

**THE TOWN OF
SMITHFIELD, RHODE ISLAND**

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

FOR THE YEAR ENDED
JUNE 30, 2007

TOWN OF SMITHFIELD, RHODE ISLAND

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2007**

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TOWN OF SMITHFIELD, RHODE ISLAND

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
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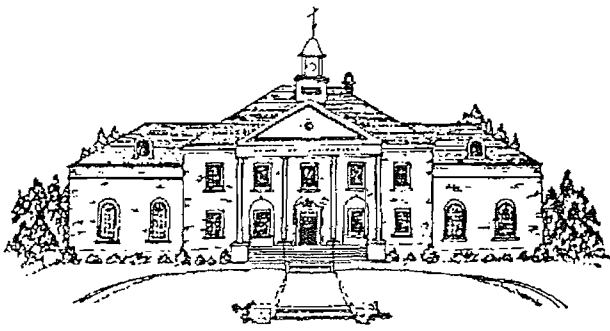
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(CONCLUDED)

TOWN OF SMITHFIELD, RHODE ISLAND

INTRODUCTORY SECTION





Town of Smithfield

64 FARNUM PIKE

SMITHFIELD, RHODE ISLAND 02917-3203

TELEPHONE (401) 233-1010 FAX (401) 233-1080

e-mail: dfinlay@smithfieldri.com

DENNIS G. FINLAY
TOWN MANAGER/TREASURER

January 30, 2008

To The Honorable Town Council and Citizens,
Town of Smithfield, Rhode Island

The Comprehensive Annual Financial Report for the fiscal year ended June 30, 2007 for the Town of Smithfield is hereby submitted for your review. The responsibility for the accuracy, fairness and completeness of presentation rests with the Town of Smithfield. The data presented herein is accurate in all material aspects and presents fairly the financial position and results of operations of the Town, including all the various funds of the Town. All disclosures necessary to enable the reader to gain an understanding of the Town's financial activities have been included.

Through the joint efforts of the Town and its auditors, Cayer Caccia, LLP, we are hopeful that this presentation will enable readers to gain a fuller understanding of the Town's fiscal affairs for the year ended June 30, 2007.

Town of Smithfield

Location

The Town, primarily a residential community, comprises 26.7 square miles of land, 1.1 square miles of water, and is situated approximately 11 miles northwest of Providence, the State capital. The Town 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 Glocester on the west.

Government

The Town of Smithfield was settled in 1636 and incorporated as a Town in 1730.

As of November, 1994 Smithfield has incorporated an elected council/appointed Town Manager form of government according to the Town Charter regulations. The

Government (Continued)

Financial Town Meeting has been retained and is responsible for general financial affairs including the adoption of the annual budget and the determination of the amount of tax levy required to support same.

The Town Manager is appointed by the Town Council and serves at its pleasure as the administrative head of government and is responsible for all departments except the School Department.

Legislative and policy-making powers are vested in the five (5) member Town Council. Members are elected at-large for two (2) year terms. The present Town Council members as of June 30, 2007, were elected in November, 2006 and their terms end in November, 2008.

Government Services

In addition to its schools, the Town provides public services which are described below.

Police Department

The police department consists of 40 full-time police officers and approximately 3 auxiliary officers. In addition, there are 12 civilian full-time employees and 3 civilian part time employees within the department. For fiscal year 2006/2007, the approved budget was \$3,895,099 and the approved capital budget was \$300,156. For fiscal year 2007/2008, the approved operations budget is \$4,088,770, and the approved capital budget is \$167,575.

Fire Department

The fire department consists of 40 full-time and 12 on-call members. There are 6 other civilian employees. There are 3 fire stations located in the Town. For fiscal year 2006/2007, the approved operations budget was \$3,940,890, and the approved capital budget was \$132,971. For fiscal year 2007/2008, the approved operations budget is \$4,025,587, and the approved capital budget is \$186,971.

Sanitation

The Town provides weekly rubbish and garbage collection through the use of private contractors. For fiscal year 2006/2007, the Public Works Department's budget for this service was \$860,000. For fiscal year 2007/2008, the approved budget is \$900,000.

Sanitation (Continued)

In 1985, the state legislature enacted legislation addressing resource recovery and recycling. The act mandates a statewide program for constructing an integrated system of waste-to-energy and recycling facilities. The mandated recycling program provides for State funding costs incurred during the first three years of the program. After that period, all local costs will be funded by the Town. The Town commenced participation in this program in November 1989 and this mandated program ended in November, 1992. The Town of Smithfield has chosen to maintain the recycling program and has budgeted for this increased cost.

Sewers

The Town maintains all sewer lines and pumping stations within the Town in accordance with the State of Rhode Island 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 financed by general obligation bonds, which matured in 1998, exclusive of Federal and/or State grants in aid.

The Town has adopted accounting principles and practices recommended for enterprise funds (those activities conducted by municipalities that are of self-supporting nature whereby accounting principles and practices would be similar to those of private, profit-making businesses) for the sewer system. This provides a meaningful measure of the financial position and results of operations of the system, and also provides information necessary for calculation for future rate changes. This fund is a depository for all annual charges, fees, assessments, and receipts obtained for the use, service, or facilities generated by the sewage works.

In fiscal year 1998/1999, the 20-year annual sewer assessment expired due to the maturity of the general obligation issue. However, there are several special sewer assessment projects that recently were completed and the beneficiaries of these projects will be assessed over the next 10 to 15 years depending on the project.

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.

In fiscal year 2003, the Town contracted with the firm, Veolia Water NA to operate the Town's sewer plant 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.

Public Libraries

The Town operates two public libraries. For fiscal year 2006/2007, the Town's budget for libraries was \$1,025,924. For fiscal year 2007/2008, the approved budget amount is \$1,100,960.

Special Services

In addition to the services outlined above the Town provides specialized government services for animal control, appropriations to various human service agencies and environmental conservation programs. Additionally, the Town operates various parks and recreation areas.

Senior Center

In fiscal year 1994/1995, the Town completed construction of a new senior center at Deerfield Park Recreational complex. This senior center commenced operations during fiscal year 1995/1996. During the fiscal year 2004/2005, an addition was completed which doubled the size of the building at a cost of approximately \$1.2 million. For fiscal year 2006/2007, the approved budget amount was \$306,091 and the approved capital budget was \$17,000. For fiscal year 2007/2008, the approved budget amount is \$309,525 and the approved capital budget is \$25,000.

Education

The general administration of the Town's school system is the responsibility of the School Committee within the provisions and powers and duties delegated in the Rhode Island General Laws. The five members of the School Committee are elected at-large at regular Town elections and serve four-year terms. Powers and duties of the Committee include: the preparation and submission of estimates and recommendations for the amount necessary for the support of the public schools to be appropriated at the Financial Town Meeting, the administration of all funds designated for school purposes, and the selection of all school personnel. The fiscal 2006/2007 budget was \$28,618,974. For fiscal year 2007/2008, the approved budget is \$30,706,973.

The school system includes four elementary schools, a middle school and a senior high school. Total capacity within these facilities is 3,310 students. Currently, there are 242 full-time teachers. A science wing addition was constructed at the high school and renovations were completed in fiscal year 2003/2004.

Summary of Fund Activity

Accounting is the process of recording, classifying and summarizing financial information in order to produce financial reports and provide internal controls. A government accounting system should make it possible to accurately present the financial position of the government unit as well as to demonstrate the results of the operations of its various accounting funds over a specified period of time.

In order to achieve these objectives generally accepted accounting principles (GAAP) require that government resources be accounted for in separate sub entities, called funds, based on the purposes for which they are to be spent and by the means which spending is measured. GAAP emphasizes the reporting of financial operations by fund type and by individual funds, rather than consolidated reporting for the government unit as a whole. This approach allows government units to segregate transactions related to specific functions and activities.

INDEPENDENT AUDIT

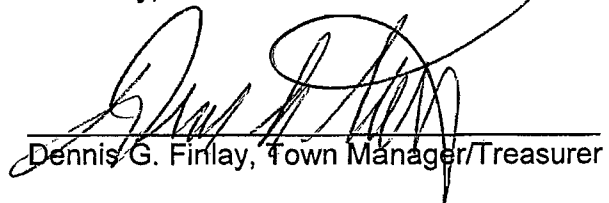
State law requires an annual audit of the Town finances by certified public accountants. The accounting firm of Cayer Caccia, LLP was chosen to conduct the Town's audit for fiscal year ending June 30, 2007. The auditors' report on the basic financial statements is included in the financial section of this report.

ACKNOWLEDGMENTS

The preparation of the comprehensive annual financial report was made possible by the dedicated service of the staff of the Finance Department, Tax Assessor's Department, and the Town Manager's Department.

In closing, without the leadership and support of the Smithfield Town Council the preparation of this report would not have been possible.

