.9%)

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

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

10. DEFINED BENEFIT PENSION PLANS (Continued)

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

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

Plan Description

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

The payroll for employees covered by the System for the year ended June 30, 2013 was approximately \$16,556,000. The School Department's total payroll was approximately \$21,013,000. The Town-wide payroll for the year ended June 30, 2013 was approximately \$33,300,000.

Funding Policy

The funding policy is outlined in RIGL sections 16-16-22 and 36-10-2 (which can be amended by the Rhode Island General Assembly). Active plan members must contribute 3.75% of his/her compensation. The Town and the State are collectively required to contribute at an actuarially determined rate expressed as a percentage of total compensation paid to the active membership. The employer contribution is split and paid 40% by the State and 60% by the school district with the exception of teachers who work in federally funded programs where 100% is paid by the school district and reimbursed by the federal government. For fiscal 2013, the total employer rate 19.29% (7.88% State share and 11.41% local share). The State share of the employer contribution rate includes the total cost of prior contribution deferrals which was .28% for fiscal 2013.

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

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

The Town contributed approximately \$1,945,900, \$2,214,000, and \$1,906,800 during the fiscal years 2013, 2012 and 2011, respectively, equal to 100% of the actuarially required contributions for those respective years. For financial reporting purposes, the State's share of the contributions are reflected as on-behalf payments and are included as both revenue and expenditures in the accompanying financial statements. The on-behalf contributions for the defined benefit plan for the fiscal year ended June 30, 2013 amounted to approximately \$1,271,000.

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

10. **DEFINED BENEFIT PENSION PLANS (Continued)**

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

Funding Policy (Continued)

A variety of significant actuarial assumptions are used to determine the standardized measure of the pension benefit obligation and these assumptions are summarized below:

- (a) **Mortality** – 97% of rates for male teachers and 92% of rates for female teachers in a GRS table projected with Scale AA from 2000.
- (b) **Investment return** – 7.5 percent, compounded annually, composed of an assumed 2.75% inflation rate and a 4.75% net real rate of return.
- (c) **Salary increase** - Salaries will increase at a rate of 4% wage inflation assumption and a service related component ranging from 0% to 8.75% annually.
- (d) **Payroll growth rate** – In the amortization of the unfunded actuarial accrued liability, payroll is assumed to increase 3.75% per year. The increase is due to the effect of wage inflation on salaries with no allowance for future membership growth.
- (e) **Retirement age** – 75% of Schedule B members who reach the age of 59 with 29 years of service before age 65 are assumed to retire when first eligible. 75% of other members are expected to retire when first eligible, at age 65 with 10 years of service. Because of enactment of Article 7 in 2009 and the Act in 2011, the retirement assumption was modified for members whose retirement ages were delayed. Members who would have been assumed to retire prior to the Act are assumed to retire when first eligible for an unreduced benefit.
- (f) **Cost of living adjustments** – COLA benefit increases are assumed to be 2% per year while the plan has a funding level that exceeds 80%. An interim COLA will be granted in five-year intervals while the COLA is suspended. The first COLA will be applicable in calendar year 2018. As of June 30, 2012 it is assumed that the COLAs will be suspended for 15 years due to the current funding level of the plan.

The System issues an annual financial report that includes financial statements and required supplementary information for all of the plans it administers. These reports include all trend information showing the System's progress in accumulating sufficient assets to pay benefits when due. The June 30, 2012 report is the most recent available report and it may be obtained from the administrative offices of the State of Rhode Island Retirement Board, 50 Service Ave, Warwick, Rhode Island or on-line at www.ersri.org.

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

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

10. DEFINED BENEFIT PENSION PLANS (Continued)

(d) Police Pension Trust (a Fiduciary Fund)

The Town of Smithfield currently maintains a Police Pension Trust Fund which is administered by a private insurer and operates on a pay-as-you go basis. The plan is closed to new participants and currently includes 44 participants which include 5 disabled and 39 retirees and beneficiaries. All active members of the Town's police department were transferred into the State Municipal Plan effective July 1, 2006.

Normal retirement benefits are paid at 2.5 percent of final average salary multiplied by service up to 20 years plus 2 percent of final average salary multiplied by service in excess of 20 years, not to exceed 75 percent of final average salary. Final average salary is defined as the average annual salary for the three consecutive years producing the highest such average in the last ten years preceding normal retirement date. The normal retirement dates are as follows: Police personnel employed prior to December 1, 1987 – the earlier of age 55 or completion of 20 years of service; Police personnel employed on or after December 1, 1987 – completion of 20 years of service.

For the fiscal year ended June 30, 2013 the Town contributed \$1,648,000 to this plan. The actuarial determined annual required contribution for the year ended June 30, 2013 was \$2,104,565. As noted above this plan is closed to new active employees and new participants and as a result there were no employee contributions or covered payroll for the fiscal year ended June 30, 2013.

The Town's annual pension cost (APC) and net pension obligation (NPO) for the police pension trust fund as of and for the year ended June 30, 2013 was as follows:

Annual Required Contribution (ARC).....	\$2,104,565
Interest on NPO	(37,679)
Amortization of NPO	50,980
Annual Pension Cost	2,117,866
Actual contributions made	<u>1,648,000</u>
Increase in NPO.....	469,866
NPO (asset) at beginning of year	<u>(486,175)</u>
Net Pension Obligation, June 30, 2013	<u>(\$ 16,309)</u>

The net pension obligation noted above represents a net pension obligation asset at June 30, 2013 and is recorded in the government-wide statement of net position. Due to the immaterial amount, this net pension obligation asset is netted against the net pension benefit obligation of the Town's Fire Pension Trust Fund.

Trend Information

Fiscal Year Ending	Town Contributions	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
6/30/2013	\$1,648,000	\$2,117,866	77.8%	(\$16,309)
6/30/2012	\$1,048,000	\$1,926,177	54.4%	(\$486,175)
6/30/2011	\$1,048,000	\$1,972,824	53.1%	(\$1,364,352)

Due to the fact that a new plan agreement was created as of July 1, 2010 the actuary determined that the unfunded obligation of the previous plan would be eliminated and a new obligation would be determined based on the new plan document. In fiscal 2011 the actuary determined that a net pension obligation asset existed due to contributions made and assets rolled into the plan. This net pension obligation asset was reduced in fiscal 2013 and 2012 due to the underfunding of the APC.

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

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

10. DEFINED BENEFIT PENSION PLANS (Continued)

(d) Police Pension Trust (a Fiduciary Fund) (Continued)

Funded Status of Plan

The required supplementary information which follows the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Listed below are the details of the funding progress of the Retirement Plan for Former Employees of the Police Department of the Town of Smithfield with a valuation date of July 1, 2013.

Actuarial value of assets - \$4,777,131	Actuarial Accrued Liability (AAL) - \$24,914,828
Unfunded AAL - \$20,137,697	Funded Ratio - 19.2%
Covered Payroll - N/A	Unfunded AAL as % of Payroll - N/A

The actuarial methods and assumptions utilized for the valuation of the police pension fund as of a valuation date of July 1, 2013 were as follows (unaudited):

Valuation interest rate	7.75%
Mortality tables	RP-2000 Mortality Table
Plan Administrative Expenses	4% increase from prior year
Actuarial Cost Method	Projected Unit Credit Method
Asset Valuation Method	IPG assets at book value all other at market
Amortization period	Level dollar amount over 20-year closed period starting July 1, 2010

The Town does not currently issue a separate, audited GAAP basis postemployment benefit plan report for the police pension trust fund described above.

(e) Fire Pension Trust (a Fiduciary Fund)

Plan Description

Fire Department employees hired prior to July 1, 2011 are covered under a single employer defined benefit pension plan which is administered by a private insurer. Plan participation commences on the first day of the month following the date the employee is hired. At July 1, 2013 the plan was comprised of 82 participants: 44 active; 5 terminated vested; 5 disabled; and 28 retirees and beneficiaries.

Plan participation commences on the first day of the month following the date the employee is hired. Retirement benefits are determined based in the average annual salary for the three consecutive years producing the highest such average in the last ten years preceding normal retirement date and includes base compensation only. Employees are eligible for retirement on the first day of the month coincident with or next following the earlier of the attainment of age 65 or completion of 20 years of service. Benefits are calculated at 2.5% of the final average salary as determined above multiplied by service up to 20 years plus 2% of final average salary multiplied by service in excess of 20 years but not more than 75% of final average salary. Employees become 100% vested in the plan upon completion of ten years of service.

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

10. **DEFINED BENEFIT PENSION PLANS (Continued)**

(e) **Fire Pension Trust (a Fiduciary Fund)**

Plan Description (Continued)

On or after January 1, 1994, the pension benefit for a participant is in the form of an annuity payable for the lifetime of a participant commencing in his/her retirement date. Upon death after retirement, 67 ½ % of the benefit will be continued to the surviving spouse in accordance with the terms of the plan. The pension benefit for a participant who retired prior to April 1, 1994 and who elected the Contingent Annuitant Option, shall have the pension benefit adjusted for an unreduced life annuity effective April 1, 1994. Firefighters who retire or who are placed on disability pension after July 1, 1988 are entitled to a 3% compounded cost-of-living increase on each anniversary date of their retirement. This cost-of-living increase is also available to the surviving spouse and dependents of these retirees.

Disability benefits are provided under the plan upon completion of seven years of service, if the total and permanent disability is not due to occupational causes. If the participant becomes totally and permanently disabled due to occupational causes, no age or service requirements apply. The benefit is 50% of final average salary if the disability is not due to occupational causes and 66.67% of final average salary if it is due to occupational causes. Death benefits are paid to an employee's beneficiary if death occurs while the employee is still in the service of the Town. The pre-retirement death benefit to the surviving spouse is equal to 40% of the final average salary plus 10% for any dependent children with a maximum benefit of 50%. The pre-retirement death benefit is equal to 15% of the final average salary for each dependent child under age 18 with a maximum of 45% of final average salary for employees that do not have a spouse at the date of death.

Contributions Required and Contributions Made

The payroll for employees covered under this Town administered fire pension plan for the year ended June 30, 2013 was approximately \$2,697,000 and the Town-wide payroll was approximately \$33,300,000. At June 30, 2012 the plan included 82 participants which were comprised of the following: 44 active participants; 5 terminated and vested participants; 5 disabled participants; and 28 retirees and beneficiaries.

Fire personnel are required by the plan document and contractual obligations to contribute 8% of their base earnings, not including overtime pay. The collective bargaining agreement between the Town and fire department personnel provides that the Town will contribute no more than 19.6% of the covered fire department to the plan. During the year ended June 30, 2013 total contributions to the plan were approximately \$751,600 which was comprised of employee contributions totaling approximately \$217,900 and employer contributions of approximately \$533,700.

The annual required contribution (ARC) for the Town for the fiscal year ended June 30, 2013 was \$1,720,921 for fire personnel covered by this Town administered plan. As noted above the Town's contribution to the plan was approximately \$533,700 or 31% of the ARC.

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

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

10. DEFINED BENEFIT PENSION PLANS (Continued)

(e) Fire Pension Trust (a Fiduciary Fund) (Continued)

Contributions Required and Contributions Made (Continued)

The Town's annual pension cost (APC) and net pension obligation (NPO) for the fire pension trust fund as of and for the year ended June 30, 2013 was as follows:

Annual Required Contribution (ARC).....	\$1,720,921
Interest on NPO	379,387
Amortization of NPO	<u>(473,752)</u>
Annual Pension Cost	1,626,556
Actual contributions made	<u>533,700</u>
Increase in NPO.....	1,092,856
NPO at beginning of year	<u>4,463,371</u>
Net Pension Obligation, June 30, 2013	<u>\$5,556,227</u>

The net pension obligation noted above represents a net pension obligation (long-term obligation) at June 30, 2013 and is recorded in the government-wide statement of net position. This net pension obligation has been netted against the NPO Asset of the Police Pension Trust Fund due to the fact that the NPO asset is immaterial as disclosed earlier in this Note.

Trend Information

<u>Fiscal Year Ending</u>	<u>Town Contributions</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2013	\$533,700	\$1,626,556	32.8%	\$5,556,227
6/30/2012	\$553,221	\$1,388,267	39.8%	\$4,463,371
6/30/2011	\$570,359	\$1,504,353	37.9%	\$3,628,325

Funded Status of Plan

The required supplementary information which follows the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Listed below are the details of the funding progress of the Town administered Fire Department Pension Plan for the Town of Smithfield with a valuation date of July 1, 2013.

Actuarial value of assets - \$16,269,532	Actuarial Accrued Liability (AAL) - \$23,962,487
Unfunded AAL - \$7,692,955	Funded Ratio - 67.9%
Covered Payroll - \$2,170,594	Unfunded AAL as % of Payroll - 354.4%

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

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

10. DEFINED BENEFIT PENSION PLANS (Continued)

(e) Fire Pension Trust (a Fiduciary Fund) (Continued)

Funded Status of Plan (Continued)

The actuarial methods and assumptions utilized for the valuation of the Town administered Fire Department Pension Plan as of a valuation date of July 1, 2013 were as follows (unaudited):

Valuation interest rate	8.5%
Mortality tables	RP-2000 Mortality Table
Compensation increase rate	5.5% per annum
Retirement age	25% assumed to retire at 20 years of service the remainder 25 years.
Plan Administrative Expenses	4% increase from prior year
Actuarial Cost Method	Frozen Initial Liability
Amortization period	18 years closed period
Asset Valuation Method	IPG assets at book value all others at market

Significant assumption changes since the July 1, 2011 valuation include revision to the mortality assumption from the RP-2000 Combined Mortality Table projected using the Scale AA to the RP-2000 Mortality Table with projections specified by IRS Regulation 1.430(h)(3)-1, as applicable to the 2012 plan year using a combined static table for both annuitants and non-annuitants. Also retirement rates were changed from active members assumed to retire at the earlier of the attainment of age 65 or age 50 with 25 years of service to 65% assumed to retire upon the attainment of 20 years of service and the remainder at 25 years.

The Town does not currently issue a separate, audited GAAP basis postemployment benefit plan report for the fire pension trust fund described above.

11. DEFINED CONTRIBUTION PLAN

Plan Description:

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

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

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

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

11. **DEFINED CONTRIBUTION PLAN (Continued)**

Plan Funding Policy:

The funding policy is outlined in RIGL chapter 36-10.3 (which can be amended by the Rhode Island General Assembly). Active plan members must contribute 5% (7% for certified teachers) of his/her compensation and the Town is required to contribute 1% (3% for certified teachers). The plan members and Town contributed approximately \$1,485,800 and \$495,900, respectively, during the fiscal year ended June 30, 2013. The employer contribution of \$495,900 consisted of \$35,500 for general municipal employees, \$30,400 for noncertified school employees, and \$430,000 for certified teachers.

Although the Town (School Department) is required to contribute 3% towards the plan for certified teachers, the School Department receives reimbursement from the State of Rhode Island for .4% of 1% of the required contributions. For financial reporting purposes, the State's share of the contribution is reflected as on-behalf payments and is included as both revenue and expenditures in the accompanying financial statements. The on-behalf contributions for the defined contribution plan for the fiscal year ended June 30, 2013 amounted to approximately \$66,000.

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

12. **OTHER POST EMPLOYMENT BENEFITS – OPEB TRUST**

In addition to the pension benefits described above, the Town (including the Smithfield Public Schools) provides other post-employment health care benefits in accordance with terms specified in contractual obligations of the Town and School Department. As of June 30, 2012 these benefits were accounted for on a pay-as-you go basis as the Town had not yet established an OPEB Trust Fund. However, effective January 11, 2013 the Town entered into a trust agreement for these OPEB benefits. The benefits included in these employment contracts are for continued full family or individual health care for employee groups as described below. Retiree medical and dental coverage is only to age 65. (Post - 65 is handled by Cobra.) The actuarial valuations of the other post-retirement benefits involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These actuarial determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. These actuarial valuations reflect a long-term perspective of benefit funding.

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

12. **OTHER POST EMPLOYMENT BENEFITS – OPEB TRUST (Continued)**

The benefits, by employee group are described below:

Town Employees (all departments)

Eligibility for these benefits is upon retirement of the employee at Age 58 with 20 years of service or any years of service when retirement is the result of accidental disability for all Town participants excluding police and fire personnel. Police and Fire personnel are eligible after 20 years of service (or any years of service for accidental disability retirement). Town participants do not share in the cost of the post-retirement costs. Active employees keep their current coverage (family or individual) after they retire, unless the plan provisions specify that only individual coverage can be provided for their division.

School Employees

School Department personnel also receive medical coverage through age 65. School employees are eligible for the benefits as follows: If hired before 6/20/1989 attainment of age 60 with 15 years of service; If hired after 6/19/1989 either (a) age 60 with 20 years of service or (b) 28 years of service with at least 15 years with the Smithfield Public Schools. School Department personnel share in the cost of these benefits as follows: (1) 0% co-share if hired before June 20, 1989 and the employee is age 60 with 20 years of service or 28 years of service with at least 15 years with the Smithfield Public School. If the employee does not meet the requirements above then the co-share is 0% at the time of retirement but the employee is then responsible for 100% of all increases in post-retirement costs. (2) If hired after June 19, 1989 and before July 1, 1992 the co-share is 0% if the employee has 28 years of service with at least 15 years with the Smithfield Public Schools. The co-share is 50% of the costs for employees that do not meet the 28 year service requirement. (3) if hired after June 30, 1992 and employee is age 60 with 20 years of service or 28 years of service with at least 15 of those years with Smithfield Public Schools then the retiree receives benefits limited to \$5,000 annually.

Number of Participants

At June 30, 2013 there were approximately 562 participants included in the valuation analysis completed by the Town's actuary. The participants consisted of the following: 198 Town employees including Smithfield Ice Rink and Water Fund (151 active and 47 retirees and spouses); 364 School employees (309 active and 55 retirees and spouses).

Funding Policy

The Annual Required Contribution (ARC) for the retiree medical program consists of two pieces: A Normal Cost (the cost of benefits earned each year should be accrued in that year plus a Past Service Cost (a catch-up accrual to amortize the unfunded accrual liability). The actuarial valuation selected a 30 year amortization period for the past service costs.

The ARC for the fiscal year ended June 30, 2013 was calculated as follows:

Past service cost.....	\$ 1,464,184
Normal cost.....	756,690
Interest.....	<u>57,553</u>
ARC for fiscal year ended June 30, 2013	<u>\$2,278,427</u>

The ARC was allocated as follows: \$1,909,867 to the Town Departments and \$368,560 to the School Department.

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

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

12. OTHER POST EMPLOYMENT BENEFITS - OPEB TRUST (Continued)

Funding Policy (Continued)

The Town and School Department currently pay for other post-employment benefits in a pay-as-you-go basis. For the fiscal year ended June 30, 2013 these pay-as-you-go benefits were estimated to be approximately \$1,630,694 which consisted of approximately \$890,176 for Town personnel and \$740,518 for School personnel. The estimated pay-as-you-go benefits represented 71.6% of the ARC for fiscal 2013. In addition, during the fiscal year ended June 30, 2013 the Town contributed \$976,369 to the newly created OPEB Trust Fund. As a result, the total amount deemed contributions towards the ARC for fiscal 2013 was \$2,607,063 which represented approximately 114% of the annual required contribution for fiscal 2013.

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

Annual Required Contribution (ARC).....	\$2,278,427
Interest on NOO.....	253,494
Adjustment to ARC	<u>(323,106)</u>
Annual OPEB Cost	2,208,815
Actual contributions made	<u>2,607,063</u>
Decrease in NOO.....	(398,248)
Change in estimate for beginning NOO.....	(89,090)
NOO at beginning of year (original estimate)	<u>4,916,457</u>
Net OPEB Obligation, June 30, 2013	<u>\$4,429,119</u>

The net OPEB obligation noted above is reported as a long-term obligation in the Government-Wide Statement of Net Position at June 30, 2013.

As of June 30, 2013 the Town intends to fund the future OPEB obligations through the Town's General Fund and School's General Unrestricted Fund. Therefore the Net OPEB Obligation attributable to the Smithfield Ice Rink and Water Fund (Proprietary Funds) is reported in the governmental activities of the Government-Wide Statement of Net Position rather than in the Business Activities and the Fund Statements of the Proprietary Funds.

Trend Information

<u>Fiscal year</u>	<u>Annual OPEB Cost</u>	<u>% of OPEB Contributed</u>	<u>Net OPEB Obligation</u>	<u>Covered Payroll</u>
2011	\$2,894,923	50.6%	\$3,283,628	\$32,311,568
2012	\$2,886,483	46.5%	\$4,916,457	\$33,209,399
2013	\$2,208,815	118.1%	\$4,429,119	\$34,537,775

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

12. **OTHER POST EMPLOYMENT BENEFITS – OPEB Trust (Continued)**

Funded Status of Plan

The required supplementary information which follows the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Listed below are the details of the funding progress of the OPEB Plan with a valuation date of July 1, 2013 which is the most recent report available from the Town of Smithfield's Actuary.

- Actuarial value of assets - \$977,467
- Accrued liability - \$24,768,046
- Unfunded accrued liability (UAL) - \$23,790,579
- Funded Ratio – 3.95%
- Annual covered payroll – \$34,537,775
- UAL as percentage of payroll – 68.88%

Actuarial Assumptions

The following actuarial assumptions were utilized in completing the actuarial valuation as of June 30, 2013:

- a. **Actuarial Method:** Projected Unit Credit attributed to benefit eligibility.
- b. **Interest Rate:** 5.25% blended rate (previous valuations utilized a 3.5% rate)
- c. **Mortality Rates:** The RP-2000 Combined Healthy Fully Generational table. For the period after disability retirement, the RP-2000 Combined Healthy Fully Generational table set forward 2 years is used.
- d. **Amortization Period:** 30 year level dollar, open basis.
- e. **Participation:** 100% for future retirees of all non-school employees. For School employees, 100% for future retirees expecting to receive full coverage and 85% for future retirees without full coverage.
- f. **Medical Care Inflation:** Ranges from 9% in 2012 to 4.5% in 2021 and after.
 - Inflation rate represents the premium increases from July 1st annually.
 - For School retirees hired before June 20, 1989 who did not meet the age or length of service requirements their benefits are frozen at the time of retirement and the employee is required to cover all rate increases. Accordingly, there is no post-retirement inflation adjustment for these personnel.

13. **DEFERRED COMPENSATION PLAN**

The Town offers its municipal employees a deferred compensation plan established in accordance with the provisions of Internal Revenue Code Section 457 (g). The Town has not reported this plan on its financial statements in accordance with GASB No. 32, "Accounting for Internal Revenue Code Section 457 Deferred Compensation Plans", since the Town does not have fiduciary responsibility for this plan. The Plan, available to all municipal employees, permits the deferral of a portion of their salary. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

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

14. RISK MANAGEMENT

Health Care

The Town provides medical and dental coverage for all eligible employees of the Town and their dependents. The Town participates in a healthcare collaborative through the Rhode Island Interlocal Risk Management Trust (The Trust). The Trust is a not-for-profit organization formed to provide programs of health insurance, dental insurance, and liability insurance coverage to Rhode Island Cities, Towns, and other governmental units. Upon joining The Trust members execute an agreement that outlines the rights and responsibilities of both the members and The Trust. Members of The Trust participate in the health insurance plan administered through Blue Cross Blue Shield of Rhode Island and the dental plan administered through Delta Dental of Rhode Island.

Using rates calculated by both Blue Cross Blue Shield of Rhode Island and Delta Dental of Rhode Island, The Trust sets annual contribution rates (premiums) for the subscribers of each member for each plan offered. The agreement executed with The Trust requires that those contribution rates be set at a level sufficient, in the aggregate, to satisfy the funding requirements of the participating community. The contributions of each member community are deposited into separate health and dental pools which are used to pay for claims, reinsurance, and all administrative expenses. The agreement with The Trust provides for an annual independent audit of its financial statements. The Trust retains certain levels of insurance risk and acquires reinsurance for specific losses in excess of \$550,000.

Unemployment

The Town is self-insured for unemployment benefits. As of June 30, 2013 management does not believe that there are any incurred but not reported claims that are required to be accrued in the Fund Statements of the Government-Wide Statement of Net Position.

Other Insurance

The Town receives coverage for its property and liability expenses and for its workers' compensation expenses through The Trust. During the fiscal year ended June 30, 2013, the Town paid premiums of approximately \$169,000 and \$272,000, for its workers' compensation and property and liability coverage, respectively. At June 30, 2013 The Trust held reserves for future payments of open cases. The Trust is obligated to make payments on the Town's behalf without any further obligation of the Town, unless the Town's applicable limit of liability were exhausted by the size of the loss or the nature of the loss would fall outside the parameter of the policy maintained by The Trust.

At June 30, 2013 management of the Town is unable to estimate the potential exposure, if any, for outstanding claims which may fall outside the parameter of the insurance policies. Accordingly no liability for claims or judgments has been reported in the Government-Wide Statement of Net Position.

(CONTINUED)

TOWN OF SMITFIELD, RHODE ISLAND

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

15. COMMITMENTS AND CONTINGENCIES

Liabilities for legal cases and other claims against governmental funds are recorded in the governmental funds when the ultimate liability can be estimated and such cases are expected to be settled with available expendable financial resources. At June 30, 2013 the Town (including the School Department) has a number of legal cases and claims in process. These cases include claims made by former employees, zoning matters brought about by taxpayers of the Town, matters pertaining to planning and development posed by property developers, and personal injury and property damage claims. Management and legal counsel have reviewed these outstanding claims and determined that the estimated liability, if any, that may result from these claims would not materially affect the basic financial statements of the Town. As such, the Statement of Net Position at June 30, 2013 does not include any liability for claims, judgments, or unasserted claims.

The Town (including the School Department) has received grants from various federal and state agencies for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to request for reimbursement to the grantor agencies for expenditures disallowed under the terms of the grant agreement. Town officials are of the opinion that such disallowances, if any, would be immaterial.

16. RESTATEMENT

The net positions of the Governmental and Business-Type Activities have been restated as of June 30, 2012 to reflect the implementation of GASB Statement #65 – *Items Previously Reported as Assets and Liabilities*. Implementation of this new Standard resulted in the removal of bond issuance costs as an asset from the Statement of Net Position (formerly the Statement of Net Assets). Under GASB Statement #65 bond issuance costs, excluding bond insurance costs, are to be recorded as an expense in the year the costs are incurred rather than amortizing those costs over the life of the bond obligation. As a result, the unamortized bond issuance costs as of June 30, 2012 totaling \$71,402 and \$142,550 for the Governmental Activities and Business-Type Activities, respectively, have been retroactively removed from the opening net position balance. The following reflects the effect of implementation of GASB Statement #65:

Governmental Activities:

Net Position, June 30, 2012 as originally stated.....	\$34,554,947
Less write-off of bond issuance costs, net.....	<u>(71,402)</u>
Net Position, June 30, 2012 as restated	<u>\$34,483,545</u>

Business-Type Activities:

Net Position, June 30, 2012 as originally stated.....	\$22,079,739
Less write-off of bond issuance costs, net.....	<u>(142,550)</u>
Net Position, June 30, 2012 as restated	<u>\$21,937,189</u>

Total Net Position – Government-wide Statement of Net Position:

Net Position, June 30, 2012 as originally stated.....	\$56,634,686
Less write-off of bond issuance costs, net.....	<u>(213,952)</u>
Net Position, June 30, 2012 as restated	<u>\$56,420,734</u>

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TOWN OF SMITHFIELD

REQUIRED SUPPLEMENTARY INFORMATION



TOWN OF SMITHFIELD, RHODE ISLAND
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund - Budgetary Basis
For the Fiscal Year Ended June 30, 2013

	Original Budget	Revised Budget	Carryover of Prior Year Balance	Final Budget	Actual Revenues	Positive (Negative) Variance
General property taxes						
Property taxes	\$ 49,887,161	\$ 49,887,161	\$ -	\$ 49,887,161	\$ 50,437,531	\$ 550,370
Total general property taxes	<u>49,887,161</u>	<u>49,887,161</u>	<u>-</u>	<u>49,887,161</u>	<u>50,437,531</u>	<u>550,370</u>
Intergovernmental revenues						
State aid for education	4,989,855	4,989,855	-	4,989,855	4,966,983	(22,872)
School housing aid	240,000	240,000	-	240,000	332,642	92,642
Payment-in-Lieu of taxes	497,162	497,162	-	497,162	522,049	24,887
State hotel and meals tax	524,188	524,188	-	524,188	702,426	178,238
Motor vehicle phase-out	281,936	281,936	-	281,936	271,301	(10,635)
Other federal and state grants	2,000	2,000	-	2,000	2,000	-
Public utilities tax	241,202	241,202	-	241,202	257,910	16,708
Total intergovernmental revenues	<u>6,776,343</u>	<u>6,776,343</u>	<u>-</u>	<u>6,776,343</u>	<u>7,055,311</u>	<u>278,968</u>
Licenses, fees and permits	<u>460,000</u>	<u>460,000</u>	<u>-</u>	<u>460,000</u>	<u>976,471</u>	<u>516,471</u>
Interest income:						
Interest - short-term investments	100,000	100,000	-	100,000	22,476	(77,524)
Interest on taxes	240,000	240,000	-	240,000	374,731	134,731
Total interest income	<u>340,000</u>	<u>340,000</u>	<u>-</u>	<u>340,000</u>	<u>397,207</u>	<u>57,207</u>
Departmental revenue:						
School department	350,000	350,000	-	350,000	356,258	6,258
Miscellaneous	90,000	90,000	-	90,000	32,783	(57,217)
Total departmental revenues	<u>440,000</u>	<u>440,000</u>	<u>-</u>	<u>440,000</u>	<u>389,041</u>	<u>(50,959)</u>
Total revenues before other financing sources	<u>57,903,504</u>	<u>57,903,504</u>	<u>-</u>	<u>57,903,504</u>	<u>59,255,561</u>	<u>1,352,057</u>
Other financing sources						
Appropriated fund balance	656,744	656,744	3,706,197	4,362,941	4,362,941	-
RUBS budgeted for capital and operations	230,000	230,000	-	230,000	230,000	-
Transfer from other funds	3,258,195	3,258,195	-	3,258,195	2,086,414	(1,171,781)
Total other financing sources	<u>4,144,939</u>	<u>4,144,939</u>	<u>3,706,197</u>	<u>7,851,136</u>	<u>6,679,355</u>	<u>(1,171,781)</u>
Total revenue and other financing sources	<u>62,048,443</u>	<u>62,048,443</u>	<u>3,706,197</u>	<u>65,754,640</u>	<u>65,934,916</u>	<u>180,276</u>

(Continued)

TOWN OF SMITHFIELD, RHODE ISLAND
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 General Fund - Budgetary Basis
 For the Fiscal Year Ended June 30, 2013

	Original Budgeted Expenditures	Carryover of Prior Year Balance	Revised Budgeted Expenditures	Actual Expenditures	GAAP Reclass Budgetary Entries RUBS	Budget Basis Actual Expenditures	Positive (Negative) Variance
General Government:							
Town Administration and Solicitor	716,273	119,576	835,849	784,609	131,505	916,114	(80,265)
Building Inspectors Office	297,805	-	297,805	223,627	-	223,627	74,178
Tax Assessor's Office	196,508	-	196,508	179,371	-	179,371	17,137
Treasurer / Tax Collectors Office	454,457	-	454,457	598,226	-	598,226	(143,769)
Town Clerks Office	273,651	-	273,651	242,757	-	242,757	30,894
Town Hall expense	195,700	53,436	249,136	153,132	58,372	211,504	37,632
Municipal Planners Office & Town Engineer	335,712	285,178	620,890	278,270	293,047	571,317	49,573
Board of Canvassers/Elections	32,500	-	32,500	41,048	-	41,048	(8,548)
Conservation Commission/Green Acre	17,000	-	17,000	14,545	-	14,545	2,455
Town Boards and Commissions	28,970	-	28,970	29,610	-	29,610	(640)
Total General Government	2,548,576	458,190	3,006,766	2,545,195	482,924	3,028,119	(21,353)
Public Safety:							
Police Department	4,463,544	-	4,463,544	4,418,041	-	4,418,041	45,503
Fire Department	4,506,789	-	4,506,789	4,705,419	-	4,705,419	(198,630)
Animal Control	117,460	-	117,460	112,659	-	112,659	4,801
Civil Defense	8,497	4,299	12,796	8,129	5,002	13,131	(335)
Total Public Safety	9,096,290	4,299	9,100,589	9,244,248	5,002	9,249,250	(148,661)
Public Works:							
Payroll and operating expense	1,400,195	18,159	1,418,354	1,325,317	10,415	1,335,732	82,622
Rubbish and garbage collection	960,000	-	960,000	949,495	-	949,495	10,505
Street lights	272,000	-	272,000	274,984	-	274,984	(2,984)
Hydrant service	190,000	88,001	278,001	192,135	88,001	280,136	(2,135)
Highway resurfacing	115,000	201,436	316,436	304,081	12,355	316,436	-
Highway drainage	50,000	151,342	201,342	35,573	165,769	201,342	-
Landfill program	250,000	225,959	475,959	196,929	279,030	475,959	-
Total Public Works	3,237,195	684,897	3,922,092	3,278,514	555,570	3,834,084	88,008
Public Health and Assistance:							
General Public Assistance	6,355	-	6,355	8,350	-	8,350	(1,995)
Total Public Health and Assistance	6,355	-	6,355	8,350	-	8,350	(1,995)

(Continued)

TOWN OF SMITHFIELD, RHODE ISLAND
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund - Budgetary Basis
For the Fiscal Year Ended June 30, 2013