Sincerely,



Dennis G. Finlay, Town Manager/Treasurer

TOWN OF SMITHFIELD, RHODE ISLAND

TOWN COUNCIL

Stephen R. Archambault, President

Michael J. Flynn, Vice-President

Bernard A. Hawkins

Ronald F. Manni

S. Jean Cerroni

TOWN MANAGER/TREASURER

Dennis G. Finlay

DEPARTMENT DIRECTORS

Animal Control Warden

Building Official

Emergency Management Director

Engineer

Finance Director

Fire Chief

Human Resources/Personnel

Library Director (East Smithfield)

Library Director (Greenville)

Recreation and Ice Rink Manager

Acting Planning and Economic

Development Director

Police Chief

Public Welfare Director

Public Works Director/Water Superintendent

Senior Center Director

School Superintendent

Tax Assessor

Town Clerk

Town Solicitor

Thomas B. Taylor

Peter R. Scorpio

Todd S. Manni

Kevin Cleary

Dennis G. Finlay

Joseph P. Mollo III

Susan Pilkington

Elodie E. Blackmore

Christopher LaRoux

Thomas J. Tullie

Donna A. Corrado

William A. McGarry

Vivian Auerbach

B. James Suzman

Janet M. Prairie

Robert O'Brien

Suzanne P. Kogut

Dianne L. Ady

Timothy F. Kane

TOWN OF SMITHFIELD, RHODE ISLAND

FINANCIAL SECTION



CAYER CACCIA LLP

Certified Public Accountants and Business Consultants

INDEPENDENT AUDITOR'S REPORT

To the Honorable Town Council
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, 2007, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Smithfield, Rhode Island's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in Note 2 to the financial statements, management has not recorded certain general infrastructure assets in governmental activities and, accordingly, has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that those general infrastructure assets be capitalized and depreciated, which would increase the assets, net assets, and expenses of the governmental activities. The amount by which this departure would affect the assets, net assets, and expenses of the governmental activities is not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities of the Town of Smithfield, Rhode Island, as of June 30, 2007, or the changes in financial position thereof for the year then ended.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2008, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, historical pension information and budgetary comparison information on pages 3 through 9 and 61 through 73 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Smithfield, Rhode Island's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the Town of Smithfield, Rhode Island. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. 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 express no opinion on them.

January 30, 2008

Cayer Caccia, LLP

Town of Smithfield, Rhode Island Management's Discussion and Analysis

The Town of Smithfield's Management Discussion and Analysis is designed to assist the reader in focusing on significant issues. It provides an overview of the Town's financial activity and changes in financial position. Since the Management Discussion and Analysis (M D & A) is designed to focus on the current year's activities, resulting changes and currently known facts it should be read in conjunction with the Transmittal Letter and the Financial Statements (beginning on page 1).

Highlights

Financial Highlights

The Town's net assets increased by \$3,709,155 (or 7.3%). Governmental net assets increased by \$4,107,289 (or 16.1%) while the business type activities net assets decreased by \$398,134 (or 1.6%).

Governmental activities revenues for the year ending June 30, 2007 totaled \$59,153,186 including charges for services at \$2,985,668, operating grants and contributions \$9,505,923, capital grants and contributions \$727,546, with the balance of revenue from property taxes, revenue sharing, investment interest and miscellaneous of \$45,934,049.

Business-type activities revenues for the year ending June 30, 2007 totaled \$5,798,130 including charges for services of \$4,783,406, operating grants and contributions of \$496,323, capital grants and contributions of \$22,362, investment income of \$319,140 and transfers of \$176,899.

Governmental activities expenditures and transfers for the fiscal year totaled \$55,045,897. Business-type activities expenditures for the fiscal year totaled \$6,196,264.

On the GAAP basis expenditures and transfers were \$54,631,064 for the general fund; \$30,370,464 for the School Department; \$2,392,041 for Log Road; and \$3,276,036 in the non-major governmental funds.

Use of the Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 10, 11, and 12) provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. Fund financial statements start on page 13. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds. The remaining statements provide financial information about activities for which the Town acts solely as a trustee or agent for the benefit of those outside of the government.

The new financial statement focus is on both the Town as a whole and its government-wide funds, as well as its business type activities. All these perspectives allow the user to address relevant questions, broaden the basis for comparison, and enhance the accountability.

Reporting the Town as a whole:

One of the most important questions asked about Town finances is "Is the Town as a whole better or worse financially as a result of this year's activities?" The Statement of Net Assets and Statement of Activities reports information in a way that gives the reader the answer to the above question. Statements include all assets and liabilities using the accrual method of accounting, similar to that of private business. All current revenues and expenses are taken into account regardless of when cash is received or paid.

Reporting the Town as a whole (Continued):

These two statements report the Town's net assets and changes therein. The Town's net assets are the difference between actual assets and liabilities against said assets. This measures the Town's financial health or financial position. Over time, increases or decreases in net assets are an indicator of whether the financial health of the Town is improving or declining. Other non-financial factors to consider are changes in the Town's property tax base and the condition of town roads and buildings when assessing the overall financial picture. In the Statement of Net Assets and Statement of Activities the Town is divided into two sections: Governmental and Business-type (Enterprise) activities.

Significant Funds:

The analysis of the Town's most significant fund begins on page 13. The Fund Financial Statements provide detailed information on the general fund, not the Town as a whole. Some funds are required to be established by State law or by bond covenants. However, the Town Council mainly through the Financial Town Referendum establishes other funds to help control and manage money for a particular purpose or project. Individual funds track costs more closely than in the general everyday use of funds (i.e. road paving, engineering) or to show that all legal responsibilities for using certain grants, and other miscellaneous funds donated or sent to the Town through other sources than property taxes.

Proprietary funds are those that the Town charges its customers for a service it provides – such as the Sewer Authority or Water Supply Board. Proprietary funds are like little businesses and are accounted for individually in order to know whether the funding for the service is adequate for the service provided.

The Town may be a trustee for certain types of funds or a fiduciary for certain activities. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purpose. At the present time the Town has four fiduciary funds for unclaimed estates.

Town as a Whole

Government Wide Statements

**Statement of Net Assets
As of June 30:**

	<i>Governmental</i>		<i>Business Type</i>		<i>Total Primary</i>	
	<i>Activities</i>		<i>Activities</i>		<i>Government</i>	
	<u>2007</u>	<u>2006</u> <u>As Restated</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u> <u>As Restated</u>
<i>Current and Other Assets</i>	\$25,038,274	\$21,803,108	\$6,914,797	\$ 6,551,136	\$31,953,071	\$28,354,244
<i>Capital Assets</i>	31,985,451	29,886,955	18,878,422	19,647,755	50,863,873	49,534,710
<i>Total Assets</i>	57,023,725	51,690,063	25,793,219	26,198,891	82,816,944	77,888,954
<i>Current Liabilities</i>	9,808,936	7,040,237	574,540	554,348	10,383,476	7,594,585
<i>Long Term Liabilities</i>	17,649,956	19,192,282	120,671	148,401	17,770,627	19,340,683
<i>Total Liabilities</i>	27,458,892	26,232,519	695,211	702,749	28,154,103	26,935,268
<i>Invested in Capital Assets</i>						
<i>Net of Related Debt</i>	15,714,930	11,847,660	18,745,736	19,462,765	34,460,666	31,310,425
<i>Restricted for Other Purpose</i>	6,159,108	3,943,034			6,159,108	3,943,034
<i>Unrestricted</i>	7,690,795	9,666,850	6,352,272	6,033,377	14,043,067	15,700,227
<i>Total Net Assets</i>	\$29,564,833	\$25,457,544	\$25,098,008	\$25,496,142	\$54,662,841	\$50,953,686

Net Assets equals Total Assets less Liabilities

**Changes in Net Assets
For fiscal Year Ended June 30**

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2007</u>	<u>2006</u> <u>As Restated</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u> <u>As Restated</u>
Revenues:						
Program Revenue:						
Charges for Services	\$2,985,668	\$ 2,617,931	\$4,783,406	\$ 4,732,944	\$ 7,769,074	\$ 7,350,875
Operating Grants & Contributions	9,505,923	8,362,746	496,323	435,202	10,002,246	8,797,948
Capital Grants & Contributions	727,546	700,344	22,362	16,952	749,908	717,296
Total Revenue	13,219,137	11,681,021	5,302,091	5,185,098	18,521,228	16,866,119
General Revenues:						
Property Taxes	43,501,514	40,495,568			43,501,514	40,495,568
State Revenue Sharing	1,881,701	1,792,773			1,881,701	1,792,773
Unrestricted Investment Earnings	550,834	402,377	319,140	263,670	869,974	666,047
Transfers			176,899	4,159,315	176,899	4,159,315
Total General Revenues	45,934,049	42,690,718	496,039	4,422,985	46,430,088	47,113,703
Total Revenues	59,153,186	54,371,739	5,798,130	9,608,083	64,951,316	63,979,822
Expenses:						
General Government	2,441,754	2,754,935			2,441,754	2,754,935
Public Safety	8,734,533	8,593,527			8,734,533	8,593,527
Public Works	3,776,856	3,939,646			3,776,856	3,939,646
Education	31,981,580	29,756,361			31,981,580	29,756,361
Recreation	448,708	332,377			448,708	332,377
Public Health & Asst	38,849	38,811			38,849	38,811
Community Development	50,686	31,182			50,686	31,182
Other	6,788,619	6,668,165	6,196,264	5,681,155	12,984,883	12,349,320
Interest on Long-Term Debt	607,413	718,819			607,413	718,819
Transfers	176,899	4,159,315			176,899	4,159,315
Total Expenses	55,045,897	56,993,138	6,196,264	5,681,155	61,242,161	62,674,293
Change in Net Assets	4,107,289	(2,621,399)	(398,134)	3,926,928	3,709,155	1,305,529
Net Assets Beginning, as Restated	25,457,544	28,078,943	25,496,142	21,569,214	50,953,686	49,648,157
Ending Net Assets	\$29,564,833	\$25,457,544	\$25,098,008	\$25,496,142	\$54,662,841	\$50,953,686

This is the fourth year Smithfield is reporting fixed assets in its financials and only infrastructure additions are included. The remaining infrastructure, roads, culverts, bridges, etc. will be reported in fiscal year 2008.

Normal Impacts:

There are six basic transactions that affect comparability of Net Assets.

1. Net results of activities – will increase or decrease current and unrestricted
2. Borrowing of Capital – increases current assets and long term debt
3. Spending Borrowed Proceeds on New Capital – reduces current assets and increases capital. Also, a second impact occurs – increase in invested capital assets and an increase in related net debt – note the investment in capital assets will not change the capital asset net of debt.
4. Spending of non-borrowed Current Assets on New Capital – will (a) reduce current assets and increase capital assets and (b) reduce unrestricted net assets and increase invested in capital assets, net of debt.
5. Principal Payment on Debt – a) reduce current assets and long-term debt and (b) reduce unrestricted assets and increase invested capital assets, net of debt.
6. Reduction of Assets through Depreciation – reduces capital assets and invested in capital assets, net of debt.