	Original Budgeted Expenditures	Carryover of Prior Year Balance	Revised Budgeted Expenditures	Actual Expenditures	GAAP Reclass Budgetary Entries RUBS	Budget Basis Actual Expenditures	Positive (Negative) Variance
Recreation:							
Parks and Recreation Department	398,577	33,292	431,869	379,515	33,292	412,807	19,062
Debt Service:							
Redemption of Bonds and Notes	1,915,000	1,021,431	2,936,431	2,035,000	1,021,432	3,056,432	(120,001)
Financing cost and other use	-	2,332	2,332	3,916	252,032	255,948	(253,616)
Interest on Bonds and Notes	724,644	1,141,273	1,865,917	560,364	1,140,223	1,700,587	165,330
Total Debt Service	2,639,644	2,165,036	4,804,680	2,599,280	2,413,687	5,012,967	(208,287)
Miscellaneous - Town:							
Retirement Fund	2,819,431	-	2,819,431	2,719,178	-	2,719,178	100,253
Computer services	70,000	31,612	101,612	79,113	31,612	110,725	(9,113)
Technology coordinator	35,800	113,772	149,572	35,800	113,772	149,572	-
Computer operations	25,000	108,427	133,427	5,250	128,177	133,427	-
Social Security Taxes	930,000	-	930,000	873,683	-	873,683	56,317
Audit services	62,000	-	62,000	45,172	-	45,172	16,828
Unemployment Compensation	30,000	-	30,000	12,969	-	12,969	17,031
Post employment escrow	100,000	-	100,000	100,000	-	100,000	-
Insurance	540,000	-	540,000	518,956	-	518,956	21,044
Blue Cross/Delta Dental	3,500,000	-	3,500,000	3,158,491	-	3,158,491	341,509
Postage	42,000	-	42,000	27,546	-	27,546	14,454
Town aided programs	93,290	-	93,290	92,679	-	92,679	611
Greenville Library Capital Reimb	-	-	-	-	-	-	-
Sewer Assessments	2,000	92,166	94,166	960	93,206	94,166	-
Senior Activities Center	319,699	14,506	334,205	271,041	14,506	285,547	48,658
Handicapped Access	-	-	-	2,509	-	2,509	(2,509)
Reserve for Unpaid Taxes and Abatements	100,000	-	100,000	-	-	-	100,000
Capital Reserve	320,000	-	320,000	320,000	-	320,000	-
Total Miscellaneous - Town	8,989,220	360,483	9,349,703	8,263,347	381,273	8,644,620	705,083
Municipal Capital Improvements	903,869	-	903,869	763,057	-	763,057	140,812

(Continued)

TOWN OF SMITHFIELD, RHODE ISLAND
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 General Fund - Budgetary Basis
 For the Fiscal Year Ended June 30, 2013

	Original Budgeted Expenditures	Carryover of Prior Year Balance	Revised Budgeted Expenditures	Actual Expenditures	GAAP Reclass Budgetary Entries RUBS	Budget Basis Actual Expenditures	Positive (Negative) Variance
<i>Transfers to other funds:</i>							
School unrestricted fund -appropriation	27,241,149	-	27,241,149	27,267,117	-	27,267,117	(25,968)
School miscellaneous revenue	350,000	-	350,000	356,258	-	356,258	(6,258)
State aid for education	4,989,855	-	4,989,855	4,966,983	-	4,966,983	22,872
East Smithfield Neighborhood Center	19,979	-	19,979	19,979	-	19,979	-
East Smithfield Neighborhood Public Library	457,885	-	457,885	457,885	-	457,885	-
Greenville Public Library	729,849	-	729,849	729,849	-	729,849	-
Municipal Escrow	240,000	-	240,000	125,000	-	125,000	115,000
Revaluation Escrow	25,000	-	25,000	25,000	-	25,000	-
Merit Escrow	125,000	-	125,000	-	-	-	125,000
Retirement Escrow	50,000	-	50,000	44,105	-	44,105	5,895
Economic Corridor Evaluation	-	-	-	-	-	-	-
Transfer to Other Funds	-	-	-	228,525	-	228,525	(228,525)
Total transfers	<u>34,228,717</u>	<u>-</u>	<u>34,228,717</u>	<u>34,220,701</u>	<u>-</u>	<u>34,220,701</u>	<u>8,016</u>
Unused RUB appropriation available for 2014	-	-	-	-	230,000	230,000	(230,000)
Total Expenditures and other financing uses	<u>62,048,443</u>	<u>3,706,197</u>	<u>65,754,640</u>	<u>61,302,207</u>	<u>4,101,748</u>	<u>65,403,955</u>	<u>350,685</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,632,709</u>	<u>\$ (4,101,748)</u>	<u>\$ 530,961</u>	<u>\$ 530,961</u>

(Concluded)

TOWN OF SMITHFIELD, RHODE ISLAND

**Notes to Required Supplementary Information
Reconciliation of GAAP to Budgetary Basis
General Fund**

For the Year Ended June 30, 2013

Excess of revenues and other financing sources over expenditures and other financing uses, budgetary basis (Exhibit RSI-1)	\$ 530,961
Less reappropriation of fund balance and prior year RUBS which are reported as revenue for budget purposes but not reported in accordance with GAAP.	(4,592,941)
Add amounts reported as expenditures for budget purposes but which represent RUBS for carryover to future years. These are not GAAP expenditures.	4,101,748
Add net increase (decrease) in fund balance for the fiscal year ended June 30, 2013 for the following Funds which are not considered part of the General Fund for budgetary purposes but which are consolidated into the General Fund in accordance with GAAP and Governmental Accounting Standards Board Statement #54.	
Inspection Fees Fund	23
Review Fees Fund	6
Post Employment Escrow Fund	(876,140)
Deficiency of revenues and other financing sources under expenditures and other financing uses, GAAP basis (Exhibit B-2)	<u>\$ (836,343)</u>

TOWN OF SMITHFIELD, RHODE ISLAND

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
School Unrestricted Fund - Budgetary Basis

For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
State aid - Intergovernmental	\$ 4,966,983	\$ 4,966,983	\$ 4,966,983	\$ -
Medicaid, Tuition, and Miscellaneous	350,000	350,000	356,258	6,258
Total revenues	<u>5,316,983</u>	<u>5,316,983</u>	<u>5,323,241</u>	<u>6,258</u>
Expenditures:				
Salaries	20,183,380	20,295,240	20,164,517	130,723
Employee benefits	7,528,972	7,394,563	7,307,858	86,705
Purchased services	4,334,649	4,334,649	4,051,816	282,833
Supplies and materials	1,337,062	1,337,062	1,252,128	84,934
Other	36,632	37,188	33,802	3,386
Capital outlay	450,000	471,993	684,881	(212,888)
Total expenditures	<u>33,870,695</u>	<u>33,870,695</u>	<u>33,495,002</u>	<u>375,693</u>
Excess of revenues over (under) expenditures before other financing sources (uses)	<u>(28,553,712)</u>	<u>(28,553,712)</u>	<u>(28,171,761)</u>	<u>381,951</u>
Other financing sources (uses):				
Operating transfer from Town appropriation	26,817,117	26,817,117	26,817,117	-
Operating transfer from Town for capital	450,000	450,000	450,000	-
Use of June 30, 2012 fund balance	1,286,595	1,286,595	1,286,595	-
Total other financing sources (uses)	<u>28,553,712</u>	<u>28,553,712</u>	<u>28,553,712</u>	<u>-</u>
Excess of revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 381,951</u>	<u>\$ 381,951</u>

Reconciliation of Budgetary Basis to GAAP Basis:

Excess of revenues and other financing sources over expenditures and other financing uses - Budgetary Basis (RSI-2)	\$ 381,951
Less use of June 30, 2012 fund balance	(1,286,595)
Excess of revenues and other financing sources over expenditures and other financing uses - GAAP Basis (Exhibit B-2)	<u>\$ (904,644)</u>

TOWN OF SMITHFIELD, RHODE ISLAND
 Required Supplementary Information
 Schedule of Funding Progress For Pension Plans
 June 30, 2013
 UNAUDITED

	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Funding Excess (Deficit)	Funded Ratio	Covered Payroll	Funding Excess (Deficit) as A percentage of Covered Payroll
General municipal employees pension plan.....							
	6/30/2007	\$ 20,947,094	\$ 19,690,529	\$ 1,256,565	106.4%	\$ 6,269,152	20.0%
	6/30/2008	\$ 22,825,218	\$ 21,713,420	\$ 1,111,798	105.1%	\$ 6,505,290	17.1%
	6/30/2009	\$ 23,381,340	\$ 23,835,519	\$ (254,179)	98.9%	\$ 6,589,627	-3.9%
	6/30/2010	\$ 22,814,374	\$ 28,267,632	\$ (5,453,258)	80.7%	\$ 6,655,421	-81.9%
	6/30/2011	\$ 23,019,787	\$ 23,924,610	\$ (904,823)	96.2%	\$ 6,884,885	-13.1%
	6/30/2012	\$ 23,744,757	\$ 25,105,626	\$ (1,360,869)	94.6%	\$ 6,540,797	-20.8%
Municipal police pension plan.....							
	6/30/2007	\$ 2,300,407	\$ 5,658,675	\$ (3,358,268)	40.7%	\$ 2,269,775	-148.0%
	6/30/2008	\$ 3,379,943	\$ 6,647,186	\$ (3,267,243)	50.8%	\$ 2,376,903	-137.5%
	6/30/2009	\$ 4,219,709	\$ 7,180,764	\$ (2,961,055)	58.8%	\$ 2,345,796	-126.2%
	6/30/2010	\$ 8,029,314	\$ 10,474,428	\$ (2,445,114)	76.7%	\$ 2,513,161	-97.3%
	6/30/2011	\$ 9,109,231	\$ 8,376,120	\$ 733,111	108.8%	\$ 2,602,473	28.2%
	6/30/2012	\$ 10,112,417	\$ 9,503,865	\$ 608,552	106.4%	\$ 2,582,148	23.6%
Municipal fire pension plan.....							
	6/30/2011	The Town of Smithfield, Rhode Island entered into this plan effective July 1, 2011.					
	6/30/2012	\$ 559,741	\$ 549,797	\$ 9,944	101.8%	\$ 203,984	4.9%

Notes to Schedule of Funding Progress:

Changes affecting the June 30, 2012 actuarial valuation:

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

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

Changes affecting the June 30, 2011 actuarial valuation:

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

The information included in this schedule of funding progress was obtained from the annual actuarial valuation report of the State of Rhode Island's Employee Retirement System for each of the dates indicated. The June 30, 2012 report is the most recent report available as of the date of the audited financial statements. The State of Rhode Island's Employee Retirement System is currently in the process of compiling the information to complete the June 30, 2013 report.

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND
Required Supplementary Information
Schedule of Funding Progress For Pension Plans
June 30, 2013
UNAUDITED

	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Funding Excess (Deficit)	Funded Ratio	Covered Payroll	Funding Excess (Deficit) as A percentage of Covered Payroll
Town Administered former police B employees pension plan.....							
	6/30/2008	\$ 5,629,265	\$ 19,745,411	\$ (14,116,146)	28.5%	N/A	N/A
	6/30/2009	\$ 3,574,925	\$ 19,943,328	\$ (16,368,403)	17.9%	N/A	N/A
	6/30/2010	\$ 2,476,804	\$ 21,677,153	\$ (19,200,349)	11.4%	N/A	N/A
	6/30/2011	\$ 4,524,755	\$ 22,525,995	\$ (18,001,240)	20.1%	N/A	N/A
	6/30/2012	\$ 4,151,787	\$ 24,708,082	\$ (20,556,295)	16.8%	N/A	N/A
	6/30/2013	\$ 4,777,131	\$ 24,914,828	\$ (20,137,697)	19.2%	N/A	N/A
Town Administered fire pension plan.....							
	6/30/2008	\$ 12,908,897	\$ 15,302,994	\$ (2,394,097)	84.4%	\$ 2,635,945	-90.8%
	6/30/2009	\$ 9,793,908	\$ 12,587,404	\$ (2,793,496)	77.8%	\$ 2,691,863	-103.8%
	6/30/2010	\$ 10,862,060	\$ 14,658,283	\$ (3,796,223)	74.1%	\$ 2,622,842	-144.7%
	6/30/2011	\$ 13,291,142	\$ 18,593,127	\$ (5,301,985)	71.5%	\$ 2,688,882	-197.2%
	6/30/2012	\$ 14,054,671	\$ 20,931,277	\$ (6,876,606)	67.1%	\$ 2,413,424	-284.9%
	6/30/2013	\$ 16,269,532	\$ 23,962,487	\$ (7,692,955)	67.9%	\$ 2,170,594	-354.4%
Employer Contributions							
Town Administered former police employees pension plan.....							
	6/30/2008	Information not available.					
	6/30/2009	Information not available.					
	6/30/2010	Information not available.					
	6/30/2011	\$ 1,048,000					
	6/30/2012	\$ 1,048,000					
	6/30/2013	\$ 1,648,000					
Town Administered fire pension plan.....							
	6/30/2008	\$ 495,848					
	6/30/2009	\$ 561,013					
	6/30/2010	\$ 570,270					
	6/30/2011	\$ 570,359					
	6/30/2012	\$ 553,221					
	6/30/2013	\$ 533,700					

B - The covered payroll of this plan is listed as "N/A" due to the fact that this plan includes only retired police officers. Effective July 1, 2006 all active police officers were transferred to the municipal police plan administered by the State of Rhode Island.

TOWN OF SMITHFIELD, RHODE ISLAND

Required Supplementary Information
 Schedule of Funding Progress OPEB Plan
 June 30, 2013
 UNAUDITED

	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Accrued Liability (UAL)	Funded Ratio	Covered Payroll	UAL as a Percentage of Covered Payroll
<i>Town of Smithfield -</i>							
<i>Other Post-Employment Benefit Program</i>							
	6/30/2009	\$ -	\$ 26,277,277	\$ (26,277,277)	0%	\$ 31,424,385	83.6%
	6/30/2010	\$ -	\$ 26,748,967	\$ (26,748,967)	0%	\$ 32,276,437	82.9%
	6/30/2011	\$ -	\$ 31,168,449	\$ (31,168,449)	0%	\$ 32,311,568	96.5%
	6/30/2012 **	\$ -	\$ 33,727,292	\$ (33,727,292)	0%	\$ 33,209,399	101.6%
	6/30/2013	\$ 977,467	\$ 24,768,046	\$ (23,790,579)	4%	\$ 34,537,775	68.9%

** = Amounts were restated by Actuary due to a change/clarification of eligibility requirements.

The unfunded actuarial accrued liability (UAAL) at June 30, 2013 is attributable to the following departments of the Town:

General Government - Town	\$ 20,450,518
School Department	4,092,526
Water Department	157,056
Ice Rink	67,946
Total UAAL	\$ 24,768,046

The following represents the Annual Required Contributions by Department for the fiscal years ended June 30 as determined by the actuarial valuations noted above:

	General Fund Employees	Water Department	Smithfield Ice Rink	School Department	Total ARC
Fiscal year ended June 30, 2013	\$ 1,884,762	\$ 15,041	\$ 10,064	\$ 368,560	\$ 2,278,427
Fiscal year ended June 30, 2012	\$ 2,476,320	\$ 31,135	\$ 50,216	\$ 480,890	\$ 3,038,561
Fiscal year ended June 30, 2011	\$ 2,469,560	\$ 18,552	\$ 16,102	\$ 426,616	\$ 2,930,830

The information included in this schedule of funding progress was obtained from the actuarial valuation report dated September 2013 prepared by Buck Consultants, an ACS Company.

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TOWN OF SMITHFIELD

OTHER SUPPLEMENTARY INFORMATION



TOWN OF SMITHFIELD

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are restricted or committed to expenditure for particular purposes. The following special revenue funds are reported as nonmajor governmental funds.

- Active Shooter Training Fund
- Animal Control Fund
- Animal Control Spay & Neuter
- Bulletproof Vest Grant
- Byrne Grant
- Police Restricted Revenue
- CDBG
- Document Preservation & Tech Upgrades
- EMA Radio
- Planning Challenge Block Grant
- Fire Prevention
- Historical Records
- Municipal Contingency Escrow
- Operation Blue Riptide
- Police Confiscated Funds
- Tri Town III Police Grant
- Wal-Mart Grant
- Retirement Escrow
- Revaluation Escrow
- RI DOT Children Passenger Safety
- RI DOT Click it or Ticket
- Scholarship Fund
- Senior Center Grant
- Smithfield Fire Rescue
- Seatbelt Safety
- Senior Center Memorial Donations
- Police Memorial Fund
- General Public Assistance
- Senior Center Expansion Donations
- Safe Route School
- School Restricted Grant Funds

(CONTINUED)

TOWN OF SMITHFIELD

NONMAJOR GOVERNMENTAL FUNDS (Continued)

CAPITAL PROJECTS FUNDS

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds. Funding sources include debt proceeds, intergovernmental sources, third party contributions and General Fund operating transfers. The following capital project funds are reported as nonmajor governmental funds.