The change in net assets of governmental activities as a whole was an increase of \$4,107,289 resulting from the difference between expenses and revenues during fiscal year 2007. Expenses net of their pertinent revenues were \$41,649,861, while revenue not attributed to any activity in the government was \$45,934,049 and transfers out were \$176,899, therefore netting an increase of \$4,107,289 in net assets.

Business type Activities:

The change in net assets for the business type activities for fiscal year 2007 was a decrease of \$398,134.

Town's Funds:

General Fund & Other Governmental Funds:

2007

At the end of June 2007 the general fund balance sheet showed a fund balance of \$12,336,203. This figure results from all assets allocated to this fund less its liabilities, as presented on pages 13-14. Of this total \$5,245,410 is reserved for RUBS, capital expenditures and other. In addition, \$3,576,955 is designated to supplement future tax assessments. The School Department showed a fund balance of \$1,157,360 and the Log Road, a capital project fund, showed a fund deficit of \$2,446,791. Other governmental funds had a fund balance of \$5,705,245. The total fund balance for the aforementioned funds is \$16,752,017. See schedule B-1.

2006

At the end of June 2006, the general fund balance sheet showed a fund balance of \$9,572,779. This figure results from all assets allocated to this fund less its liabilities. Of this total \$3,777,906 is reserved for RUBS, capital expenditures and other. In addition, \$2,870,235 is designated to supplement future tax assessments. The School Department showed a fund balance of \$1,798,982; and the Wastewater Treatment Facility Improvements showed a fund balance of \$106,317. Other governmental funds had a fund balance of \$4,699,901. The total fund balance for the aforementioned funds is \$16,177,979.

Business type Activities:

2007

The major business type activities for the Town are the Sewer Authority and the Water Supply Board. These two entities combined had total net assets of \$21,344,534 of which \$16,082,856 is invested in capital assets, net of related debt, and \$5,261,678 is unrestricted.

Business type Activities: (Continued):

2006

The major business type activities for the Town are the Sewer Authority and the Water Supply Board. These two entities combined had total net assets of \$21,788,086 of which \$16,781,393 is invested in capital assets, net of related debt, and \$5,006,693 is unrestricted.

Required Supplemental Information

In addition to this MD&A and the basic financial statements, this report also presents certain Required Supplemental Information. For the Town of Smithfield, this Required Supplemental Information includes the Budgetary Comparison Schedule for the General Fund that can be found on "Schedule E-2" on page 65. The presentation under GASB 34 requires disclosure of both the original and final budget. The original budget is the first complete appropriated budget. The final budget is the original budget adjusted by all reserves, transfers, allocations, supplemental appropriations and other legally authorized legislative and executive changes applicable to the fiscal year.

Analysis of Significant Budget Variations in the General Fund

2007

For the year ended June 30, 2007, the General Fund Revenues exceeded budget projections by \$2,176,861 or 3.7%. General Fund Expenditures were less than the budget by \$2,345,142 or 4.0%. This resulted in a \$4,522,003 budgetary surplus in the General Fund for the year ending June 30, 2007.

- Property taxes: positive variance of \$848,432 is due to favorable tax collections.
- Licenses, fees, and permits: the positive variance of \$1,043,774 is primarily due to an unanticipated increase in building permit fees and recording fees.
- Blue Cross/Delta Dental: the positive variance of \$545,774 is primarily due to a lower than anticipated increase in the cost of the premiums.
- Redemption of bonds and notes: the positive variance of \$610,931 is primarily due to the reappropriation of the prior year unexpended balance.
- Interest bonds and notes: the positive variance of \$891,813 is primarily due to the reappropriation of prior year unexpended balance.

2006

For the year ended June 30, 2006, the General Fund Revenues exceeded budget projections by \$2,403,578 or 4.2%. General Fund Expenditures were less than the budget by \$432,632 or 0.8%. This resulted in a \$2,836,210 budgetary surplus in the General Fund for the year ending June 30, 2006.

The following were significant variances for the fiscal year ended June 30, 2006:

- Property taxes: positive variance of the \$829,673 is due to favorable tax collections.
- Licenses, fees, and permits: the positive variance of \$630,087 is primarily due to an unanticipated increase in building permit fees and recording fees.
- Redemption of bonds and notes: the positive variance of \$485,931 is primarily due to the reappropriation of prior year unexpended balance.
- Interest on bonds and notes: the positive variance of \$484,011 is primarily due to the reappropriation of prior year unexpended balance.

Capital Assets and Long-Term Debt

Capital Assets

The Town of Smithfield's investment in capital assets for its governmental and business type activities as of June 30, 2007 and 2006 amounted to \$50.9 and \$49.5 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, motor vehicles, equipment and infrastructure.

The presentation below for the current fiscal year lists the major categories of capital assets for governmental activities and business-type activities.

Capital Assets at Year-End (In Millions)

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Totals</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Motor Vehicles	\$ 4.9	\$ 4.9	\$ 0.1	\$ 0.1	\$ 5.0	\$ 5.0
Equipment	2.4	1.8	10.4	10.1	12.8	11.9
Infrastructure	71.0	71.0	17.0	16.9	88.0	87.9
Buildings and Improvements	23.5	23.4	12.6	12.5	36.1	35.9
Land and Land Improvements	7.8	4.7	0.5	0.5	8.3	5.2
Construction-in-Progress	0.8	0.7			0.8	0.7
Total Assets	110.4	106.5	40.6	40.1	151.0	146.6
Less: Accumulated Depreciation	(78.4)	(76.6)	(21.7)	(20.5)	(100.1)	(97.1)
Net Capital Assets	<u>\$ 32.0</u>	<u>\$ 29.9</u>	<u>\$ 18.9</u>	<u>\$ 19.6</u>	<u>\$ 50.9</u>	<u>\$ 49.5</u>

The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2007 was \$151.0 million less accumulated depreciation of \$100.1 million for a net investment in capital assets of \$50.9 million.

Major capital asset additions during the current fiscal year included the following:

- \$3.1 million for the purchase of land

Additional information on the Town's capital assets can be found in Note 6.

Long Term Debt

2007

As of June 30, 2007, the Town's governmental activities had total long-term liabilities of \$19.9 million. Of that, \$11.2 million related to bonded debt guaranteed by the Town's assets, \$4.6 million related to lease participation certificates; \$0.4 million related to unpaid pension contributions; \$3.3 million related to compensated absences; and \$0.4 million related to leases payable. See Note 7 for further explanation of the Town's long-term liabilities.

The business-type activities had long-term liabilities of \$209,271.

Long Term Debt (Continued)

2006

As of June 30, 2006, the Town's governmental activities had total long-term liabilities of \$21.4 million. Of that, \$12.3 million related to bonded debt guaranteed by the Town's assets, \$5.3 million related to lease participation certificates; \$0.2 million related to unpaid pension contributions; \$3.1 million related to compensated absences; and \$0.5 million related to leases payable.

The business-type activities had long-term liabilities of \$250,001.

The Town's bond ratings as of June 30, 2007 are as follows:

- Moody's : A1
- S & P: AA

Requests for Information

Contacting the Town's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Department, at the Town of Smithfield, 64 Farnum Pike , Smithfield, RI 02917.

TOWN OF SMITHFIELD, RHODE ISLAND

BASIC FINANCIAL STATEMENTS



TOWN OF SMITHFIELD, RHODE ISLANDSTATEMENT OF NET ASSETS
JUNE 30, 2007

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 21,082,961	\$ 6,285,083	\$ 27,368,044
Investments		252,890	252,890
Receivables:			
Taxes, net	2,976,991		2,976,991
Water and sewer assessments and user fees, net		366,595	366,595
Other receivables	159,599	55,675	215,274
Town-held tax liens	71,680		71,680
Due from:			
Other governments	491,994	25,379	517,373
Agency funds	4		4
Internal balances	255,045	(255,045)	
Accrued interest receivable		1,069	1,069
Other assets		116	116
Inventory		28,352	28,352
Total Current Assets	25,038,274	6,760,114	31,798,388
Noncurrent Assets:			
Capital assets:			
Non-depreciable	8,568,060	399,923	8,967,983
Depreciable, net	23,417,391	18,478,499	41,895,890
Sewer assessment fees		149,415	149,415
Asset restricted to investment in building		5,000	5,000
Prepaid sewer assessment escrow		268	268
Total Noncurrent Assets	31,985,451	19,033,105	51,018,556
TOTAL ASSETS	57,023,725	25,793,219	82,816,944
LIABILITIES:			
Current Liabilities:			
Accounts payable	498,323	246,383	744,706
Accrued payroll	869,148	49,077	918,225
Accrued interest	121,567		121,567
Accrued liabilities		3,830	3,830
Retainage payable	350,717		350,717
Bond anticipation note payable	2,635,000		2,635,000
Due to:			
Other governments	22,007		22,007
Employee retirement plans	2,292,693		2,292,693
Accrued claims and judgments	132,500		132,500
Current portion of long term debt	2,278,900	81,000	2,359,900
Current portion of accrued vacation and sick leave		7,600	7,600
Unearned revenue	340,669	186,650	527,319
Other liabilities	267,412		267,412
Total Current Liabilities	9,808,936	574,540	10,383,476

(CONTINUED)

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF SMITHFIELD, RHODE ISLANDSTATEMENT OF NET ASSETS
JUNE 30, 2007

	Governmental Activities	Business-type Activities	Total
LIABILITIES (Continued):			
Noncurrent Liabilities:			
Long term debt, net	17,649,956	51,686	17,701,642
Accrued vacation and sick leave		68,985	68,985
Total Noncurrent Liabilities	17,649,956	120,671	17,770,627
TOTAL LIABILITIES	27,458,892	695,211	28,154,103
NET ASSETS:			
Invested in capital assets, net of related debt	15,714,930	18,745,736	34,460,666
Restricted for other purposes	6,159,108		6,159,108
Unrestricted	7,690,795	6,352,272	14,043,067
TOTAL NET ASSETS	\$ 29,564,833	\$ 25,098,008	\$ 54,662,841

(CONCLUDED)

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF SMITHFIELD, RHODE ISLAND**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007**

<i>Functions/Programs:</i>	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 2,441,754	\$ 1,792,087	\$ 1,189,287		\$ 539,620		\$ 539,620
Public safety	8,734,533	866,113	58,759	\$ 465,106	(7,344,555)		(7,344,555)
Public works	3,776,856				(3,776,856)		(3,776,856)
Education	31,981,580	327,020	8,204,691		(23,449,869)		(23,449,869)
Recreation	448,708		2,500		(446,208)		(446,208)
Public health and assistance	38,849				(38,849)		(38,849)
Community development	50,686	448	50,686		448		448
Other	6,788,619			262,440	(6,526,179)		(6,526,179)
Interest on long-term debt	607,413				(607,413)		(607,413)
Total governmental activities	54,868,998	2,985,668	9,505,923	727,546	(41,649,861)		(41,649,861)
Business-type activities:							
Sewer Authority	2,376,756	2,444,586				\$ 67,830	67,830
Water Supply Board	940,214	1,024,187				83,973	83,973
School Lunch	743,394	596,324	145,308			(1,762)	(1,762)
Smithfield Ice Rink	638,349	647,971				9,622	9,622
East Smithfield Public Library	570,069	5,742	102,488	22,362		(439,477)	(439,477)
Greenville Public Library	884,632	44,788	248,527			(591,317)	(591,317)
East Smithfield Neighborhood Center	42,850	19,808				(23,042)	(23,042)
Total business-type activities	6,196,264	4,783,406	496,323	22,362	0	(894,173)	(894,173)
Total	\$ 61,065,262	\$ 7,769,074	\$ 10,002,246	\$ 749,908	(41,649,861)	(894,173)	(42,544,034)
General revenues:							
Property taxes					43,501,514		43,501,514
State revenue sharing					1,881,701		1,881,701
Unrestricted investment earnings					550,834	319,140	869,974
Transfers					(176,899)	176,899	
Total general revenues and transfers					45,757,150	496,039	46,253,189
Change in Net Assets					4,107,289	(398,134)	3,709,155
Net Assets - beginning, as restated					25,457,544	25,496,142	50,953,686
Net Assets - ending					\$ 29,564,833	\$ 25,098,008	\$ 54,662,841

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF SMITHFIELD, RHODE ISLAND

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007**

	General Fund	School Department	Log Road	Other Governmental Funds	Total Governmental Funds
ASSETS:					
Cash and cash equivalents	\$ 15,764,423	\$ 615,733		\$ 4,702,805	\$ 21,082,961
Receivables:					
Taxes, net	2,976,991				2,976,991
Other	127,317	21,023		11,259	159,599
Town-held tax liens	71,680				71,680
Due from:					
Other funds	316,882	1,155,719	\$ 188,209	3,185,392	4,846,202
Other governments	82,552	56,740		352,702	491,994
TOTAL ASSETS	\$ 19,339,845	\$ 1,849,215	\$ 188,209	\$ 8,252,158	\$ 29,629,427
LIABILITIES AND FUND BALANCES:					
LIABILITIES:					
Accounts payable	\$ 353,042	\$ 127,275		\$ 18,006	\$ 498,323
Accrued payroll and benefits	381,298	487,850			869,148
Retainage payable				350,717	350,717
Bond anticipation note payable			\$ 2,635,000		2,635,000
Due to:					
Other funds	5,047,457			1,836,389	6,883,846
Other governments	22,007				22,007
Deferred revenues	1,199,838			327,082	1,526,920
Other liabilities		76,730		14,719	91,449
TOTAL LIABILITIES	7,003,642	691,855	2,635,000	2,546,913	12,877,410

(CONTINUED)

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF SMITHFIELD, RHODE ISLAND

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007**

	<u>General Fund</u>	<u>School Department</u>	<u>Log Road</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
FUND BALANCES:					
Reserved for Town-held tax liens	71,680				71,680
Reserved for amounts not due within one year	94,912				94,912
Reserved for capital improvements	100,000				100,000
Reserved for capital expenditures	2,548,664				2,548,664
Reserved for subsequent year's expenditures (RUBS)	2,030,154				2,030,154
Reserved for subsequent year's budgeted expenditures	400,000	852,900			1,252,900
Reserved for perpetual care				60,798	60,798
Unreserved: designated to supplement future tax assessments	3,576,955				3,576,955
Unreserved: designated for Capital Reserve	401,381				401,381
Unreserved: designated for Land Trust	200,691				200,691
Unreserved: designated for capital outlay		176,476			176,476
Unreserved: designated for restricted state aid		10,320			10,320
Unreserved, reported in:					
General fund	2,911,766				2,911,766
Special revenue funds		117,664		3,418,141	3,535,805
Capital project funds			(2,446,791)	2,226,306	(220,485)
TOTAL FUND BALANCES	12,336,203	1,157,360	(2,446,791)	5,705,245	16,752,017
TOTAL LIABILITIES AND FUND BALANCES	\$ 19,339,845	\$ 1,849,215	\$ 188,209	\$ 8,252,158	\$ 29,629,427

(CONTINUED)

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF SMITHFIELD, RHODE ISLAND

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
GOVERNMENTAL FUNDS
JUNE 30, 2007**

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

Total Fund Balances (B-1)	\$ 16,752,017
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	31,985,451
Claims and judgments that are not due and payable in the current period are not reported in the funds.	(132,500)
Long-term liabilities (including bond premium) are not due and payable in the current period and therefore are not reported in the funds.	(20,104,819)
Deferred revenues (net of an allowance for uncollectibles) are recorded in the funds, but are not deferred under the measurement focus employed in the Statement of Net Assets.	1,186,251
Accrued interest payable is recorded in governmental activities, but is not recorded in the funds.	<u>(121,567)</u>
Total Net Assets (A-1)	<u><u>\$ 29,564,833</u></u>

(CONCLUDED)

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF SMITHFIELD, RHODE ISLAND

**STATEMENT OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES (USES) AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007**

	<u>General Fund</u>	<u>School Department</u>	<u>Log Road</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:					
General property taxes	\$ 43,244,359				\$ 43,244,359
Intergovernmental	9,052,283			\$ 1,595,586	10,647,869
Licenses, fees and permits	1,495,146				1,495,146
Investment income	480,545			70,289	550,834
Departmental	627,876				627,876
Other	210,141	\$ 1,193,957		1,135,990	2,540,088
TOTAL REVENUES	<u>55,110,350</u>	<u>1,193,957</u>	<u>\$ 0</u>	<u>2,801,865</u>	<u>59,106,172</u>
EXPENDITURES:					
Current:					
General government	2,056,530			146,105	2,202,635
Public safety	7,815,588			85,064	7,900,652
Public works	2,786,761			66,836	2,853,597
Education		30,152,755		989,358	31,142,113
Public health and assistance	38,849				38,849
Parks and recreation	410,255				410,255
Community development				50,686	50,686
Other	6,766,122				6,766,122
Debt Service:					
Principal	1,730,000				1,730,000
Interest and other costs	625,875		61,130		687,005
Capital:					
Capital outlay	1,445,702	217,709	2,330,911	691,859	4,686,181
TOTAL EXPENDITURES	<u>23,675,682</u>	<u>30,370,464</u>	<u>2,392,041</u>	<u>2,029,908</u>	<u>58,468,095</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	<u>31,434,668</u>	<u>(29,176,507)</u>	<u>(2,392,041)</u>	<u>771,957</u>	<u>638,077</u>

(CONTINUED)

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF SMITHFIELD, RHODE ISLAND

**STATEMENT OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES (USES) AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007**

	<u>General Fund</u>	<u>School Department</u>	<u>Log Road</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from leasing	71,510				71,510
Transfers in	2,212,628	28,534,885		1,318,448	32,065,961
Transfers out	(30,955,382)			(1,246,128)	(32,201,510)
NET OTHER FINANCING SOURCES (USES)	<u>(28,671,244)</u>	<u>28,534,885</u>	<u>0</u>	<u>72,320</u>	<u>(64,039)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	2,763,424	(641,622)	(2,392,041)	844,277	574,038
FUND BALANCE AT BEGINNING OF YEAR, AS RESTATED	<u>9,572,779</u>	<u>1,798,982</u>	<u>(54,750)</u>	<u>4,860,968</u>	<u>16,177,979</u>
FUND BALANCE AT END OF YEAR	<u>\$ 12,336,203</u>	<u>\$ 1,157,360</u>	<u>\$ (2,446,791)</u>	<u>\$ 5,705,245</u>	<u>\$ 16,752,017</u>

(CONCLUDED)

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF SMITHFIELD, RHODE ISLAND

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
OTHER FINANCING SOURCES (USES), AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS (B-2) TO THE STATEMENT OF ACTIVITIES (A-2)
YEAR ENDED JUNE 30, 2007**

Net Change in Fund Balances - Total Governmental Funds (B-2):	\$	574,038
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		2,098,496
Claims and judgments reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		(132,500)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences. This includes the amortization of bond premium.		1,471,701
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds.		47,014
Adjustment to accrued interest payable related to general obligation bonds which is required to be recorded for government-wide financial statement presentation.		<u>48,540</u>
Change in Net Assets of Governmental Activities in the Statement of Activities (A-2)	\$	<u><u>4,107,289</u></u>