- Fanning Lane Road Construction
- Green Acres Acquisition Fund
- Highway Drainage
- Smithfield Historic Landmark
- Impact Fees
- Land Acq. Open Space Bond
- Log Road Fund
- Middle School Additions
- Open Space & Rec. Area
- Police Equipment
- Esmond Street Enhancement
- Water District Improvement Fee
- Handicap Accessibility
- Special Projects Fund
- Capital Reserve Fund
- Land Trust Fund
- Salt Barn Property

(CONTINUED)

TOWN OF SMITHFIELD

NONMAJOR GOVERNMENTAL FUNDS (Continued)

PERMANENT FUNDS

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs. The following permanent funds are reported as nonmajor governmental funds:

- Cemetery Fund

(CONCLUDED)

TOWN OF SMITHFIELD, RHODE ISLAND

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2013

	SPECIAL REVENUE FUNDS							Document Preservation & Tech Upgrades
	Active Shooter Training Fund	Animal Control Fund	Animal Control Spay & Neuter	Bulletproof Vest Grant	Byrne Grant	Police Restricted Revenue	CDBG	
ASSETS								
Cash and cash equivalents		\$ 24,055						\$ 88,141
Investments								
Accounts and other receivable								
Due from federal & state governments							\$ 7,530	
Prepays								
Due from other funds			\$ 2,926		\$ 6,010	\$ 134,559		
TOTAL ASSETS	\$ -	\$ 24,055	\$ 2,926	\$ -	\$ 6,010	\$ 134,559	\$ 7,530	\$ 88,141
LIABILITIES								
Accounts payable		\$ 6				\$ 6,557	\$ 1,129	
Retainage payable								
Accrued liabilities		1,424						
Due to federal & state governments								
Due to other funds		439					1,841	\$ 59,829
Unearned grant and other revenues					\$ 6,010		4,560	
TOTAL LIABILITIES	\$ -	1,869	\$ -	\$ -	6,010	6,557	7,530	59,829
FUND BALANCE								
Restricted	-	-	-	-	-	-	-	28,312
Committed	-	22,186	2,926	-	-	128,002	-	-
Unassigned	-	-	-	-	-	-	-	-
TOTAL FUND BALANCE	-	22,186	2,926	-	-	128,002	-	28,312
TOTAL LIABILITIES AND FUND BALANCE	\$ -	\$ 24,055	\$ 2,926	\$ -	\$ 6,010	\$ 134,559	\$ 7,530	\$ 88,141

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2013**

	SPECIAL REVENUE FUNDS							
	<u>EMA Radio</u>	<u>Planning Challenge Block Grant</u>	<u>Fire Prevention</u>	<u>Historical Records</u>	<u>Municipal Contingency Escrow</u>	<u>Operation Blue Riptide</u>	<u>Police Confiscated Funds</u>	<u>Tn Town III Police Grant</u>
ASSETS								
Cash and cash equivalents	\$ 2,393		\$ 19,593	\$ 35,522	\$ 112,787		\$ 16,519	
Investments								
Accounts and other receivable								
Due from federal & state governments	1,559	\$ 18,940				\$ 185		\$ 369
Prepays								
Due from other funds	7,815			2,078	1,057,672		2,873	
TOTAL ASSETS	<u>\$ 11,767</u>	<u>\$ 18,940</u>	<u>\$ 19,593</u>	<u>\$ 37,600</u>	<u>\$ 1,170,459</u>	<u>\$ 185</u>	<u>\$ 19,392</u>	<u>\$ 369</u>
LIABILITIES								
Accounts payable	\$ 1,559	\$ 1,637						
Retainage payable								
Accrued liabilities							\$ 13,241	
Due to federal & state governments								
Due to other funds		17,303	\$ 200			\$ 185		\$ 369
Unearned grant and other revenues								
TOTAL LIABILITIES	<u>1,559</u>	<u>18,940</u>	<u>200</u>	<u>\$ -</u>	<u>-</u>	<u>185</u>	<u>13,241</u>	<u>369</u>
FUND BALANCE								
Restricted	10,208	-	19,393	37,600		-	6,151	
Committed					1,170,459			
Unassigned	-	-	-	-		-	-	
TOTAL FUND BALANCE	<u>10,208</u>	<u>-</u>	<u>19,393</u>	<u>37,600</u>	<u>1,170,459</u>	<u>-</u>	<u>6,151</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 11,767</u>	<u>\$ 18,940</u>	<u>\$ 19,593</u>	<u>\$ 37,600</u>	<u>\$ 1,170,459</u>	<u>\$ 185</u>	<u>\$ 19,392</u>	<u>\$ 369</u>

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2013

	SPECIAL REVENUE FUNDS							
	Wal-Mart Grant	Retirement Escrow	Revaluation Escrow	RI DOT Children Passenger Safety	RI DOT Click it or Ticket	Scholarship Fund	Senior Center Grant	Smithfield Fire Rescue
ASSETS								
Cash and cash equivalents		\$ 688,820	\$ 356,306			\$ 4,488		\$ 1,936,614
Investments								
Accounts and other receivable								
Due from federal & state governments				\$ 3,324	\$ 574			
Prepays								
Due from other funds							\$ 60,407	
TOTAL ASSETS	\$ -	\$ 688,820	\$ 356,306	\$ 3,324	\$ 574	\$ 4,488	\$ 60,407	\$ 1,936,614
LIABILITIES								
Accounts payable							\$ 1,001	\$ 9,275
Retainage payable								
Accrued liabilities							6,128	
Due to federal & state governments								
Due to other funds			\$ 79,052	\$ 3,324	\$ 574			-450,000
Unearned grant and other revenues								
TOTAL LIABILITIES	\$ -	\$ -	79,052	3,324	574	\$ -	7,129	459,275
FUND BALANCE								
Restricted	-		-	-	-	4,488	53,278	-
Committed		688,820	277,254					1,477,339
Unassigned	-		-	-	-			-
TOTAL FUND BALANCE	-	688,820	277,254	-	-	4,488	53,278	1,477,339
TOTAL LIABILITIES AND FUND BALANCE	\$ -	\$ 688,820	\$ 356,306	\$ 3,324	\$ 574	\$ 4,488	\$ 60,407	\$ 1,936,614

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2013

	SPECIAL REVENUE FUNDS							
	Seatbelt Safety	Senior Center Memorial Donations	Police Memorial Fund	General Public Assistance	Senior Center Expansion Donations	Safe Route School	School Restricted Funds	Total Special Revenue Funds
ASSETS								
Cash and cash equivalents			\$ 758		\$ 2,874			\$ 3,288,870
Investments								-
Accounts and other receivable	\$ 4,387					\$ 6,908		11,295
Due from federal & state governments						379,767		412,248
Prepays								-
Due from other funds		\$ 336		\$ 57,822			84,473	1,416,971
TOTAL ASSETS	\$ 4,387	\$ 336	\$ 758	\$ 57,822	\$ 2,874	\$ -	\$ 471,148	\$ 5,129,384
LIABILITIES								
Accounts payable	\$ 44							\$ 21,208
Retainage payable								-
Accrued liabilities								20,793
Due to federal & state governments								-
Due to other funds	4,387					\$ 386,675		1,004,178
Unearned grant and other revenues						23,015		33,585
TOTAL LIABILITIES	4,431	\$ -	\$ -	\$ -	\$ -	\$ -	409,690	1,079,764
FUND BALANCE								
Restricted		336	758	-	2,874	-	61,458	224,856
Committed		-	-	57,822	-	-	-	3,824,808
Unassigned	(44)	-	-	-	-	-	-	(44)
TOTAL FUND BALANCE	(44)	336	758	57,822	2,874	-	61,458	4,049,620
TOTAL LIABILITIES AND FUND BALANCE	\$ 4,387	\$ 336	\$ 758	\$ 57,822	\$ 2,874	\$ -	\$ 471,148	\$ 5,129,384

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2013

	CAPITAL PROJECT FUNDS							
	Fanning Lane Road Construction	Green Acres Acquisition Fund	Highway Drainage	Smithfield Historic Landmark	Impact Fees	Land Acq Open Space Bond	Log Road Fund	Middle School Additions
ASSETS								
Cash and cash equivalents		\$ 100,657		\$ 882	\$ 439,559			
Investments								
Accounts and other receivable								
Due from federal & state governments								
Prepays								
Due from other funds		2,524	-		60,010	\$ 318,325		\$ 5,124
TOTAL ASSETS	\$ -	\$ 103,181	\$ -	\$ 882	\$ 499,569	\$ 318,325	\$ -	\$ 5,124
LIABILITIES								
Accounts payable								
Retainage payable								
Accrued liabilities								
Due to federal & state governments								
Due to other funds								
Unearned grant and other revenues								
TOTAL LIABILITIES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FUND BALANCE								
Restricted								
Committed	-	103,181	-	882	499,569	318,325		5,124
Unassigned	-	-	-	-	-	-		-
TOTAL FUND BALANCE	-	103,181	-	882	499,569	318,325	-	5,124
TOTAL LIABILITIES AND FUND BALANCE	\$ -	\$ 103,181	\$ -	\$ 882	\$ 499,569	\$ 318,325	\$ -	\$ 5,124

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2013

	<u>CAPITAL PROJECT FUNDS</u>							
	Open Space & Rec. Area	Police Equipment	Esmond Street Enhancement	Water District Improvement Fee	Handicap Accessibility	Special Projects Fund	Capital Reserve Fund	Land Trust
ASSETS								
Cash and cash equivalents	\$ 4,539	\$ 129,277		\$ 18,739	\$ 10,790	\$ 132,329		\$ 1,718,777
Investments								
Accounts and other receivable								
Due from federal & state governments		4,628	\$ 47,338					272,500
Prepays								
Due from other funds			30,652				\$ 976,160	
TOTAL ASSETS	<u>\$ 4,539</u>	<u>\$ 133,905</u>	<u>\$ 77,990</u>	<u>\$ 18,739</u>	<u>\$ 10,790</u>	<u>\$ 132,329</u>	<u>\$ 976,160</u>	<u>\$ 1,991,277</u>
LIABILITIES								
Accounts payable						\$ 4,825		\$ 4
Retainage payable			\$ 39,924					
Accrued liabilities								
Due to federal & state governments								
Due to other funds		\$ 110,571				12,254		777,674
Unearned grant and other revenues								
TOTAL LIABILITIES	<u>\$ -</u>	<u>110,571</u>	<u>39,924</u>	<u>\$ -</u>	<u>\$ -</u>	<u>17,079</u>	<u>\$ -</u>	<u>777,678</u>
FUND BALANCE								
Restricted			38,066			-	-	-
Committed	4,539	23,334		18,739	10,790	115,250	976,160	1,213,599
Unassigned								
TOTAL FUND BALANCE	<u>4,539</u>	<u>23,334</u>	<u>38,066</u>	<u>18,739</u>	<u>10,790</u>	<u>115,250</u>	<u>976,160</u>	<u>1,213,599</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 4,539</u>	<u>\$ 133,905</u>	<u>\$ 77,990</u>	<u>\$ 18,739</u>	<u>\$ 10,790</u>	<u>\$ 132,329</u>	<u>\$ 976,160</u>	<u>\$ 1,991,277</u>

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2013

	CAPITAL PROJECT FUNDS		PERMANENT FUND	Total Nonmajor Governmental Funds
	Salt Barn Property	Total Capital Project Funds	Cemetery Fund	
ASSETS				
Cash and cash equivalents		\$ 2,555,549	\$ 63,652	\$ 5,908,071
Investments		-		-
Accounts and other receivable		-		11,295
Due from federal & state governments		324,466		736,714
Prepays		-		-
Due from other funds		1,392,795		2,809,766
TOTAL ASSETS	\$ -	\$ 4,272,810	\$ 63,652	\$ 9,465,846
LIABILITIES				
Accounts payable		\$ 4,829		\$ 26,037
Retainage payable		39,924		39,924
Accrued liabilities		-		20,793
Due to federal & state governments		-		-
Due to other funds	\$ 992,896	1,893,395		2,897,573
Unearned grant and other revenues		-		33,585
TOTAL LIABILITIES	992,896	1,938,148	\$ -	3,017,912
FUND BALANCE				
Restricted	-	38,066	63,652	326,574
Committed	-	3,289,492	-	7,114,300
Unassigned	(992,896)	(992,896)	-	(992,940)
TOTAL FUND BALANCE	(992,896)	2,334,662	63,652	6,447,934
TOTAL LIABILITIES AND FUND BALANCE	\$ -	\$ 4,272,810	\$ 63,652	\$ 9,465,846

(CONCLUDED)

TOWN OF SMITHFIELD, RHODE ISLAND

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2013

	SPECIAL REVENUE FUNDS							
	Active Shooter Training Fund	Animal Control Fund	Animal Control Spay & Neuter	Bulletproof Vest Grant	Byrne Grant	Police Restricted Revenue	CDBG	Document Preservation & Tech Upgrades
REVENUES:								
Intergovernmental	\$ 5,315			\$ 975	\$ 8,890		\$ 25,577	
Fees, Fines, Charges and Assessments		\$ 3,134	\$ 1,769			\$ 130,541	\$ 3,380	\$ 24,100
Interest and investment income		8						30
Contributions and grants								
Other								
Total revenues	5,315	3,142	1,769	975	8,890	130,541	28,957	24,130
EXPENDITURES:								
Current:								
Recreation and Community Development							28,957	
Education								
Public Safety	5,315	196	120	975	8,890	90,840		
Other expenses								81,865
Debt Service:								
Interest								
Capital outlays								
Total expenditures	5,315	196	120	975	8,890	90,840	28,957	81,865
Excess (deficiency) of revenues over (under) expenditures	-	2,946	1,649	-	-	39,701	-	(57,735)
OTHER FINANCING SOURCES (USES)								
Proceeds from bond issuance								
Transfers in								
Transfers out								
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Net change in fund balances	-	2,946	1,649	-	-	39,701	-	(57,735)
Fund balances, beginning of year	-	19,240	1,277	-	-	88,301	-	86,047
Fund balances, end of year	\$ -	\$ 22,186	\$ 2,926	\$ -	\$ -	\$ 128,002	\$ -	\$ 28,312

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2013**

	SPECIAL REVENUE FUNDS							
	EMA Radio	Planning Challenge Block Grant	Fire Prevention	Historical Records	Municipal Contingency Escrow	Operation Blue Riptide	Police Confiscated Funds	Trn Town III Police Grant
REVENUES:								
Intergovernmental	\$ 11,240	\$ 29,998			\$ 125,000	\$ 7,307	\$ 6,144	
Fees, Fines, Charges and Assessments			\$ 8,199	\$ 4,132				
Interest and investment income	2		60	11	429		7	
Contributions and grants								\$ 5,531
Other					32,671			
Total revenues	11,242	29,998	8,259	4,143	158,100	7,307	6,151	5,531
EXPENDITURES:								
Current:								
Recreation and Community Development		29,998						
Education								
Public Safety	6,264		7,676			7,307		5,492
Other expenses								
Debt Service:								
Interest								
Capital outlays			8,200					-
Total expenditures	6,264	29,998	15,876	-	-	7,307	-	5,492
Excess (deficiency) of revenues over (under) expenditures	4,978	-	(7,617)	4,143	158,100	-	6,151	39
OTHER FINANCING SOURCES (USES)								
Proceeds from bond issuance								
Transfers in								
Transfers out								(39)
Total other financing sources (uses)	-	-	-	-	-	-	-	(39)
Net change in fund balances	4,978	-	(7,617)	4,143	158,100	-	6,151	-
Fund balances, beginning of year	5,230	-	27,010	33,457	1,012,359	-	-	-
Fund balances, end of year	\$ 10,208	\$ -	\$ 19,393	\$ 37,600	\$ 1,170,459	\$ -	\$ 6,151	\$ -

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2013

	SPECIAL REVENUE FUNDS							
	Wal-Mart Grant	Retirement Escrow	Revaluation Escrow	RI DOT Children Passenger Safety	RI DOT Click it or Ticket	Scholarship Fund	Senior Center Grant	Smithfield Fire Rescue
REVENUES:								
Intergovernmental		\$ 9,318	\$ 25,000	\$ 12,037	\$ 2,440		\$ 1,000	
Fees, Fines, Charges and Assessments							15,398	\$ 1,006,583
Interest and investment income		1,771	173			\$ 2		3,657
Contributions and grants								
Other								
Total revenues	\$ -	11,089	25,173	12,037	2,440	2	16,398	1,010,240
EXPENDITURES:								
Current:								
Recreation and Community Development							7,023	
Education								
Public Safety	423			12,037	2,440			60,190
Other expenses			230,993					
Debt Service:								
Interest								
Capital outlays								
Total expenditures	423	-	230,993	12,037	2,440	-	7,023	60,190
Excess (deficiency) of revenues over (under) expenditures	(423)	11,089	(205,820)	-	-	2	9,375	950,050
OTHER FINANCING SOURCES (USES)								
Proceeds from bond issuance								
Transfers in								
Transfers out								(450,000)
Total other financing sources (uses)	-	-	-	-	-	-	-	(450,000)
Net change in fund balances	(423)	11,089	(205,820)	-	-	2	9,375	500,050
Fund balances, beginning of year	423	677,731	483,074	-	-	4,486	43,903	977,289
Fund balances, end of year	\$ -	\$ 688,820	\$ 277,254	\$ -	\$ -	\$ 4,488	\$ 53,278	\$ 1,477,339