TOWN OF SMITHFIELD, RHODE ISLAND

**STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 JUNE 30, 2007**

	<u>Sewer Authority</u>	<u>Water Supply Board</u>	<u>Non-major Enterprise Funds</u>	<u>Totals</u>
ASSETS:				
Current Assets:				
Cash and cash equivalents	\$ 4,811,272	\$ 487,025	\$ 986,786	\$ 6,285,083
Investments			252,890	252,890
Receivables, net			55,675	55,675
Water and sewer assessments and user fees, net	173,109	193,486		366,595
Prepaid expenses			116	116
Due from:				
Other governments			25,379	25,379
Accrued interest receivable	1,069			1,069
Inventory		23,678	4,674	28,352
Total Current Assets	4,985,450	704,189	1,325,520	7,015,159
Noncurrent Assets:				
Sewer assessment fees	149,415			149,415
Asset restricted to investment in building			5,000	5,000
Net capital assets	13,439,748	2,643,108	2,795,566	18,878,422
Prepaid sewer assessment escrow	268			268
Total Noncurrent Assets	13,589,431	2,643,108	2,800,566	19,033,105
TOTAL ASSETS	18,574,881	3,347,297	4,126,086	26,048,264

(CONTINUED)

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF SMITHFIELD, RHODE ISLAND

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2007**

	Sewer Authority	Water Supply Board	Non-major Enterprise Funds	Totals
LIABILITIES:				
Current Liabilities:				
Accounts payable	87,838	69,071	89,474	246,383
Accrued payroll			49,077	49,077
Due to other funds	28,320	170,886	55,839	255,045
Accrued liabilities			3,830	3,830
Deferred revenue	184,091		2,559	186,650
Current portion of long term debt			81,000	81,000
Current portion of accrued vacation and sick leave		3,700	3,900	7,600
Total Current Liabilities	300,249	243,657	285,679	829,585
Noncurrent Liabilities:				
Long-term debt, net			51,686	51,686
Accrued vacation and sick leave		33,738	35,247	68,985
Total Noncurrent Liabilities	0	33,738	86,933	120,671
TOTAL LIABILITIES	300,249	277,395	372,612	950,256
NET ASSETS:				
Invested in capital assets, net of related debt	13,439,748	2,643,108	2,662,880	18,745,736
Unrestricted	4,834,884	426,794	1,090,594	6,352,272
TOTAL NET ASSETS	\$ 18,274,632	\$ 3,069,902	\$ 3,753,474	\$ 25,098,008

(CONCLUDED)

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF SMITHFIELD, RHODE ISLAND

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2007**

	<u>Sewer Authority</u>	<u>Water Supply Board</u>	<u>Non-major Enterprise Funds</u>	<u>Totals</u>
OPERATING REVENUES:				
Charges for usage and service	\$ 2,444,586	\$ 1,011,491	\$ 676,394	\$ 4,132,471
Food sales			596,324	596,324
Miscellaneous		12,696	41,915	54,611
Total Operating Revenues	2,444,586	1,024,187	1,314,633	4,783,406
OPERATING EXPENSES:				
Operations	218,168	640,296	1,505,615	2,364,079
Personnel	60,552	226,366	1,169,721	1,456,639
Contract payments, net	1,155,496			1,155,496
Depreciation	942,540	73,552	192,003	1,208,095
Total Operating Expenses	2,376,756	940,214	2,867,339	6,184,309
OPERATING INCOME (LOSS)	67,830	83,973	(1,552,706)	(1,400,903)
NONOPERATING REVENUES (EXPENSES):				
Interest expense			(4,850)	(4,850)
Investment income	261,261	11,479	46,400	319,140
Town appropriation			1,044,994	1,044,994
Transfer from Wastewater Treatment Facility	98,405			98,405
Transfer to General Fund	(906,500)	(60,000)		(966,500)
Intergovernmental			433,375	433,375
Grants			72,588	72,588
Vendor contribution			12,722	12,722
Loss on sale of asset			(7,105)	(7,105)
Net Nonoperating Revenues (Expenses)	(546,834)	(48,521)	1,598,124	1,002,769
CHANGE IN NET ASSETS	(479,004)	35,452	45,418	(398,134)
TOTAL NET ASSETS - BEGINNING	18,753,636	3,034,450	3,708,056	25,496,142
TOTAL NET ASSETS - ENDING	\$ 18,274,632	\$ 3,069,902	\$ 3,753,474	\$ 25,098,008

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF SMITHFIELD, RHODE ISLAND

**STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2007**

	Sewer Authority	Water Supply Board	Non-major Enterprise Funds	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$ 2,375,197	\$ 883,548	\$ 1,288,112	\$ 4,546,857
Cash received from providing services		12,696	28,555	41,251
Cash paid to suppliers	(146,828)	(629,220)	(1,502,442)	(2,278,490)
Cash paid to employees	(60,552)	(224,147)	(1,163,165)	(1,447,864)
Cash paid for other operating expenses	(1,155,496)			(1,155,496)
Net cash provided by (used for) operating activities	1,012,321	42,877	(1,348,940)	(293,742)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Nonoperating grants received			451,213	451,213
Decrease in due from other funds			3,250	3,250
Increase in due to other funds	14,847	99,021	2,859	116,727
Net cash provided by (used for) noncapital financing activities	14,847	99,021	457,322	571,190
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition of capital assets	(219,150)		(107,162)	(326,312)
Town appropriation			1,044,994	1,044,994
Nonoperating grants received			25,571	25,571
Transfer to General Fund	(906,500)	(60,000)		(966,500)
Principal paid on long-term debt obligations			(52,304)	(52,304)
Interest paid on long-term debt obligations			(8,340)	(8,340)
Net cash provided by (used for) capital and related financing activities	(1,125,650)	(60,000)	902,759	(282,891)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest on investments	261,261	11,479	46,400	319,140
Net purchases of investments			(8,223)	(8,223)
Net cash provided by investing activities	261,261	11,479	38,177	310,917

(CONTINUED)

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF SMITHFIELD, RHODE ISLAND

**STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2007**

	Sewer Authority	Water Supply Board	Non-major Enterprise Funds	Totals
NET INCREASE IN CASH AND CASH EQUIVALENTS	162,779	93,377	49,318	305,474
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	4,648,493	389,948	933,568	5,972,009
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 4,811,272</u>	<u>\$ 483,325</u>	<u>\$ 982,886</u>	<u>\$ 6,277,483</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ 67,830	\$ 83,973	\$ (1,552,706)	\$ (1,400,903)
Adjustments to reconcile:				
Depreciation	942,540	73,552	192,003	1,208,095
Supplies donated through grant			3,505	3,505
(Increase) decrease in accounts receivable	(12,986)	(127,943)	27	(140,902)
Increase in inventory		(4,078)	(421)	(4,499)
Decrease in prepaid expenses			33	33
Decrease in prepaid sewer assessment escrow	273			273
Increase in accounts payable	71,340	15,154	56	86,550
Increase in accrued payroll			4,801	4,801
Increase in accrued vacation and sick leave		5,919	5,655	11,574
Increase (decrease) in deferred revenue	(56,676)		2,007	(54,669)
Net cash provided by (used for) operating activities	<u>\$ 1,012,321</u>	<u>\$ 46,577</u>	<u>\$ (1,345,040)</u>	<u>\$ (286,142)</u>

SEE NOTES TO THE BASI

(CONCLUDED)

TOWN OF SMITHFIELD, RHODE ISLAND

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2007

	Employee Retirement Funds			Agency Funds	
	Police Pension Trust	Fire Pension Trust	Accrued Retirement Plan		Total Employee Retirement Funds
ASSETS:					
Cash and cash equivalents			\$ 780,889	\$ 780,889	\$ 585,774
Investments	\$ 6,455,814	\$ 14,570,831		21,026,645	
Due from other funds	2,241,175	51,518		2,292,693	
Total assets	<u>8,696,989</u>	<u>14,622,349</u>	<u>780,889</u>	<u>24,100,227</u>	<u>585,774</u>
LIABILITIES:					
Due to other funds					4
Deposits held in custody for others					585,770
Total liabilities	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>\$ 585,774</u>
NET ASSETS:					
Held in trust for pension benefits	<u>\$ 8,696,989</u>	<u>\$ 14,622,349</u>	<u>\$ 780,889</u>	<u>\$ 24,100,227</u>	

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF SMITHFIELD, RHODE ISLAND

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2007**

	Employee Retirement Funds			Total Employee Retirement Funds
	Police Pension Trust	Fire Pension Trust	Accrued Retirement Plan	
ADDITIONS:				
Contributions:				
Employee		\$ 173,416		\$ 173,416
Employer	\$ 1,193,376	485,566		1,678,942
Transfers In			\$ 57,055	57,055
Total contributions	1,193,376	658,982	57,055	1,909,413
Investment income:				
Interest and dividends	846,174	113,112	17,562	976,848
Net realized and unrealized gains on investments	126,516	2,023,295		2,149,811
Total investment income	972,690	2,136,407	17,562	3,126,659
Total additions	2,166,066	2,795,389	74,617	5,036,072
DEDUCTIONS:				
Benefits	1,464,352	544,381		2,008,733
Administrative expenses	59,264	84,469		143,733
Total deductions	1,523,616	628,850	0	2,152,466
CHANGE IN NET ASSETS	642,450	2,166,539	74,617	2,883,606
Net Assets - beginning	8,054,539	12,455,810	706,272	21,216,621
Net Assets - ending	\$ 8,696,989	\$ 14,622,349	\$ 780,889	\$ 24,100,227

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

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

1. REPORTING ENTITY

In accordance with the requirements of Statement No. 14 of the Governmental Accounting Standards Board, *The Financial Reporting Entity*, the accompanying basic financial statements present the Town of Smithfield (the primary government) and its component units. The activities discussed below are included in the Town's reporting entity because of the significance of their operational or financial relationships with the Town.