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

*Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2013*

	SPECIAL REVENUE FUNDS							
	Senior Center Memorial Donations	Police Memorial Fund	General Public Assistance	Senior Center Expansion Donations	Safe Route School	School Restricted Funds	Total Special Revenue Funds	
REVENUES:								
Intergovernmental					\$ 3,983	\$ 1,006,205	\$ 1,280,429	
Fees, Fines, Charges and Assessments							1,197,236	
Interest and investment income				\$ 4			6,154	
Contributions and grants	\$ 5,052	\$ 30	\$ 6,208			147,026	163,847	
Other							32,671	
Total revenues	5,052	30	6,208	4	3,983	1,153,231	2,680,337	
EXPENDITURES:								
Current:								
Recreation and Community Development			4,167				70,145	
Education						981,260	981,260	
Public Safety	5,096				3,983		217,244	
Other expenses		24					312,882	
Debt Service:								
Interest							-	
Capital outlays						110,513	118,713	
Total expenditures	5,096	24	4,167	-	3,983	1,091,773	1,700,244	
Excess (deficiency) of revenues over (under) expenditures	(44)	6	2,041	4	-	61,458	980,093	
OTHER FINANCING SOURCES (USES)								
Proceeds from bond issuance							-	
Transfers in							-	
Transfers out							(450,039)	
Total other financing sources (uses)	-	-	-	-	-	-	(450,039)	
Net change in fund balances	(44)	6	2,041	4	-	61,458	530,054	
Fund balances, beginning of year	-	330	758	2,870	-	-	3,519,566	
Fund balances, end of year	\$ (44)	\$ 336	\$ 758	\$ 57,822	\$ 2,874	\$ -	\$ 4,049,620	

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

*Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2013*

	CAPITAL PROJECT FUNDS							
	Fanning Lane Road Construction	Green Acres Acquisition Fund	Highway Drainage	Smithfield Historic Landmark	Impact Fees	Land Acq. Open Space Bond	Log Road Fund	Middle School Addition
REVENUES:								
Intergovernmental	\$ -							
Fees, Fines, Charges and Assessments					\$ 85,729			
Interest and investment income		\$ 31			227			
Contributions and grants								
Other								
Total revenues	-	31	-	\$ -	85,956	\$ -	\$ -	\$ -
EXPENDITURES:								
Current:								
Recreation and Community Development								
Education								
Public Safety								
Other expenses								
Debt Service:								
Interest							14,414	
Capital outlays	8,489							
Total expenditures	8,489	-	-	-	-	-	14,414	-
Excess (deficiency) of revenues over (under) expenditures	(8,489)	31	-	-	85,956	-	(14,414)	-
OTHER FINANCING SOURCES (USES)								
Proceeds from bond issuance								
Transfers in	22,468	2,524						
Transfers out								
Total other financing sources (uses)	22,468	2,524	-	-	-	-	-	-
Net change in fund balances	13,979	2,555	-	-	85,956	-	(14,414)	-
Fund balances, beginning of year	(13,979)	100,626	-	882	413,613	318,325	14,414	5,124
Fund balances, end of year	\$ -	\$ 103,181	\$ -	\$ 882	\$ 499,569	\$ 318,325	\$ -	\$ 5,124

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2013

	CAPITAL PROJECT FUNDS							
	Open Space & Rec. Area	Police Equipment	Esmond Street Enhancement	Water District Improvement Fee	Handicap Accessibility	Special Projects Fund	Capital Reserve Fund	Land Trust
REVENUES:								
Intergovernmental								\$ 272,500
Fees, Fines, Charges and Assessments		\$ 91,180				\$ 93,983		250
Interest and investment income	\$ 2	45		\$ 7	\$ 4	313		630
Contributions and grants						150		1,136
Other						5,383		
Total revenues	2	91,225	\$ -	7	4	99,829	\$ -	274,516
EXPENDITURES:								
Current:								
Recreation and Community Development								
Education								
Public Safety						31,946		
Other expenses								
Debt Service:								
Interest								
Capital outlays			929			53,266		916,478
Total expenditures	-	-	929	-	-	85,212	-	916,478
Excess (deficiency) of revenues over (under) expenditures	2	91,225	(929)	7	4	14,617	-	(641,962)
OTHER FINANCING SOURCES (USES)								
Proceeds from bond issuance								
Transfers in			38,995				444,671	62,335
Transfers out		(160,000)						
Total other financing sources (uses)	-	(160,000)	38,995	-	-	-	444,671	62,335
Net change in fund balances	2	(68,775)	38,066	7	4	14,617	444,671	(579,627)
Fund balances, beginning of year	4,537	92,109		18,732	10,786	100,633	531,489	1,793,226
Fund balances, end of year	\$ 4,539	\$ 23,334	\$ 38,066	\$ 18,739	\$ 10,790	\$ 115,250	\$ 976,160	\$ 1,213,599

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2013

	CAPITAL PROJECT FUNDS		PERMANENT FUND	Total Nonmajor Governmental Funds
	Salt Barn Property	Total Capital Project Funds	Cemetery Fund	
REVENUES:				
Intergovernmental		\$ 272,500		\$ 1,552,929
Fees, Fines, Charges and Assessments		271,142		1,468,378
Interest and investment income		1,259	\$ 26	7,439
Contributions and grants		1,286		165,133
Other		5,383		38,054
Total revenues	\$ -	551,570	26	3,231,933
EXPENDITURES:				
Current:				
Recreation and Community Development		-		70,145
Education		-		981,260
Public Safety		31,946		249,190
Other expenses		-		312,882
Debt Service:				
Interest		14,414		14,414
Capital outlays		979,162		1,097,875
Total expenditures		1,025,522	-	2,725,766
Excess (deficiency) of revenues over (under) expenditures		(473,952)	26	506,167
OTHER FINANCING SOURCES (USES)				
Proceeds from bond issuance		-		-
Transfers in		570,993		570,993
Transfers out		(160,000)		(610,039)
Total other financing sources (uses)		410,993	-	(39,046)
Net change in fund balances		(62,959)	26	467,121
Fund balances, beginning of year	(992,896)	2,397,621	63,626	5,980,813
Fund balances, end of year	\$ (992,896)	\$ 2,334,662	\$ 63,652	\$ 6,447,934

(CONCLUDED)

TOWN OF SMITHFIELD

AGENCY FUNDS

Agency funds are used to account for assets held by the government as an agent for individuals, private organizations, and other governments. The following funds are reported in this section:

- **Student Activities Funds**
 - **Probate Court**
 - **Street Lighting**
 - **Soil Erosion**
-

TOWN OF SMITHFIELD, RHODE ISLANDStatement of Changes in Assets and Liabilities
Agency Funds
Year ended June 30, 2013

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<u>Student Activity Funds</u>				
ASSETS:				
Cash	\$ 161,068	\$ 438,306	\$ 444,973	\$ 154,401
TOTAL ASSETS	<u>\$ 161,068</u>	<u>\$ 438,306</u>	<u>\$ 444,973</u>	<u>\$ 154,401</u>
LIABILITIES:				
Deposits held in custody for others	\$ 161,068	\$ 438,306	\$ 444,973	\$ 154,401
TOTAL LIABILITIES	<u>\$ 161,068</u>	<u>\$ 438,306</u>	<u>\$ 444,973</u>	<u>\$ 154,401</u>
<u>Probate Court</u>				
ASSETS:				
Cash	\$ 95,981	\$ 35	\$ -	\$ 96,016
TOTAL ASSETS	<u>\$ 95,981</u>	<u>\$ 35</u>	<u>\$ -</u>	<u>\$ 96,016</u>
LIABILITIES:				
Deposits held in custody for others	\$ 95,981	\$ 35	\$ -	\$ 96,016
TOTAL LIABILITIES	<u>\$ 95,981</u>	<u>\$ 35</u>	<u>\$ -</u>	<u>\$ 96,016</u>
<u>Street Lighting</u>				
ASSETS:				
Cash	\$ 20,586	\$ 8	\$ -	\$ 20,594
TOTAL ASSETS	<u>\$ 20,586</u>	<u>\$ 8</u>	<u>\$ -</u>	<u>\$ 20,594</u>
LIABILITIES:				
Deposits held in custody for others	\$ 20,586	\$ 8	\$ -	\$ 20,594
TOTAL LIABILITIES	<u>\$ 20,586</u>	<u>\$ 8</u>	<u>\$ -</u>	<u>\$ 20,594</u>
<u>Soil Erosion</u>				
ASSETS:				
Cash	\$ 81,672	\$ 1,752	\$ -	\$ 83,424
Other receivables	1,275	20,225	12,975	8,525
TOTAL ASSETS	<u>\$ 82,947</u>	<u>\$ 21,977</u>	<u>\$ 12,975</u>	<u>\$ 91,949</u>
LIABILITIES:				
Deposits held in custody for others	\$ 82,947	\$ 21,977	\$ 12,975	\$ 91,949
TOTAL LIABILITIES	<u>\$ 82,947</u>	<u>\$ 21,977</u>	<u>\$ 12,975</u>	<u>\$ 91,949</u>
<u>Total - All Agency Funds</u>				
ASSETS:				
Cash	\$ 359,307	\$ 440,101	\$ 444,973	\$ 354,435
Other receivables	1,275	20,225	12,975	8,525
TOTAL ASSETS	<u>\$ 360,582</u>	<u>\$ 460,326</u>	<u>\$ 457,948</u>	<u>\$ 362,960</u>
LIABILITIES:				
Deposits held in custody for others	\$ 360,582	\$ 460,326	\$ 457,948	\$ 362,960
TOTAL LIABILITIES	<u>\$ 360,582</u>	<u>\$ 460,326</u>	<u>\$ 457,948</u>	<u>\$ 362,960</u>

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TOWN OF SMITHFIELD

OTHER EXHIBITS



TOWN OF SMITHFIELD, RHODE ISLAND

Combining Balance Sheet
Funds Which Comprise the Town's General Fund
June 30, 2013

	General Fund	Inspection Fee Fund	Review Fees	Post Employment Escrow Fund	Total General Fund
ASSETS:					
Cash and cash equivalents	\$ 12,788,815	\$ 61,968	\$ 18,457	\$ -	\$ 12,869,240
Investments	1,632,084				1,632,084
Taxes, net	3,860,963				3,860,963
Other receivables	292,638				292,638
Due from federal and state governments	-				-
Due from other funds	4,404,174		(A) (933)		4,403,241
TOTAL ASSETS	\$ 22,978,674	\$ 61,968	\$ 17,524	\$ -	\$ 23,058,166
LIABILITIES:					
Accounts payable	\$ 449,587				\$ 449,587
Accrued liabilities	775,824	\$ 53,825			829,649
Due to other funds	4,704,306				4,704,306
TOTAL LIABILITIES	5,929,717	53,825	-	-	5,983,542
DEFERRED INFLOW OF RESOURCES:					
Unearned tax revenue	1,531,592				1,531,592
FUND BALANCE:					
Non-Spendable	249,917				249,917
Restricted	94,933				94,933
Committed	8,163,404	8,143	17,524	-	8,189,071
Assigned	3,850,000				3,850,000
Unassigned	3,159,111				3,159,111
TOTAL FUND BALANCE	15,517,365	8,143	17,524	-	15,543,032
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCE	\$ 22,978,674	\$ 61,968	\$ 17,524	\$ -	\$ 23,058,166

(A) - These items represent amounts due to the Town's General Fund and therefore were drafted as negative assets to offset the General Fund's related due from balance.

The Funds listed above are maintained separately by the Town. However, these Funds are all considered to be part of the Town's General Fund in accordance with GASB Statement #54. As such, the information above is presented as the General Fund (a Major Fund) in the Town's audited financial statements.

TOWN OF SMITHFIELD, RHODE ISLAND

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
 Funds Which Comprise the Town's General Fund
 For the Year the Ended June 30, 2013

	General Fund	Inspection Fee Fund	Review Fees	Post Employment Escrow Fund	Total General Fund
REVENUES:					
General property taxes	\$ 50,437,531				\$ 50,437,531
Intergovernmental	1,938,328				1,938,328
Licenses, fees, and permits	976,471				976,471
Interest income, taxes, and investments	397,207	\$ 23	\$ 6	\$ 245	397,481
Other miscellaneous	32,783				32,783
TOTAL REVENUES	53,782,320	23	6	245	53,782,594
EXPENDITURES:					
Current:					
General Government	2,545,195				2,545,195
Public Safety	9,244,248				9,244,248
Public Works	3,278,514				3,278,514
Public Health and Assistance	8,350				8,350
Recreation, Senior and Neighborhood Center	670,535				670,535
Libraries	1,187,734				1,187,734
Miscellaneous	7,716,411			876,385	8,592,796
Debt Service:					
Principal	2,088,105				2,088,105
Interest and other costs	566,611				566,611
Capital:					
Capital outlays	752,433				752,433
TOTAL EXPENDITURES	28,058,136	-	-	876,385	28,934,521
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	25,724,184	23	6	(876,140)	24,848,073
OTHER FINANCING SOURCES (USES)					
Proceeds from lease purchase obligation	67,280				67,280
Transfers in	2,086,414				2,086,414
Transfers out	(27,838,110)				(27,838,110)
TOTAL OTHER FINANCING SOURCES (USES)	(25,684,416)	-	-	-	(25,684,416)
NET CHANGE IN FUND BALANCES	39,768	23	6	(876,140)	(836,343)
FUND BALANCE AT BEGINNING OF YEAR	15,477,597	8,120	17,518	876,140	16,379,375
FUND BALANCE AT END OF YEAR	\$ 15,517,365	\$ 8,143	\$ 17,524	\$ -	\$ 15,543,032

The Funds listed above are maintained separately by the Town. However, these Funds are all considered to be part of the Town's General Fund in accordance with GASB Statement #54. As such, the information above is presented as the General Fund (a Major Fund) in the Town's audited financial statements.

TOWN OF SMITHFIELD, RHODE ISLAND
SCHEDULE OF PROPERTY TAXES RECEIVABLE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

<u>Year</u>	<u>Real Property Mill Rate</u>	<u>Property Taxes Receivable July 1, 2012</u>	<u>Current Year Assessment</u>	<u>Transfers Addendums (Net)</u>	<u>Refunds and Adjustments</u>	<u>Abatements and Adjustments</u>	<u>Amount to be Collected</u>	<u>Collections</u>	<u>Property Taxes Receivable June 30, 2013</u>
2013			\$ 50,485,821	\$ (5,135)	\$ 126,499	\$ 50,400	\$ 50,556,785	\$ 46,749,238	\$ 3,807,547
2012	\$16.02	\$ 3,791,217		171	20,694	(17,805)	3,829,887	3,583,810	246,077
2011	\$15.85	266,340			66	(193)	266,599	105,621	160,978
2010	\$15.59	206,288					206,288	15,632	190,656
2009	\$13.98	257,077					257,077	5,793	251,284
2008	\$13.68	143,660			307		143,967	5,313	138,654
2007	\$13.23	102,686					102,686	413	102,273
2006	\$15.40	100,819					100,819	1,232	99,587
2005	\$14.68	127,650					127,650	382	127,268
2004	\$13.95	165,265					165,265		165,265
2003	\$21.40	245,316			(1)		245,315	1,504	243,811
Prior	various	2,138,776			(306)	(556)	2,139,026	1,830	2,137,196
Subtotal		<u>7,545,094</u>	<u>\$ 50,485,821</u>	<u>\$ (4,964)</u>	<u>\$ 147,259</u>	<u>\$ 31,846</u>	<u>\$ 58,141,364</u>	<u>\$ 50,470,768</u>	<u>7,670,596</u>
Less: estimated allowance for uncollectable account		<u>(3,667,062)</u>							<u>(3,809,633)</u>
Net property taxes receivable		<u>\$ 3,878,032</u>							<u>\$ 3,860,963</u>

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

**SCHEDULE OF PROPERTY TAXES RECEIVABLE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Schedule of Net Assessed Property Value by Category			Reconciliation of Current Year Property Tax Revenue	
Description of Property	Assessed December 31, 2011			
	Valuations	Levy		
Real Property	\$ 2,469,404,110		Current year collections	\$ 50,470,768
Exemptions on Real Property	(17,865,397)		Revenue received 60 days subsequent to fiscal year ending June 30, 2013	2,329,371
Net assessed value - Real Property	<u>2,451,538,713</u>	\$ 38,390,540	Subtotal	<u>52,800,139</u>
Motor Vehicles	197,310,578		Prior year revenue received in current year fiscal year ending June 30, 2012 - 60 day rule	(2,331,802)
Exemptions on Motor Vehicles	(33,364,044)			
Net assessed value - Motor Vehicles	<u>163,946,534</u>	6,487,989		
Tangible property	<u>98,185,310</u>	5,607,293		
Net assessed value	\$ 2,713,670,557	\$ 50,485,822	Current year property tax revenue	\$ 50,468,337

(CONCLUDED)

TOWN OF SMITHFIELD

STATISTICAL SECTION

This part of the Town's comprehensive annual financial report presents information to supplement and provide multi-year trend information to enable readers to gain a better understanding of the Town's financial health.

Financial Trends: Schedules 1 through 4 contain trend information to help the reader understand changes in financial performance over a period of time.

Revenue Capacity: Schedules 5 through 8 contain information to help the reader assess the factors affecting the Town's ability to generate property tax revenue.

Debt Capacity: Schedules 9 through 12, and 18 contain information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue additional debt in the future.

Demographic Information: Schedules 13 and 14 contain demographic information to help the reader understand the environment in which the Town's financial activities take place.

Operating Information: Schedules 15 through 17 contain information about the Town's operations and resources over a period of time.

Other Information: Schedules 19 and 20 contain additional information about the Town that Town Officials believe is useful to the reader of the comprehensive financial report.

TOWN OF SMITHFIELD, RHODE ISLAND

NET ASSETS BY COMPONENT
LAST TEN FISCAL YEARS

	Fiscal Year ended June 30									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<i>Governmental activities</i>										
Net investment in capital assets	\$ 9,283,598	\$ 10,481,689	\$ 11,847,660	\$ 15,714,930	\$ 19,460,357	\$ 22,780,778	\$ 27,277,016	\$ 24,860,537	\$ 20,860,670	\$ 22,580,542
Restricted	8,331,876	7,497,123	3,943,034	6,159,108	6,907,769	-	-	-	-	-
Unrestricted	7,554,625	6,450,626	8,064,521	7,690,795	4,956,251	12,201,744	9,083,365	12,823,795	13,694,278	11,378,493
<i>Total governmental activities net position</i>	<u>25,170,099</u>	<u>24,429,438</u>	<u>23,855,215</u>	<u>29,564,833</u>	<u>31,324,377</u>	<u>34,982,522</u>	<u>36,360,381</u>	<u>37,684,332</u>	<u>34,554,948</u>	<u>33,959,035</u>
<i>Business-type activities</i>										
Net investment in capital assets	14,095,661	16,282,443	19,462,765	18,745,736	17,449,695	19,932,798	19,206,025	18,805,250	16,128,289	14,831,474
Unrestricted	4,742,358	5,286,771	6,033,377	6,352,272	7,166,588	7,165,904	7,278,605	6,559,230	5,951,450	6,217,533
<i>Total business-type activities net position</i>	<u>18,838,019</u>	<u>21,569,214</u>	<u>25,496,142</u>	<u>25,098,008</u>	<u>24,616,283</u>	<u>27,098,702</u>	<u>26,484,630</u>	<u>25,364,480</u>	<u>22,079,739</u>	<u>21,049,007</u>
<i>Primary government</i>										
Net investment in capital assets	23,379,259	26,764,132	31,310,425	34,460,666	36,910,052	42,713,576	46,483,041	43,665,787	36,988,959	37,412,016
Restricted	8,331,876	7,497,123	3,943,034	6,159,108	6,907,769	-	-	-	-	-
Unrestricted	12,296,983	11,737,397	14,097,898	14,043,067	12,122,839	19,367,648	16,361,970	19,383,025	19,845,728	17,598,026
<i>Total primary government net position</i>	<u>\$ 44,008,118</u>	<u>\$ 45,998,652</u>	<u>\$ 49,351,357</u>	<u>\$ 54,662,841</u>	<u>\$ 55,940,660</u>	<u>\$ 62,081,224</u>	<u>\$ 62,845,011</u>	<u>\$ 63,048,812</u>	<u>\$ 56,634,687</u>	<u>\$ 55,008,042</u>

Note: Fiscal years 2004 through fiscal 2011 include the net assets of the Greenville Public Library, East Smithfield Public Library, and East Smithfield Neighborhood Center as these entities were considered to be component units and reported as such. In fiscal 2012 they were removed as component units in accordance with GASB Statement #61.

TOWN OF SMITHFIELD, RHODE ISLAND
CHANGES IN NET POSITION, LAST TEN FISCAL YEARS
GOVERNMENTAL ACTIVITIES
 (accrual basis of accounting)

	Fiscal Year Ended June 30									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses										
Governmental activities										
General government	\$ 8,226,182	\$ 9,470,673	\$ 9,423,100	\$ 9,230,373	\$ 11,227,855	\$ 11,582,978	\$ 7,165,831	\$ 5,493,158	\$ 7,752,644	\$ 5,918,235
Public safety	7,755,503	7,585,295	8,593,527	8,734,533	9,194,453	9,669,768	15,133,585	14,998,929	17,429,845	17,137,904
Public works	3,423,977	3,973,204	3,939,646	3,776,856	3,707,364	3,774,761	4,048,196	4,156,445	4,351,841	4,598,921
Public Health and Assistance	38,100	38,712	38,811	38,849	39,070	510,567	590,711	7,434	7,450	8,350
Public libraries (A)	-	-	-	-	-	-	-	-	1,187,734	1,187,734
Education	25,945,633	27,507,323	29,756,361	31,981,580	32,980,815	33,482,943	34,340,402	33,695,301	35,543,656	35,311,450
Recreation and Senior Activities	502,967	481,510	363,559	499,394	510,959	149,687	118,263	558,232	945,504	901,172
Interest on long-term debt	890,253	794,182	718,819	607,413	655,052	687,665	580,558	482,819	705,512	597,249
Total governmental activities	46,782,615	49,850,899	52,833,823	54,868,998	58,315,568	59,858,369	61,977,546	59,392,318	67,924,186	65,661,015
Business-type activities										
Sewer Authority	2,010,078	1,922,068	2,251,112	2,376,756	2,277,808	2,454,077	2,353,160	2,634,652	2,568,654	2,799,184
Water Supply Board	789,363	728,222	770,658	940,214	1,052,921	1,037,189	1,007,849	1,114,814	1,127,768	1,171,217
Smithfield Ice Rink	-	-	-	-	-	-	-	617,141	613,405	608,256
School Lunch Program	-	-	-	-	-	-	-	643,678	687,068	595,761
Component Units (CU's) (A)	-	-	-	-	-	-	-	1,626,870	-	-
Smithfield Ice Rink, School Lunch & CU's	2,401,434	2,578,945	2,659,385	2,879,294	2,919,757	2,978,442	2,855,100	-	-	-
Total business-type activities	5,200,875	5,229,235	5,681,155	6,196,264	6,250,486	6,469,708	6,216,109	6,637,155	4,996,895	5,174,418
Total primary government expense	\$ 51,983,490	\$ 55,080,134	\$ 58,514,978	\$ 61,065,262	\$ 64,566,054	\$ 66,328,077	\$ 68,193,655	\$ 66,029,473	\$ 72,921,081	\$ 70,835,433
Program Revenues										
Governmental activities										
Charges for services										
General government	\$ 1,510,073	\$ 1,440,426	\$ 1,539,620	\$ 1,792,535	\$ 1,387,709	\$ 1,164,132	\$ 1,029,120	\$ 821,074	\$ 1,055,693	\$ 1,132,533
Public safety	593,256	513,218	727,656	866,113	755,979	1,138,000	1,208,704	967,990	1,259,316	1,261,267
Public works	-	-	-	-	-	-	-	258,141	-	-
Public Health and Assistance	-	-	-	-	-	-	-	15,940	-	-
Education	430,249	425,814	350,655	327,020	-	-	-	-	360,844	356,258
Recreation and Senior Activities	-	-	-	-	-	-	-	19,375	330	3,630
Operating grants and contributions	8,546,776	8,818,307	9,003,676	9,505,923	11,074,157	9,429,523	9,491,613	7,434,000	8,085,850	7,930,129
Capital grants and contributions	146,091	145,230	700,344	727,546	-	164,612	1,260,360	846,585	883,067	394,814
Total governmental activities program revenues	11,226,445	11,342,995	12,321,951	13,219,137	13,217,845	11,896,267	12,989,797	10,363,105	11,645,100	11,078,631
Business-type activities										
Charges for services										
Sewer Authority	2,336,656	2,305,710	2,439,771	2,444,586	2,335,381	2,594,049	2,583,188	2,652,442	2,831,540	3,060,558
Water Supply Board	759,027	801,197	1,025,992	1,024,187	1,328,927	1,203,932	1,134,487	1,396,329	1,377,136	1,449,291
Smithfield Ice Rink	-	-	-	-	-	-	-	658,208	665,086	633,350
School Lunch Program	-	-	-	-	-	-	-	472,713	458,299	413,498
Smithfield Ice Rink, School Lunch & CU's (A)	1,660,854	1,731,322	1,719,335	1,833,318	1,499,239	1,484,425	1,651,349	95,848	-	-
Operating grants and contributions	-	-	-	-	361,042	3,694,645	246,309	455,474	182,508	191,472
Total business-type activities	4,756,537	4,838,249	5,185,098	5,302,091	5,524,589	8,977,051	5,615,333	5,731,014	5,514,569	5,748,169
Total primary government program revenues	\$ 15,982,982	\$ 16,181,244	\$ 17,507,049	\$ 18,521,228	\$ 18,742,434	\$ 20,873,318	\$ 18,605,130	\$ 16,094,119	\$ 17,159,669	\$ 16,826,800

(Continued)

TOWN OF SMITHFIELD, RHODE ISLAND
CHANGES IN NET POSITION, LAST TEN FISCAL YEARS
GOVERNMENTAL ACTIVITIES
(accrual basis of accounting)

	Fiscal Year Ended June 30									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Net (Expense)/Revenue										
Governmental activities	\$ (35,556,170)	\$ (38,507,904)	\$ (40,511,872)	\$ (41,649,861)	\$ (45,097,723)	\$ (47,962,102)	\$ (48,987,749)	\$ (49,029,213)	\$ (50,279,086)	\$ (54,582,384)
Business-type activities	(444,338)	1,390,986)	(496,057)	(894,173)	(725,897)	2,507,343	(600,776)	(906,141)	517,674	573,751
Total primary government net expense	\$ (36,000,508)	\$ (38,898,890)	\$ (41,007,929)	\$ (42,544,034)	\$ (45,823,620)	\$ (45,454,759)	\$ (49,588,525)	\$ (49,935,354)	\$ (55,761,412)	\$ (54,008,633)
General Revenues and Other Changes in Net Assets										
Governmental activities										
Property taxes	\$ 38,596,955	\$ 38,477,384	\$ 41,549,207	\$ 43,501,514	\$ 45,449,278	\$ 49,119,278	\$ 49,509,411	\$ 48,534,831	\$ 50,114,109	\$ 50,944,942
State Revenue Sharing and other general grants	4,524,558	1,346,867	1,792,773	1,881,701	1,607,243	742,742	-	-	-	-
Motor vehicle phase-out taxes	-	-	-	-	-	-	-	275,060	274,622	271,301
Public Utilities (Telephone) tax	-	-	-	-	-	-	-	223,182	241,202	257,910
Hotel, meals, and beverage tax	-	-	-	-	-	-	-	632,104	669,119	702,426
Unrestricted investment earnings	181,552	271,356	402,377	550,834	547,245	678,890	503,420	425,200	377,649	404,920
Other miscellaneous	-	-	-	-	32,354	30,383	188,973	-	-	-
Transfers	397,733	(1,684,220)	(4,159,315)	(176,899)	30,065	203,145	163,804	264,787	1,473,000	(1,476,375)
Total governmental activities	43,700,798	38,411,387	39,585,042	45,757,150	47,666,185	50,774,438	50,365,608	50,553,164	53,149,701	54,057,874
Business-type activities										
Unrestricted investment earnings	75,412	135,374	263,670	319,140	274,237	178,221	150,508	50,778	15,705	14,442
Transfers	(397,733)	1,684,220	4,159,315	176,899	(30,065)	(203,145)	(163,804)	(264,787)	(1,473,000)	(1,476,375)
Total business type activities	(322,321)	1,819,594	4,422,985	496,039	244,172	(24,924)	(13,296)	(214,009)	(1,457,295)	(1,461,933)
Total primary government	\$ 43,378,477	\$ 40,230,981	\$ 44,008,027	\$ 46,253,189	\$ 47,910,357	\$ 50,749,514	\$ 50,352,312	\$ 50,139,155	\$ 51,692,406	\$ 52,595,941
Change in Net Position										
Governmental activities	\$ 8,144,628	\$ (96,517)	\$ (926,830)	\$ 4,107,289	\$ 2,568,462	\$ 2,812,336	\$ 1,377,859	\$ 1,323,951	\$ (3,129,385)	\$ (524,510)
Business-type activities	(766,659)	1,428,608	3,926,928	(398,134)	(481,725)	2,482,419	(614,072)	(1,120,150)	(939,621)	(888,182)
Total primary government	\$ 7,377,969	\$ 1,332,091	\$ 3,000,098	\$ 3,709,155	\$ 2,086,737	\$ 5,294,755	\$ 763,787	\$ 203,801	\$ (4,069,006)	\$ (1,412,692)

(A) - In fiscal 2012 the Town adopted GASB Statement #61 and as a result the Greenville Public Library, East Smithfield Public Library and East Smithfield Neighborhood Center were no longer considered component units and as such were eliminated from the Government-wide Statements. For years prior to 2010 the Town's financial statements reported the component units, the Smithfield Ice Rink, and the School Lunch Fund as nonmajor funds and disclosed amounts in total for the aggregate of these funds. Effective with fiscal 2012 the amounts will be shown separately.

(Concluded)

TOWN OF SMITHFIELD, RHODE ISLAND
FUND BALANCES, GOVERNMENTAL FUNDS, LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year Ended June 30									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<i>General Fund</i>								**	**	**
Reserved	\$ 2,385,611	\$ 3,219,830	\$ 3,777,906	\$ 5,245,410	\$ 5,945,301	\$ 6,710,951	\$ 8,136,064	\$ -	\$ -	\$ -
Unreserved	5,259,494	4,832,027	6,435,803	7,090,793	7,964,714	7,558,830	6,857,080	-	-	-
Nonspendable								149,209	260,580	249,917
Restricted								225,980	187,006	94,933
Committed								850,000	9,173,380	8,189,071
Assigned								10,962,980	3,655,987	3,850,000
Unassigned								3,097,124	3,102,422	3,159,111
Total general fund	<u>\$ 7,645,105</u>	<u>\$ 8,051,857</u>	<u>\$ 10,213,709</u>	<u>\$ 12,336,203</u>	<u>\$ 13,910,015</u>	<u>\$ 14,269,781</u>	<u>\$ 14,993,144</u>	<u>\$ 15,285,293</u>	<u>\$ 16,379,375</u>	<u>\$ 15,543,032</u>
<i>All Other Governmental Funds</i>										
Reserved	\$ 5,496,265	\$ 4,277,293	\$ 165,128	\$ 913,698	\$ 962,468	\$ 748,535	\$ 1,394,335	\$ -	\$ -	\$ -
Unreserved, reported in										
Special revenue funds	337,926	4,096,002	4,099,566	3,722,601	4,317,298	7,066,616	8,389,693	-	-	-
Capital project funds	3,957,550	2,732,700	2,340,506	(220,485)	(2,874,510)	(4,769,791)	(8,485,437)	-	-	-
Nonspendable								-	72,363	78,437
Restricted								63,576	282,554	326,574
Committed								4,801,598	9,653,697	9,152,145
Unassigned								-	(1,006,875)	(992,940)
Total all other governmental funds	<u>\$ 9,791,741</u>	<u>\$ 11,105,995</u>	<u>\$ 6,605,200</u>	<u>\$ 4,415,814</u>	<u>\$ 2,405,256</u>	<u>\$ 3,045,360</u>	<u>\$ 1,298,591</u>	<u>\$ 4,865,174</u>	<u>\$ 9,001,739</u>	<u>\$ 8,564,216</u>

** The Town adopted GASB 54 fund balance definitions @ 6/30/11. Prior to that date these GASB classifications were not utilized.