The Town complies with generally accepted accounting principles (GAAP). Generally accepted accounting principles (GAAP) includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide Statement of Net Assets and Statement of Activities, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. Proprietary funds also apply the same principles. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

Primary Government

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.

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

Test 1 - The primary government appoints the voting majority of the board of the potential component unit and is able to impose its will on the potential component unit and/or is in a relationship of financial benefit or burden with the potential component unit;

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

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

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

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

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

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

1. REPORTING ENTITY (Continued)

Based upon the application of those criteria, the Town has included the Smithfield Public Schools, Greenville Public Library, East Smithfield Public Library and the East Smithfield Neighborhood Center as part of the reporting entity. Smithfield Public Schools is deemed to have no separate legal status from the Town. As a result, the financial data of the Smithfield Public Schools has been included as Special Revenue Funds with the Town's financial statements. There are no potential component units for which the Town exercises oversight responsibility which are not included herein. Therefore, the reporting entity is limited to those departments which comprise the Town's legally adopted jurisdictions and the Smithfield Public Schools, Greenville Public Library, East Smithfield Public Library, and East Smithfield Neighborhood Center described above.

The Greenville Public Library

The Greenville Public Library provides services to residents generally within the geographic boundaries of the Town. The Greenville Public Library is included within the reporting entity because the government approves the Greenville Public Library's budget and provides a major portion of the funding for operations.

East Smithfield Public Library

The East Smithfield Public Library provides services to residents generally within the geographic boundaries of the Town. The East Smithfield Public Library is included within the reporting entity because the government approves the East Smithfield Public Library's budget and provides a major portion of the funding for operations.

East Smithfield Neighborhood Center

The East Smithfield Neighborhood Center provides services to residents generally within the geographic boundaries of the Town. The East Smithfield Neighborhood Center is included within the reporting entity because the government approves the East Smithfield Neighborhood Center's budget and provides a major portion of the funding for operations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Recently Issued Accounting Standards

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

- GASB Statement No. 45 - Accounting and Financial Reporting by Employees for Post-employment Benefits Other Than Pensions, effective for the Town's fiscal year ending June 30, 2009.
- GASB Statement No. 50 - Pension Disclosures - an amendment of GASB Statements No. 25 and No. 27, effective for the Town's fiscal year ending June 30, 2008.
- GASB Statement No. 51 - Accounting and Financial Reporting for Intangible Assets, effective for the Town's fiscal year ending June 30, 2010.

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

(CONTINUED)

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

Government-Wide Financial Statements

The statement of net assets and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds and component units that are fiduciary in nature. 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. Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, receivables and payables.

Fund Financial Statements

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

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

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

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

Special Revenue Funds

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

(CONTINUED)

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds (Continued)

Capital Project Funds

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

Permanent Fund

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

Proprietary Fund

Proprietary funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. Operating revenues of the Proprietary Funds consist of customer/taxpayer charges for uses and services and certain other miscellaneous revenues. All other revenues of the Proprietary Funds are considered non-operating sources of revenue.

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. 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 Funds
- Probate Court
- Street Lighting
- Soil Erosion

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

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

2. 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:	See above for description
Special Revenue:	School Department: accounts for the general operations of the Smithfield Public Schools.
Capital Project:	Log Road: accounts for centrally located land purchased for a proposed Library and School development.
Proprietary:	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. Water Supply Board: responsible for supplying water service for approximately one-third of the Town and also a certain area in the Town of North Providence.
Non-Major:	
Special Revenue:	School Restricted Grants, Fire Apparatus, Municipal Contingency Escrow, Revaluation Fund, Smithfield Fire Rescue, Scholarship Fund, Recreation Capital, Review Fees, Animal Control Fund, Hazardous Material, Animal Control Spay Neuter, RI DOH Alcohol Grant, CDBG Grant Funds, Inspection Fees, Senior Center, Capital Reserve, Land Trust, Historical Records, RI DOH Tobacco Grant, EMA – EOP, Police Christmas Fund, Document Preservation & Tech Upgrades, Police Confiscated Funds, EMA-Radio, Senior Center, Chief's Challenge Incentive, Revolving Loan Fund, Senator Lincoln Chafee Grant, Byrne Grant, Bulletproof Vest Program, RIDOT Click It or Ticket, COPS That Care, Operation Blue Riptide, Kennedy Grant, Homeland Security Grant IV, Homeland Security Grant III, and RIDOT Child Safety Station.
Capital Projects:	Highway Resurfacing, Building Maintenance, Special Drainage, Handicap Accessibility, Senior Center, Highway Drainage, Sewer Contingency, Green Acres Acquisition Fund, Police Equipment, Impact Fees, Capital Improvement, State Sewer Projects, Open Space and Recreation Area, Drainage, Deerfield Park, Smithfield Historic Landmark, Middle School Additions, Water District Improvement Fee, Deerfield Park Addition, Senior Center Addition, High School Addition, Fire Department Headquarters and Wastewater Treatment Facility Improvements.
Permanent Fund:	Cemetery Fund

(CONTINUED)

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus

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

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

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

Basis of Accounting

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

In the fund financial statements, governmental funds and agency 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 and agency funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

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

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Investments are stated at fair value in accordance with GASB No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

For purposes of the statements of cash flows, all highly liquid investments with a maturity of three months or less when purchased (e.g. short-term commercial paper) are considered to be cash equivalents.

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 and intergovernmental grants and aid. Business-type activities report service fees as its major receivables.

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

Inventories

For Governmental Fund Types, disbursements for inventory-type items are not recorded as assets but have been recorded as an expenditure at the time individual inventory items were purchased. Inventories of the Town's Enterprise Funds are stated at the lower of cost (first in, first out) or market.

Vacation, Sick Leave and Other 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 employees upon separation from Town service. Compensated absences that are expected to be liquidated with expendable available financial resources are reported as an 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.

Short-Term Interfund Receivable/Payables

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

(CONTINUED)

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advances to Other Funds

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

Fund Balance Transactions

The reappropriation 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.

Prepaid Items

Prepaid items are accounted for under the allocation method whereby a prepaid asset is established at the date of payment and subsequently amortized over the accounting periods expected to benefit from the initial payment.

Property, Plant and Equipment

Property, Plant and Equipment

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

Government-Wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets, which are recorded at their estimated fair value at the date of donation. The capitalization threshold is any individual item with a total cost greater than \$10,000.

The Town has not valued or capitalized all of its infrastructure assets. Generally accepted accounting principles require that these assets be capitalized. The effect of this departure from generally accepted accounting principles is believed by management to be material to the financial statements.

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, Plant and Equipment (Continued)

Government-Wide Statements (Continued)

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

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

Fund Financial Statements

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

Equity Classifications

Government-Wide Statements

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

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

Fund Statements

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

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Process

The Town Council conducts a hearing on the proposed budget submitted by the Manager in April 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 May. 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.

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 a basis consistent with the Town's budget.

Certain annual appropriations are carried over to next year's budget. There were no supplemental budgetary appropriations made during the fiscal year ended June 30, 2007.

(CONTINUED)

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Process (Continued)

The adjustments necessary to reconcile actual revenues reported on a budgetary basis to actual revenues reported in accordance with generally accepted accounting principles are as follows:

	<u>Revenues and Transfers</u>	<u>Expenditures and Transfers</u>
General Fund:		
Schedule of Revenues and Expenditures (Non-GAAP Budgetary Basis) Budget and Actual (E-2)	\$60,723,023	\$56,201,020
Less: Fund Balance Reappropriated (RUBS).....	(1,693,604)	
Less: Revenue for capital projects - prior year fund balance carryover	(1,795,460)	
Less: Capital Project appropriation available for future years. Considered a 2007 expenditure for budgetary purposes.....		(2,548,664)
Add: Transfers to special revenue funds utilizing prior year designated fund balance.....		818,179
Add: Revenues recorded as transfers in for GAAP purposes, but as expenditure offsets for budgetary purposes	<u>160,529</u>	<u>160,529</u>
 Statement of Revenues, Expenditures, and Changes in Fund Balance (B-2)	 <u>\$57,394,488</u>	 <u>\$54,631,064</u>

A reconciliation of the School's Operating Fund revenues and expenditures and other financing sources (uses) as reported on schedules B-2 and E-5 is presented below:

	<u>Revenues and Transfers</u>	<u>Expenditures and Transfers</u>
Schedule of Revenues, Expenditures and Other Financing Sources (Non-GAAP Budgetary Basis) Budget and Actual (E-5)	\$30,474,361	\$29,325,574
Transfer from fund balance to revenue for current year	(1,798,982)	
Adjustment for pension contribution made by State of Rhode Island on behalf of employees.....	1,193,957	1,193,957
Transfer to Literacy – Special Revenue Fund	<u>(140,494)</u>	<u>(149,067)</u>
Statement of Revenues, Expenditures, and Changes in Fund Balances (B-2)	 <u>\$29,728,842</u>	 <u>\$30,370,464</u>

(CONTINUED)

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 disclosure 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.

3. CASH AND INVESTMENTS

Deposits

At June 30, 2007 the carrying amount the Town's deposits was \$7,354,923 and the bank balance was \$8,717,029. Of the bank balance, \$656,654 was covered by federal depository insurance and the balance was collateralized.

For purposes of the Statements of Cash Flows, all highly liquid investments with maturities of three months or less when purchased (e.g., short-term certificates of deposit) are considered to be cash equivalents.

The carrying value of the Town's deposits, cash on hand, petty cash, and investments related to the Town's Statement of Net Assets (A-1) totals as follows:

Cash on hand.....	\$ 926,399
Cash deposits.....	7,354,923
Petty cash.....	1,965
Investments classified as cash equivalents	20,451,688
Less: Fiduciary funds cash (not included in the government-wide statement) ...	(1,366,663)
Less: amount classified as prepaid expenses	(268)
<i>Total cash and cash equivalents – (A-1)</i>	<u>\$27,368,044</u>

Investments

GASB Statement No. 31, "Accounting and Financial Reporting for certain investments and for External Investment Pools," requires that investments be reported at fair value. Fair values are established by quoted market values. Unrealized gains and losses from changes in fair value are recognized as investment income.

At June 30, 2007, the Town's investments totaled \$41,731,223 and consisted of the following:

	<u>Fair Value</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Rating</u>
Repurchase agreements.....	\$19,948,410	4.1% - 4.15%	23 days – 46 days	Not Rated
Treasury money markets	339,878	4.27%	N/A	Not Rated
Commercial paper.....	163,400	4.77%	30 days	A-1+/P-1
Mutual funds.....	21,196,676	N/A	N/A	Not Rated
Certificates of deposit	<u>82,859</u>	4.9% - 5.4%	7/26/07 – 9/19/08	Not Rated
	<u>\$41,731,223</u>			

(CONTINUED)

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

3. CASH AND INVESTMENTS (Continued)

Investments (Continued)

The carrying value of deposits and investments relate to the combined balance sheet totals (A-1) as follows:

Reconciliation to Government-wide Statement of Net Assets:

Investments.....	\$ 41,731,223
Less: investments classified as cash equivalents	(20,451,688)
Less: fiduciary funds investments (not included in the government-wide statement)	<u>(21,026,645)</u>
<i>Total investments (A-1)</i>	<u>\$ 252,890</u>

Concentration of Credit Risk

At June 30, 2007, the Town had a diversified portfolio and was not deemed to be concentrated in any one investment category. Although some of the Town's investments were held in mutual funds, these investments were in a wide range of companies and various industries enabling the Town to minimize its risk.

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's deposit policy requires that deposits be placed in financial institutions that are FDIC insured up to \$100,000. The Town also ensures that all deposits greater than \$100,000 are collateralized.

Interest rate risk - The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Town minimizes its exposure to interest rate risk by investing in short-term, highly liquid investments.

4. TAXES AND ASSESSMENTS RECEIVABLE

Taxes are assessed each December 31, and the levy thereon may be paid in full on or before September 30, or quarterly, on or before September 30, December 31, March 31, and June 30, without penalty, at the taxpayer's option. A 12% annual penalty is imposed on all overdue taxes.

Unpaid property taxes at June 30, 2007, include delinquent installments of the current and prior years. The Town does not record interest earned on delinquent taxes until payment is received.

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 the cessation of collection effort.

Net property taxes levied for the fiscal year 2007 were based on an assessed value of approximately \$2,346,188,693 at December 31, 2005, and amounted to \$39,873,408. Collections and abatements through June 30, 2007 amounted to \$35,907,818, which represents 90.05% of the total tax levy. The percentage collected through August 31, 2007 was approximately 96.67%.

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

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

4. TAXES AND ASSESSMENTS RECEIVABLE (Continued)

The Town recognizes property tax revenues in accordance with Section P70, "Property Taxes" of the Codification of Government Accounting and Financial Reporting Standards. Unpaid property taxes as of June 30, 2007 are recorded as a receivable (net of an allowance for uncollectible property taxes of \$4,129,476 and amounted to \$2,976,991. Those net property taxes receivable which were not collected within the 60 days immediately following June 30, 2007 are recorded as deferred revenue, net of allowance and amounted to \$1,186,251 at June 30, 2007. Property taxes recognized as revenue for the fiscal year ended June 30, 2007 due to their collection within the 60 days immediately following June 30, 2007 amount to \$1,790,740.

During the year ended June 30, 2007 the Town received \$3,576,955 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 are being phased out over an eight-year period commencing with fiscal year 1999-2000. The phase-out program freezes the tax rate at \$39.00 which was the rate in fiscal year 1997-1998.

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 will be supplemented through an increase in General State Aid. The General State Aid will be increased from the effective rate of 1% on June 30, 1998 to 4.7% on June 30, 2009. The rate at June 30, 2007 was 2.43%.

User charges are assessed each year in an amount necessary to cover the projected operating expenses of the Sewer Authority for that year.

The allowance for uncollectible accounts of the Sewer Authority (\$18,880) is based on that portion of sewer assessment and user charges and miscellaneous accounts receivable which is estimated to be doubtful of collection, or which may be abated due to appeals now under consideration.

5. INTERGOVERNMENTAL RECEIVABLE AND PAYABLE

Amounts due from and to the Federal Government and State of Rhode Island consisted of the following at June 30, 2007:

	<u>Due From</u>	<u>Due To</u>
Governmental activities:		
State of Rhode Island:		
Major funds:		
General Fund	\$ 82,552	\$22,007
Non-major funds	<u>27,187</u>	
Total	<u>109,739</u>	<u>22,007</u>
Federal government:		
Major funds:		
School Department	56,740	
Non-major funds	<u>325,515</u>	
Total	<u>382,255</u>	<u>0</u>
Total governmental activities	<u>\$491,994</u>	<u>\$22,007</u>

(CONTINUED)

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

5. INTERGOVERNMENTAL RECEIVABLE AND PAYABLE (Continued)

Business-type activities:

Federal government:

Non-major funds \$ 22,266

State of Rhode Island:

Non-major funds 3,113

Total business-type activities..... \$ 25,379 \$ 0

6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2007 was as follows:

	<u>PRIMARY GOVERNMENT</u>			
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land and improvements	\$ 4,676,125	\$3,078,190		\$7,754,315
Construction in progress	663,412	152,833	\$ (2,500)	813,745
Total capital assets not being depreciated	<u>5,339,537</u>	<u>3,231,023</u>	<u>(2,500)</u>	<u>8,568,060</u>
Other capital assets:				
Buildings and improvements	23,435,911	49,567		23,485,478
Equipment	1,848,120	588,716	(24,335)	2,412,501
Vehicles	4,945,138	265,707	(297,781)	4,913,064
Infrastructure	70,952,822	83,110		71,035,932
Total other capital assets at historical cost	<u>101,181,991</u>	<u>987,100</u>	<u>(322,116)</u>	<u>101,846,975</u>
Less: accumulated depreciation for:				
Buildings and improvements	(9,006,763)	(730,539)		(9,737,302)
Equipment	(1,159,542)	(198,368)		(1,357,910)
Vehicles	(3,889,964)	(345,967)	278,312	(3,957,619)
Infrastructure	(62,578,304)	(798,449)		(63,376,753)
Total accumulated depreciation	<u>(76,634,573)</u>	<u>(2,073,323)</u>	<u>278,312</u>	<u>(78,429,584)</u>
Other capital assets, net	<u>24,547,418</u>	<u>(1,086,223)</u>	<u>(43,804)</u>	<u>23,417,391</u>
Governmental activities capital assets, net	<u>\$29,886,955</u>	<u>\$2,144,800</u>	<u>\$ (46,304)</u>	<u>\$31,985,451</u>

(CONTINUED)

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

6. **CAPITAL ASSETS (Continued)**

	PRIMARY GOVERNMENT			
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets not being depreciated:				
Land.....	\$ 393,173			\$ 393,173
Construction-in-progress.....	6,750			6,750
Total capital assets not being depreciated	399,923	\$ 0	\$ 0	399,923
Other capital assets:				
Land improvements	83,629			83,629
Plant and buildings.....	12,529,354	76,961	(13,760)	12,592,555
Pumping station and equipment	8,257,530	241,622		8,499,152
Street mains and manholes	13,264,582	75,935		13,340,517
Motor vehicles.....	124,305		(12,607)	111,698
Furniture and equipment.....	1,879,371	51,350	(7,592)	1,923,129
Transmission lines and hydrants	3,602,009			3,602,009
Total other capital assets at historical cost	39,740,780	445,868	(33,959)	40,152,689
Less: accumulated depreciation for:				
Land improvements	(24,327)	(4,578)		(28,905)
Plant and buildings.....	(7,756,784)	(395,935)	6,654	(8,146,065)
Pumping station and equipment	(968,829)	(255,752)		(1,224,581)
Street mains and manholes	(9,207,288)	(407,649)		(9,614,937)
Motor vehicles.....	(123,130)	(1,175)	12,607	(111,698)
Furniture and equipment.....	(1,240,615)	(79,089)	7,592	(1,312,112)
Transmission lines and hydrants	(1,171,975)	(63,917)		(1,235,892)
Total accumulated depreciation	(20,492,948)	(1,208,095)	26,853	(21,674,190)
Other capital assets, net	19,247,832	(762,227)	(7,106)	18,478,499
Business-type activities capital assets, net.....	\$19,647,755	\$(762,227)	\$ (7,106)	\$18,878,422

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 92,508
Public safety.....	303,103
Education	661,758
Recreation.....	35,953
Public works.....	941,982
Miscellaneous	38,019
Total governmental activities depreciation expense	\$2,073,323
Business-type activities:	
Sewer Authority.....	\$ 942,540
Water Supply Board.....	73,552
Non-major enterprise funds	192,003
Total business-type activities depreciation expense.....	\$1,208,095

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

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

7. LONG-TERM LIABILITIES

(a) General

All of the Town's general obligation debt now outstanding or authorized but unissued has been authorized pursuant to the General Laws 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, adopted by vote of a majority.

The Rhode Island General Laws provide that no city or town shall without special statutory authority, incur any debt which would increase its aggregate indebtedness beyond three percent of the taxable property of the city or town. Tax anticipation notes are not included in the computation of debt limit. Debt may be incurred in excess of the three percent limit with the approval of the state director of administration. All of the Town's bonds and notes outstanding or authorized but unissued are either specifically excepted from the three percent debt limit or are within such limit.