TOWN OF SMITHFIELD, RHODE ISLAND

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS, LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	FISCAL YEAR ENDED JUNE 30									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues:										
Property Taxes	\$ 36,132,748	\$ 38,487,365	\$ 40,753,963	\$ 43,244,359	\$ 46,089,144	\$ 48,402,854	\$ 49,599,927	\$ 48,535,833	\$ 49,180,933	\$ 50,437,531
Intergovernmental revenues	9,187,777	9,447,575	10,507,554	10,647,869	10,754,099	8,282,974	7,787,533	8,386,146	10,628,184	9,795,240
Licenses, Fees, Charges, Fines	1,105,577	1,927,577	1,899,853	2,123,022	1,447,837	1,682,407	1,573,297	1,378,608	2,234,224	2,444,849
Investment Income	181,552	271,356	402,377	550,834	830,690	678,890	503,420	423,200	377,649	404,920
Other Revenue	2,492,977	1,548,997	1,912,773	2,540,088	2,339,707	2,673,628	3,628,967	1,418,406	525,872	592,228
Total revenues	49,100,631	51,682,870	55,476,520	59,106,172	61,461,477	61,720,753	63,093,144	60,142,193	62,946,862	63,674,768
Expenditures:										
Current										
General Government	2,395,357	2,521,855	2,531,717	2,202,635	2,851,217	2,986,427	2,887,792	2,804,763	2,451,544	2,545,195
Public Safety	7,518,593	7,324,594	8,119,241	7,900,652	9,002,213	9,646,412	9,954,701	9,414,729	9,505,742	9,493,438
Public Works	3,222,301	2,934,086	3,076,619	2,853,597	2,931,036	2,970,915	2,781,149	3,041,941	2,999,330	3,278,514
Education	26,103,001	26,808,027	28,812,232	31,142,113	32,975,348	33,576,394	34,602,933	33,767,167	34,630,394	35,128,381
Libraries (A)	-	-	-	-	-	-	-	-	1,187,734	1,187,734
Public Health and Assistance Recreation, Senior & Neighborhood Center	38,100	38,712	38,811	38,849	39,070	45,058	38,334	7,434	7,450	8,350
Miscellaneous	477,369	451,874	337,408	460,941	495,196	570,794	552,910	464,250	798,384	740,680
Capital Expenditures	5,749,149	7,054,668	6,614,323	6,766,122	7,809,494	6,736,425	6,998,640	7,812,770	8,124,581	8,905,678
Debt Service	3,309,641	3,500,909	6,141,528	4,686,181	3,424,691	2,853,201	4,301,472	2,645,309	2,043,789	2,535,189
Principal	1,657,972	2,028,540	1,985,355	1,730,000	1,740,000	1,685,000	1,570,000	3,670,000	3,470,000	2,088,105
Debt Financing Costs	-	-	-	687,005	-	37,043	88,148	50,227	-	-
Interest	869,370	841,121	767,272	-	666,491	662,168	504,275	519,658	637,712	581,025
Total expenditures	51,340,853	53,504,386	58,424,506	58,468,095	61,934,756	61,769,837	64,280,354	64,198,248	65,856,660	66,492,289
Excess of revenues over (under) expenditures	(2,240,222)	(1,821,516)	(2,947,986)	638,077	(473,279)	(49,084)	(1,187,210)	(4,056,055)	(2,909,798)	(2,817,521)
Other Financing Sources (Uses):										
Proceeds from debt issuance	8,608,466	138,000	335,000	71,510	-	-	-	7,650,000	5,000,000	67,280
Proceeds from refunding bond issuance	-	-	-	-	-	-	-	-	4,520,000	-
Payment to refunded bond escrow agent	-	-	-	-	-	-	-	-	(2,852,555)	-
Transfers in	28,267,737	29,086,908	29,720,658	32,065,961	34,272,688	36,635,177	37,127,324	36,690,847	30,524,238	29,924,524
Transfers out	(27,920,004)	(29,132,386)	(29,799,222)	(32,201,510)	(34,236,155)	(36,432,032)	(36,963,520)	(36,426,060)	(29,051,238)	(28,448,149)
Total other financing sources (uses)	8,956,199	92,522	256,436	(64,039)	36,533	203,145	163,804	7,914,787	8,140,445	1,543,655
Net change in fund balances	\$ 6,715,977	\$ (1,728,994)	\$ (2,691,550)	\$ 574,038	\$ (436,746)	\$ 154,061	\$ (1,023,406)	\$ 3,858,732	\$ 5,230,647	\$ (1,273,866)
Debt service as a percentage of noncapital expenditures (1)	5.55%	6.09%	5.56%	4.71%	4.29%	4.22%	3.74%	6.94%	6.41%	4.15%

Notes:

- This schedule includes expenditures of the General Fund, Special Revenue Funds, Capital Project Funds, and Permanent Funds
- (1) The percentage calculation uses the capital outlay figure from Note 1 Page 38 (fiscal 2013). This differs from the Capital Improvements figure due to capitalizable items included within other functional categories of current expenditures
- (A) - Libraries were included as component units prior to fiscal 2012 and as such the expenditure is reported as a transfer out.

TOWN OF SMITHFIELD, RHODE ISLAND
ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS

<u>Fiscal Year¹ Ended June 30</u>	<u>Real Property Assessed Value²</u>	<u>Personal Property Assessed Value</u>	<u>Less: Tax Exempt Real Property</u>	<u>Less: Tax Exempt Personal Property</u>	<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate</u>	<u>Estimated Actual Value Taxable Value</u>	<u>Assessed Value² as a Percentage of Actual Value</u>
2004	\$ 1,460,342,303	\$ 248,758,509	\$ 228,796,385	\$ 51,476,507	\$ 1,428,827,920	\$ 23.61	\$ 2,185,830,428	78.19%
2005	\$ 2,409,081,480	\$ 262,685,715	\$ 461,433,233	\$ 52,464,225	\$ 2,157,869,737	\$ 16.39	\$ 2,803,827,469	95.29%
2006	\$ 2,288,585,859	\$ 277,910,215	\$ 183,804,055	\$ 54,059,985	\$ 2,328,632,034	\$ 16.29	\$ 2,944,580,168	87.16%
2007	\$ 2,313,642,249	\$ 292,248,770	\$ 184,214,089	\$ 75,488,537	\$ 2,346,188,393	\$ 16.99	\$ 3,255,329,193	80.05%
2008	\$ 3,065,382,958	\$ 288,728,199	\$ 394,607,759	\$ 76,381,312	\$ 2,883,122,086	\$ 14.56	\$ 3,626,066,116	92.50%
2009	\$ 3,096,542,569	\$ 259,788,795	\$ 377,154,889	\$ 76,381,409	\$ 2,902,795,066	\$ 15.18	\$ 3,532,980,383	95.00%
2010	\$ 3,218,987,988	\$ 249,427,396	\$ 379,352,117	\$ 75,510,837	\$ 3,013,552,430	\$ 15.32	\$ 3,650,963,564	95.00%
2011	\$ 2,746,949,039	\$ 274,339,993	\$ 360,935,982	\$ 27,673,250	\$ 2,632,679,800	\$ 18.32	\$ 3,114,751,580	97.00%
2012	\$ 2,801,505,058	\$ 280,780,652	\$ 362,876,213	\$ 29,049,304	\$ 2,690,360,193	\$ 18.35	\$ 3,175,977,032	97.05%
2013	\$ 2,816,937,080	\$ 295,495,888	\$ 365,398,368	\$ 33,364,045	\$ 2,713,670,555	\$ 18.60	\$ 3,275,555,639	95.02%

Note: Tax Rates are per \$1,000 of assessed value.

¹ Revaluations were conducted for Fiscal Years 2002, 2005, 2008 and 2011

² Includes tax-exempt property

SCHEDULE 6

TOWN OF SMITHFIELD, RHODE ISLAND
PROPERTY TAX RATES
LAST TEN FISCAL YEARS

Fiscal Year	Town Operating Millage	School Operating Millage	Debt Service Millage	Total Direct Tax Rate
2004	\$ 10.25	\$ 12.59	\$ 0.77	\$ 23.61
2005	\$ 6.92	\$ 8.71	\$ 0.75	\$ 16.39
2006	\$ 6.90	\$ 8.72	\$ 0.67	\$ 16.29
2007	\$ 7.36	\$ 9.00	\$ 0.64	\$ 16.99
2008	\$ 6.24	\$ 7.79	\$ 0.53	\$ 14.56
2009	\$ 6.53	\$ 8.09	\$ 0.56	\$ 15.18
2010	\$ 6.69	\$ 8.27	\$ 0.36	\$ 15.32
2011	\$ 7.94	\$ 9.95	\$ 0.43	\$ 18.32
2012	\$ 8.01	\$ 9.79	\$ 0.55	\$ 18.35
2013	\$ 8.16	\$ 9.91	\$ 0.54	\$ 18.60

Source: Town of Smithfield, Rhode Island Finance Records

SCHEDULE 7

TOWN OF SMITHFIELD, RHODE ISLAND
PRINCIPAL TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO
JUNE 30, 2013

Taxpayer	2013			2004		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Fidelity Corporate Real Estate	\$ 159,942,000	1	5.78%	\$ 59,762,165	1	3.98%
W/S Smithfield Associates, LLC	57,519,900	2	2.08%	42,070,720	2	2.80%
National Grid (Electricity)	22,058,370	3	0.80%	10,968,380	4	0.73%
Smithfield Office Park	21,298,500	4	0.77%	7,507,540	5	0.50%
Village at Waterman Lake	17,108,500	5	0.62%	11,880,000	3	0.79%
Target Corp.	12,144,900	6	0.44%			
Alexion Manufacturing, L.L.C	11,037,100	7	0.40%			
FGX International, Inc.	7,333,400	8	0.27%			
National Grid (Gas)	4,236,700	9	0.15%			
Cox Communications	3,809,540	10	0.14%			
Home Depot				6,265,380	8	0.42%
Apple Valley Mall, LLC.				7,258,800	6	0.48%
RA Smithfield LLC				6,766,030	7	0.45%
Elan Diagnostics				6,254,371	9	0.42%
Norman Realty Corp				5,613,500	10	0.37%
	<u>\$ 316,488,910</u>		<u>11.45%</u>	<u>\$ 164,346,886</u>		<u>10.96%</u>
Total assessed valuation (gross)	\$ 2,764,899,998			\$ 1,499,902,862		

Source: Town Tax Assessor's Office

SCHEDULE 8

**TOWN OF SMITHFIELD, RHODE ISLAND
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**

Fiscal Year	Taxes Levied for the Tax Year	Collection within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2004	\$ 33,739,654	\$ 31,036,315	91.99%	\$ 2,538,074	\$ 33,574,389	99.51%
2005	\$ 35,369,460	\$ 33,142,577	93.70%	\$ 2,099,615	\$ 35,242,192	99.64%
2006	\$ 37,936,492	\$ 35,204,633	92.80%	\$ 2,632,272	\$ 37,836,905	99.74%
2007	\$ 39,873,408	\$ 35,907,818	90.05%	\$ 3,863,317	\$ 39,771,135	99.74%
2008	\$ 41,966,302	\$ 37,655,824	89.73%	\$ 4,171,824	\$ 41,827,648	99.67%
2009	\$ 44,064,149	\$ 39,986,080	90.75%	\$ 3,826,785	\$ 43,812,865	99.43%
2010	\$ 46,156,583	\$ 43,822,439	94.94%	\$ 2,143,488	\$ 45,965,927	99.59%
2011	\$ 48,233,107	\$ 43,814,774	90.84%	\$ 4,257,355	\$ 48,072,129	99.67%
2012	\$ 49,357,148	\$ 45,733,515	92.66%	\$ 3,377,556	\$ 49,111,071	99.50%
2013	\$ 50,485,821	\$ 46,749,238	92.60%	\$ -	\$ 46,749,238	92.60%

TOWN OF SMITHFIELD, RHODE ISLAND
RATIO OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities			Business-Type Activities			Total Primary Government	Per Capita ¹
	General Obligation Bonds	Lease Participation Certificates	Capital Leases	General Obligation Bonds	Revenue Bonds	Notes Payable		
2004	\$ 14,943,895	\$ 6,650,000	\$ 209,524	\$ 76,105	\$ 30,704	\$ 287,570	\$ 22,197,798	\$ 1,020
2005	\$ 13,585,355	\$ 5,980,000	\$ 221,458	\$ 34,645	\$ -	\$ 236,890	\$ 20,058,348	\$ 922
2006	\$ 12,280,000	\$ 5,300,000	\$ 459,295	\$ -	\$ -	\$ 184,990	\$ 18,224,285	\$ 853
2007	\$ 11,245,000	\$ 4,605,000	\$ 420,521	\$ -	\$ -	\$ 132,686	\$ 16,403,207	\$ 771
2008	\$ 10,210,000	\$ 3,900,000	\$ 315,894	\$ -	\$ 850,000	\$ 79,525	\$ 15,355,419	\$ 725
2009	\$ 9,250,000	\$ 3,175,000	\$ 228,558	\$ -	\$ 801,000	\$ -	\$ 13,454,558	\$ 634
2010	\$ 8,420,000	\$ 2,435,000	\$ 167,598	\$ -	\$ 1,286,848	\$ -	\$ 12,309,446	\$ 579
2011 ²	\$ 13,170,000	\$ 1,665,000	\$ 103,979	\$ -	\$ 1,225,000	\$ -	\$ 16,163,979	\$ 754
2012	\$ 17,330,000	\$ 855,000	\$ 53,105	\$ -	\$ 5,138,101	\$ -	\$ 23,376,206	\$ 1,091
2013	\$ 16,150,000	\$ -	\$ 43,539	\$ -	\$ 8,646,101	\$ -	\$ 24,839,640	\$ 1,159

Note: Details regarding the town's outstanding debt can be found in the notes to the financial statements

¹ See the Schedule of Demographics and Economic Statistics for population data

² Includes GO Bond Issue of \$7.65M and a partial refunding of 2003 GOB

TOWN OF SMITHFIELD, RHODE ISLAND
RATIO OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value ¹ of Property	Per Capita ²
2004	\$ 14,943,895	-	\$ 14,943,895	0.68%	\$ 686
2005	\$ 13,585,355	-	\$ 13,585,355	0.48%	\$ 624
2006	\$ 12,280,000	-	\$ 12,280,000	0.42%	\$ 575
2007	\$ 11,245,000	-	\$ 11,245,000	0.35%	\$ 528
2008	\$ 10,210,000	-	\$ 10,210,000	0.28%	\$ 482
2009	\$ 9,250,000	-	\$ 9,250,000	0.26%	\$ 436
2010	\$ 8,420,000	-	\$ 8,420,000	0.23%	\$ 396
2011 ³	\$ 13,170,000	-	\$ 13,170,000	0.42%	\$ 615
2012	\$ 17,330,000	-	\$ 17,330,000	0.55%	\$ 809
2013	\$ 16,150,000	-	\$ 16,150,000	0.49%	\$ 754

Note: Details regarding the town's outstanding debt can be found in the notes to the financial statements

Debt Service is paid through the General Fund, the Town does not maintain a debt service fund.

¹ See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property for property value data.

² See the Schedule of Demographics and Economic Statistics for population data

³ Includes new bond issue of \$7.65M and a partial refunding of 2003 GOB

TOWN OF SMITHFIELD, RHODE ISLAND
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
As of June 30, 2013

The Town of Smithfield is not subject to any overlapping debt.

**TOWN OF SMITHFIELD, RHODE ISLAND
COMPUTATION OF LEGAL DEBT MARGIN
LAST TEN FISCAL YEARS**

Legal Debt Margin Calculation for the Fiscal Year 2013

Net Assessed Value	\$	2,713,670,555
Debt Limit (3%)		81,410,117
		-
Legal debt margin	\$	81,410,117

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Debt Limit	\$ 81,410,117	\$ 80,710,806	\$ 78,980,394	\$ 90,406,573	\$ 87,083,852	\$ 86,493,663	\$ 70,385,661	\$ 69,692,910	\$ 64,768,128	\$ 42,864,838
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	<u>\$ 81,410,117</u>	<u>\$ 80,710,806</u>	<u>\$ 78,980,394</u>	<u>\$ 90,406,573</u>	<u>\$ 87,083,852</u>	<u>\$ 86,493,663</u>	<u>\$ 70,385,661</u>	<u>\$ 69,692,910</u>	<u>\$ 64,768,128</u>	<u>\$ 42,864,838</u>
Total net debt applicable to the limit as a percentage of the debt limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Note: In 2005 the Town underwent a full property revaluation

In 2002, 2008 and 2011 the Town underwent a statistical revaluation.

The Town has no debt issues outstanding under the Maximum Aggregate Indebtedness provision (3% Debt Limit) - Rhode Island General Law 45-12-2

All other Town debt has been incurred through special statutory authority which consists of approval by the legislature and voter referendum.

TOWN OF SMITHFIELD, RHODE ISLAND
DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN FISCAL YEARS

Fiscal Year Ended June 30	Population ¹	Median Family Income ¹	Median Home Price ¹	Personal Income ² (amounts expressed in thousands)	Per Capita Personal Income ²	Median Age ²	School Enrollment ³	Unemployment Rate ⁴
2004	21,773	\$ 67,646	\$ 309,000	*	*	*	2,615	4.70%
2005	21,754	\$ 68,322	\$ 309,950	*	*	*	2,659	4.30%
2006	21,368	\$ 66,320	\$ 335,000	*	*	*	2,625	4.60%
2007	21,279	\$ 66,320	\$ 286,000	*	*	*	2,609	4.40%
2008	21,181	\$ 71,803	\$ 242,750	\$ 629,139	\$ 29,703	38.7	2,599	5.50%
2009	21,205	*	\$ 230,000	*	*	*	2,555	8.70%
2010	21,270	\$ 94,754	\$ 227,000	*	*	*	2,504	11.60%
2011	21,430	\$ 94,930	\$ 238,500	\$ 643,286	\$ 30,018	42.0	2,470	10.40%
2012	21,430	*	\$ 228,000	\$ 687,082	\$ 32,062	42.7	2,407	9.80%
2013	21,430	*	\$ 229,155	*	*	42.0	2,410	8.43%

Data sources

¹ Rhode Department of Economic Development

² City-Data.com

³ Smithfield School Department

⁴ Rhode Department of Labor and Training

TOWN OF SMITHFIELD, RHODE ISLAND
PRINCIPAL EMPLOYERS

Current Year and Nine Years Ago

Employer	2013			2004		
	Employees	Rank	Percentage of Total Town Employment	Employees	Rank	Percentage of Total Town Employment
Fidelity Investments	2,434	1	16.40%	1,600	1	13.48%
Bryant University	623	2	4.20%	550	2	4.63%
Town of Smithfield	600	3	4.04%	452	4	3.81%
Honeywell Safety Products	491	4	3.31%	-		0.00%
Citizens Bank of RI	400	5	2.70%	-		0.00%
FGX International	375	6	2.53%	275	5	2.32%
Village at Waterman Lake	301	7	2.03%	160	9	1.35%
The Stop & Shop Company, Inc.	300	8	2.02%	225	8	1.90%
Target Stores	212	9	1.43%	150	10	1.26%
The Home Depot	200	10	1.35%	250	7	2.11%
Benny's Home & Auto Stores, Inc.				500	3	4.21%
Sperian Protection Americas				340	6	2.87%
Total	5,936		40.00%	4,502		37.94%

Source: Rhode Island Economic Development Corporation

TOWN OF SMITHELD, RHODE ISLAND
FULL-TIME EQUIVALENT TOWN GOVERNMENT EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS

Function	Full-time Equivalent Employees as of June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Government	29	30	30	31	34	34	32	29	29	29
Public Safety										
Police										
Officers	40	39	40	40	41	41	41	41	41	41
Civilians	14	13	13	13	13	13	12	12	12	12
Fire										
Firefighters and Officers	40	40	40	40	48	48	48	48	48	48
Civilians	6	6	6	6	6	6	6	5	5	5
Ice Rink	3	3	3	3	3	3	3	3	3	3
Parks	3	3	3	4	4	4	4	4	4	4
Public Works	18	18	18	18	18	18	18	16	16	16
Senior Services	4	4	4	4	4	4	4	4	4	4
Sewer	1	1	1	1	1	1	1	1	1	1
Water	2	2	2	2	2	2	2	2	2	2
Total	<u>160</u>	<u>159</u>	<u>160</u>	<u>162</u>	<u>174</u>	<u>174</u>	<u>171</u>	<u>165</u>	<u>165</u>	<u>165</u>

Source: Finance Department

TOWN OF SMITHFIELD, RHODE ISLAND
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

Function	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Police										
Physical Arrests	971	1,018	1,053	1,015	947	861	822	801	704	606
Parking Violations	275	286	203	291	454	261	164	156	144	88
Traffic Violations	4,637	4,648	5,662	4,933	4,432	4,665	3,859	3,795	4,142	3,227
Fire										
Total Incidents	3,503	3,640	3,723	3,832	3,914	3,850	4,160	4,038	4,427	4,421
Commercial Inspections	182	163	150	152	173	204	157	175	164	176
Residential Inspections	416	414	340	304	313	305	178	227	146	194
Commercial Plan Review	58	73	85	92	82	102	59	49	67	92
Residential Plan Review	102	101	94	93	59	33	48	43	26	211
Highway and Street										
Street Resurfacing (miles)	1.36	1.04	0.21	8.15	2.90	3.88	2.73	1.92	0.00	1.06
Sanitation										
Refuse Collected (tons/day)	23.25	24.66	25.79	24.39	21.04	17.65	24.10	25.23	25.95	23.18
Paper Recyclables Collected (tons/day)	3.74	3.89	3.71	3.72	3.91	3.91	4.74	4.93	5.06	N/A
Mixed Recyclables Collected (tons/day)	2.16	2.18	2.10	2.26	2.88	2.47	3.51	3.63	3.65	N/A
Single Stream Recyclables (tons/day) *										7.92
Wastewater										
Average Daily Sewage Treatment (thousands of gallons)	1,800	1,990	2,100	1,900	2,090	1,960	1,998	1,893	1,858	1,885

* Note: Recyclables were changed to Single Stream Recycling in FY 2013 and are no longer separated.

Sources: Various Town departments

TOWN OF SMITHEFIELD, RHODE ISLAND
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

Function	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Public Safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	*	*	*	*	27	27	27	27	27	27
Fire Stations	3	3	3	3	3	3	3	3	3	3
Highways and Streets										
Streets (miles)	*	*	*	*	183	183	183	183	183	183
Culture and recreation										
Parks	8	8	8	8	8	8	8	8	8	8
Skating Arenas	1	1	1	1	1	1	1	1	1	1
Tennis Courts	7	7	7	7	7	7	7	7	7	7
Ball Diamonds	13	13	13	14	14	14	14	14	14	14
Playgrounds	5	5	5	5	5	5	5	5	5	5
Basketball Courts	8	8	8	8	8	8	8	8	8	8
Walking Paths	7	7	7	7	7	7	7	7	7	7
Running Tracks	1	1	1	1	1	1	1	1	1	1
Beaches	2	2	2	2	2	2	2	2	2	2

Sources: Various Town departments

TOWN OF SMITHFIELD, RHODE ISLAND
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR
GENERAL BONDED DEBT TO TOTAL GOVERNMENTAL EXPENDITURES
LAST TEN FISCAL YEARS

Fiscal Year	Principal	Interest	Total Debt Service	Total Governmental Expenditures ¹	Ratio of Total Debt Service to Total Governmental Expenditures
2004	\$ 1,657,972	\$ 869,370	\$ 2,527,342	\$ 48,159,938	5.25%
2005	\$ 2,028,540	\$ 841,121	\$ 2,869,661	\$ 51,058,947	5.62%
2006	\$ 1,985,355	\$ 767,272	\$ 2,752,627	\$ 52,474,432	5.25%
2007	\$ 1,730,000	\$ 687,005	\$ 2,417,005	\$ 54,631,064	4.42%
2008	\$ 1,740,000	\$ 666,491	\$ 2,406,491	\$ 57,914,632	4.16%
2009	\$ 1,685,000	\$ 662,168	\$ 2,347,168	\$ 61,769,837	3.80%
2010	\$ 1,570,000	\$ 504,275	\$ 2,074,275	\$ 64,280,354	3.23%
2011	\$ 1,600,000	\$ 519,658	\$ 2,119,658	\$ 64,198,249	3.30%
2012	\$ 1,870,000	\$ 552,463	\$ 2,422,463	\$ 65,856,660	3.68%
2013	\$ 2,035,000	\$ 559,315	\$ 2,594,315	\$ 66,459,861	3.90%

Notes:

¹ Includes General, Special Revenue and Capital Project Funds.

SMITHFIELD PUBLIC SCHOOLS
Miscellaneous Statistics
June 30, 2013

BUILDINGS

Administration	1
Maintenance	0
Elementary Schools	4
Middle School	1
High School	<u>1</u>
Total	7

OCTOBER STUDENT ENROLLMENT

STUDENTS	Fiscal Year	Elementary	Secondary	Total
	2013	1,075	1,335	2,410
	2012	1,039	1,368	2,407
	2011	1,051	1,419	2,470
	2010	1,060	1,444	2,504
	2009	1,088	1,467	2,555
	2008	1,099	1,500	2,599
	2007	1,119	1,490	2,609
	2006	1,104	1,521	2,625
	2005	1,125	1,534	2,659
	2004	1,048	1,567	2,615
	2003	1,169	1,534	2,703
	2002	1,228	1,459	2,687
	2001	1,220	1,484	2,704

STAFFING

Administrative	15.0
Certified Staff:	
Instructional	150.1
ESL	0.5
Special Education	44.8
Other (Librarians, Counselors, Nurses, etc.)	<u>23.6</u>
Total Certified Staff	219.0
Non- Certified Staff	
Secretary and Clerical	18.0
Building and Maintenance	27.0
Teacher Assistants	36.0
Supervisory Aides	0.0
Technicians	3.0
Bus Monitors	0.0
Attendance Officer	<u>1.0</u>
	85.0
Total FTE's	<u><u>319.0</u></u>

Data collected from School Department.

TOWN OF SMITHFIELD, RHODE ISLAND
Miscellaneous Statistics
June 30, 2013

Founded:	1636	Police Protection	
Town Incorporation:	1730	Buildings:	1
		Employees:	
Type of Government:	Council / appointed Town Manager	Law Enforcement	41
		Civilian	
Fiscal Year begins:	July 1	Full Time	12
		Part Time	6
Population:		Crossing Guard	7
	<u>Official US Census</u>	Recreation	
	1950 6,690	Parks	8
	1960 9,442	Playgrounds	5
	1970 13,468	Ball Diamonds	14
	1980 16,886	Soccer/Football Fields	6
	1990 19,163	Volleyball Courts	0
	2000 20,613	Skating Arenas	1
	2010 21,430	Basketball Courts	8
Area of Town:	27.8 square miles	Walking Paths	7
Land Area:	26.7 square miles	Running Tracks	1
		Tennis Courts	7
Miles of Streets		Historical Cemeteries	116
Local Paved	140	Municipal Buildings:	
State Paved	40	Town Hall	1
Private Paved	2.5	Senior Center	1
Elections - November 2012		Public Works Garage	1
Registered Voters	14,731	Parks & Recreation	2
Number of Votes Cast	9,992	Other Municipal Employees:	59
Percentage Voting	67.83%		
Fire Protection			
# Fire Stations:	3		
Employees :			
Uniformed	48		
Civilian(s)	5		
Library			
Full Time Employees	9		
Part Time Employees	35		

Data collected from various Town departments

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TOWN OF SMITHFIELD

SINGLE AUDIT SECTION

This section contains information regarding federal grant activity for the year ended June 30, 2013, which was audited in accordance with generally accepted auditing standards and "Government Auditing Standards" issued by the Comptroller General of the United States and under the guidelines of the Single Audit Act of 1984 as amended by the Single Audit Act Amendments of 1996 and the United States Office of Management and Budget's Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations."

TOWN OF SMITHFIELD, RHODE ISLAND

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

<i>Federal Grantor</i> <i>Pass-Through Grantor</i> <i>Program Title</i>	<i>Federal</i> <i>CFDA</i> <i>Number</i>	<i>Pass-Through</i> <i>Grantor's Number</i>	<i>Expenditures</i>
U.S. Department of Agriculture			
Farm and Ranch Lands Protection Program	10.913	7311061201935	\$ 272,500
Passed through Rhode Island Department of Education:			
National School Lunch Program	10.555 *	None	169,454
National School Breakfast Program	10.553 *	None	22,018
Food Commodities	10.550 *	None	7,138
Total U.S. Department of Agriculture			<u>471,110</u>
U.S. Department of Housing and Urban Development			
Passed through Rhode Island Office of Housing and Community Development			
Community Development Block Grant	14.228	None	28,957
Total U.S. Department of Housing and Urban Development			<u>28,957</u>
U.S. Department of Justice			
Passed through Rhode Island Department of Justice			
Bulletproof Vest Partnership Program	16.607	BUBX08043723	975
Enforcing Underage Drinking Laws Program	16.727	None	27,027
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2008-DJ-BX-0585	8,890
Total U.S. Department of Justice			<u>36,892</u>
U.S. Department of Transportation			
Passed through Rhode Island Department of Transportation			
Highway Planning and Construction	20.205	Various	13,401
Highway Research and Development Program	20.200	None	29,998
Click it or Ticket Program	20.602	None	2,440
Operation Blue Riptide Program	20.608	None	7,307
Safety Belt Performance Grants	20.609	DTNH22-10-H-00317/0006	5,096
Child Passenger Safety Grant	20.600	None	12,037
Total U.S. Department of Transportation			<u>70,279</u>
U.S. Environmental Protection Agency			
Passed through Rhode Island Clean Water Finance Agency			
Capitalization Grants for Clean Water State Revolving Funds - ARRA	66.458	None	2,649,540
Capitalization Grants for Drinking Water State Revolving Funds - ARRA	66.468	None	2,270
Total U.S. Environmental Protection Agency			<u>2,651,810</u>
U.S. Department of Energy			
Passed through Rhode Island Office of Energy			
State Energy Program	81.041	EE2011-10	25,521
Total U.S. Department of Energy			<u>25,521</u>
U.S. Department of Homeland Security			
Passed through Rhode Island Emergency Management Agency			
Homeland Security Grant Program	97.067	31-235-FY2009CC	3,682
State and Local Homeland Security National Training Program	97.005	Various	5,315
Total U.S. Department of Homeland Security			<u>8,997</u>
U.S. Department of Health and Human Services			
Passed through Tri-Town Community Action Agency			
Alcohol Research Program	93.276	None	5,531
Total U.S. Department of Health and Human Services			<u>5,531</u>
U.S. Department of Education			
Passed through Rhode Island Department of Education			
Title I - Part A - Disadvantaged Youth	84.010	2725-11702-201	123,650
Title II - Improving Teacher Quality	84.367	2725-16402-201	80,414
Project IDEA - Part B	84.027 **	Various	578,201
Project IDEA Preschool	84.173 **	2725-13502-201	17,740
Race to the Top Funds	84.395	Various	65,339
Perkins - Career and Technical Education	84.048	2725-15302-201	132,359
Total U.S. Department of Education			<u>997,703</u>
Total Expenditures of Federal Awards			<u>\$ 4,296,800</u>

* & ** - Denotes program clusters which are considered to be a single program for compliance testing purposes.

TOWN OF SMITHFIELD, RHODE ISLAND

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2013**

1. General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the Town of Smithfield. All federal awards received from federal agencies are included on the Schedule of Expenditures of Federal Awards. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

2. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting. The accompanying Schedule of Expenditures of Federal Awards also includes \$7,138 for the value of food commodities which is reported as a component of the Federal School Lunch Program Cluster. These commodities are not reported in revenue or expenses of the Business-Type Activities for financial statement purposes.

3. Determination of Major Programs

The determination of major federal financial assistance programs was based upon the overall level of expenditures for all federal programs for the Town of Smithfield. As such, the threshold for determining Type A and Type B programs is defined as those with program expenditures greater than \$300,000 or 3 percent of total expenditures when the total expenditures are over \$10,000,000. For the fiscal year ended June 30, 2013, the following programs were considered major programs:

Capitalization Grants for Clean Water State Revolving Funds	CFDA #66.458
National School Lunch Program *	CFDA #10.555
National School Breakfast Program *	CFDA #10.553
Food Commodities *	CFDA #10.550

* These programs are in a cluster and therefore are considered one program for compliance requirements.

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

To the Honorable Town Council
Town of Smithfield, Rhode Island

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Smithfield, Rhode Island, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town of Smithfield, Rhode Island's basic financial statements, and have issued our report thereon dated December 23, 2013.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Providence, Rhode Island
December 23, 2013

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

To the Honorable Town Council
Town of Smithfield, Rhode Island

Report of Compliance for Each Major Federal Program

We have audited the Town of Smithfield, Rhode Island's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Town of Smithfield, Rhode Island's major federal programs for the year ended June 30, 2013. The Town of Smithfield, Rhode Island's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Town of Smithfield, Rhode Island, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

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

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

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

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



Providence, Rhode Island
December 23, 2013

TOWN OF SMITHFIELD, RHODE ISLAND

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2013**

A. SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expressed an unmodified opinion on the basic financial statements of the Town of Smithfield, Rhode Island.
2. No significant deficiencies relating to the audit of the financial statements were reported in the Report of Independent Auditors'.
3. No instances of noncompliance material to the financial statements of the Town of Smithfield, Rhode Island were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs were reported.
5. The auditors' report on compliance for the major federal award programs for the Town of Smithfield, Rhode Island expresses an unmodified opinion.
6. Audit findings relative to the major federal award programs for the Town of Smithfield, Rhode Island are reported in Part C of this schedule.
7. The programs tested as major programs were:

Capitalization Grants for Clean Water State Revolving Funds	CFDA #66.458
National School Lunch Program *	CFDA #10.555
National School Breakfast Program *	CFDA #10.553
Food Commodities *	CFDA #10.550

* These programs are in a cluster and therefore are considered one program for compliance requirements.

8. The threshold for distinguishing Type A and B programs is described in Note 3 to the Schedule of Expenditures of Federal Awards.
9. The Town of Smithfield, Rhode Island was determined to be a low-risk auditee.

B. FINDINGS -- RELATED TO AUDIT OF FINANCIAL STATEMENTS

Current Year Findings:

None noted.

Prior Year Findings:

None noted.

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2013

C. FINDINGS AND QUESTIONED COSTS RELATING TO FEDERAL AWARDS

Current Year Findings:

None noted.

Prior Year Findings:

None noted.

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2013

NONE NOTED

(CONCLUDED)

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