The current three percent debt limit of the Town is \$70,385,661, based on the net assessed valuation at December 31, 2005 of \$2,346,188,693. There is no debt presently outstanding pursuant to this limitation.

Authorized But Unissued Debt

The Town has a total of \$11,540,000 in authorized, unissued debt consisting of the following authorizations:

	<u>Authorized</u>	<u>Unissued</u>
Sewer:		
Chapter 519 PL 1986	\$ 1,000,000	\$ 650,000
Town Hall Renovation:		
Chapter 27 PL 1987	1,100,000	240,000
Water:		
Chapter 32 PL 1989	5,000,000	3,000,000
Land Trust Open Space:		
Chapter 421 PL 2004	2,650,000	2,650,000
Land Trust Farmland Conservation:		
Chapter 421 PL 2004	2,500,000	2,500,000
Land for School, Library and Related Purposes:		
Chapter 421 PL 2004	<u>2,500,000</u>	<u>2,500,000</u>
Total	<u>\$14,750,000</u>	<u>\$11,540,000</u>

(CONTINUED)

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

7. LONG-TERM LIABILITIES (Continued)

(b) Long-Term Liability Activity

Long-term liability activity for the year ended June 30, 2007 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Long-term debt:					
General obligation debt.....	\$12,280,000		\$1,035,000	\$11,245,000	\$1,035,000
Lease participation certificates	5,300,000		695,000	4,605,000	705,000
Leases payable.....	459,295	\$71,510	110,284	420,521	104,600
Total long-term debt	18,039,295	71,510	1,840,284	16,270,521	1,844,600
Other long-term liabilities:					
Compensated absences	3,143,323	122,818		3,266,141	434,300
Unpaid pension contributions...	186,887	205,307		392,194	
Total other long-term liabilities.....	3,330,210	328,125	0	3,658,335	434,300
Governmental activities: Long-term liabilities.....	\$21,369,505	\$399,635	\$1,840,284	\$19,928,856	\$2,278,900
Business-type Activities:					
Long-term debt:					
Note payable.....	\$ 184,990		\$ 52,304	\$ 132,686	\$ 81,000
Accrued compensated absences	65,011	\$ 11,574		76,585	7,600
Business-type activities long-term liabilities	\$ 250,001	\$ 11,574	\$ 52,304	\$ 209,271	\$ 88,600

Payments on all long-term debt and other long-term liabilities that pertain to the Town's governmental activities are made by the general fund.

(CONTINUED)

LD, RHODE ISLAND

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

7. LONG-TERM LIABILITIES (Continued)

(c) Bonds and Notes Payable Outstanding

Bonds and notes payable at June 30, 2007 is comprised of the following:

	<u>Interest Rate</u>	<u>Interest Dates</u>	<u>Issue/ Maturity Date</u>	<u>Original Issue</u>	<u>Balance June 30, 2007</u>
<u>GOVERNMENTAL ACTIVITIES</u>					
General obligation serial bond:					
Capital Improvement Bond of 1992.....	5.27%	(4/15;10/15)	11/2/92 - 4/15/08	\$ 1,400,000	\$ 75,000
Capital Improvements Bond of 1997.....	4.55 – 6.5%	(4/15;10/15)	6/15/97 - 4/15/16	9,160,000	3,860,000
Capital Improvements Bond of 2003.....	2.5 – 5.0%	(4/15;10/15)	6/25/03 - 10/15/24	8,600,000	7,310,000
Total general obligation serial bonds.....				<u>21,677,405</u>	<u>11,245,000</u>
<u>BUSINESS-TYPE ACTIVITIES</u>					
Note payable – US Farmers Home Administration	7.125%	(9/12)	9/12/90 – 9/12/07	700,000	21,719
Note payable – Town of Smithfield.....	3.6367%	(9/12)	9/12/91 - 9/12/10	260,000	110,967
Total business-type activities				<u>1,282,595</u>	<u>132,686</u>
Total long-term debt.....				<u>\$22,960,000</u>	<u>\$11,377,686</u>

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

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

7. LONG-TERM LIABILITIES (Continued)

(d) Debt Service Requirements

Presented below is a summary of debt service requirements for future maturities:

	<u>Governmental Activities</u>		<u>Total</u>	<u>Business-type Activities</u>		<u>Total</u>	<u>Grand Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Governmental Activities</u>	<u>Principal</u>	<u>Interest</u>	<u>Business-type Activities</u>	
2008	\$ 1,035,000	\$ 459,533	\$ 1,494,533	\$ 81,000	\$ 4,065	\$ 85,065	\$ 1,579,598
2009	960,000	411,565	1,371,565	17,000	1,883	18,883	1,390,448
2010	830,000	372,350	1,202,350	17,000	1,277	18,277	1,220,627
2011	830,000	339,975	1,169,975	17,686	650	18,336	1,188,311
2012	830,000	306,325	1,136,325				1,136,325
2013-2017 ...	3,750,000	1,006,626	4,756,626				4,756,626
2018-2022 ...	2,150,000	402,050	2,552,050				2,552,050
2023-2024 ...	860,000	36,551	896,551				896,551
Total	\$11,245,000	\$3,334,975	\$14,579,975	\$132,686	\$7,875	\$140,561	\$14,720,536

(e) Capital Leases

During fiscal year 2007, the Town entered into a five-year lease for the acquisition of a senior van. In addition, the Town has an existing seven-year lease for the acquisition of a pumper truck, a six-year lease for the acquisition of a rescue vehicle, fire truck and ladder truck, and a five-year lease agreement for the acquisition of a dump truck. All of the lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date in capital assets and long-term debt on the government-wide financial statements.

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>		
	<u>Public Safety</u>	<u>Public Works</u>	<u>Parks and Recreation</u>
Assets:			
Vehicles and equipment.....	\$474,811	\$139,523	\$71,510
Less: accumulated depreciation.....	(154,274)	(72,087)	(1,192)
Total	\$320,537	\$ 67,436	\$70,318

(CONTINUED)

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

7. LONG-TERM LIABILITIES (Continued)

(e) Capital Leases (Continued)

The future minimum lease payments to be made under these agreements are as follows:

2008	\$123,094
2009	101,338
2010	70,960
2011	70,960
2012	55,437
2013	55,437
Future minimum payments.....	<u>477,226</u>
Less: interest.....	<u>(56,705)</u>
Total long-term debt	<u>\$420,521</u>

Payments made in fiscal 2007 totaled \$123,093, of which \$12,809 was interest and \$110,284 was the present value of the future minimum lease payments.

(f) Compensated Absences

Under the terms of various contracts and policies, Town employees are granted vacation and sick leave based on length of service. The Town's policy is to recognize the cost of vacation and sick leave in governmental funds when paid and on the accrual basis in proprietary funds. The amount of earned but unpaid vacation and sick leave relating to governmental fund employees is recorded as long-term debt in the government-wide financial statements.

8. SHORT-TERM DEBT

The Town issued a \$310,000, 3.84% Bond Anticipation Note on February 1, 2006 with a maturity date of February 1, 2007 for land acquisition. On August 1, 2006, the Town issued a \$2,325,000, 4.2% Bond Anticipation Note with a maturity date of February 1, 2007. Both Bond Anticipation Notes were rolled over until July 10, 2007, at which time the Town issued a \$2,635,000, 4.3% Bond Anticipation Note with a maturity date of July 9, 2008.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Bond Anticipation Note	<u>\$310,000</u>	<u>\$2,325,000</u>	<u>\$0</u>	<u>\$2,635,000</u>

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

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

9. INTERFUND BALANCES

Interfund receivables and payables at June 30, 2007 were as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Governmental activities:		
Major funds:		
Town General Fund	\$ 316,882	\$5,047,457
School Department General Fund	1,155,719	
Log Road.....	188,209	
Non-major funds	<u>3,185,392</u>	<u>1,836,389</u>
Total governmental activities	<u>\$4,846,202</u>	<u>\$6,883,846</u>
Business-type activities:		
Major funds:		
Sewer Authority		\$ 28,320
Water Supply Board		170,886
Non-major funds		<u>55,839</u>
Total business-type activities	<u>\$ 0</u>	<u>\$ 255,045</u>
Fiduciary fund types	<u>\$2,292,693</u>	<u>\$ 4</u>

10. GRANT PROGRAMS

Basis of Accounting

The Town's grant programs are accounted for as special revenue funds and their financial statements are prepared on the modified accrual basis of accounting, whereby revenue is recorded when susceptible to accrual and expenditures are recorded when incurred.

Grant Commitments

The Town's grant programs receive their revenue through pre-approved grant awards. A summary of the grants and drawdowns are as follows:

Community Development Block Grants

	<u>06/31/19</u>	<u>05/31/18</u>	<u>Total</u>
Total entitlement.....	\$83,700	\$58,500	\$142,200
Total drawdowns through June 30, 2007	<u>(10,000)</u>	<u>(58,500)</u>	<u>(68,500)</u>
Balance of grant at June 30, 2007	<u>\$73,700</u>	<u>\$ 0</u>	<u>\$ 73,700</u>

(CONTINUED)

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

11. DEFINED BENEFIT PENSION PLANS

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

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 personnel. All full-time Town and non-certified School Department general employees participate in the System.

The payroll for employees covered by the System for the year ended June 30, 2007 was \$6,069,049 and the Town wide payroll was approximately \$30.3 million.

Plan Description

The following eligibility and benefit provisions are established by State Statute. The System generally provides retirement benefits equal to 2 percent of final average salary per year of service with a maximum benefit of 75 percent of final average salary. Final average salary is the three highest consecutive years of earned salary exclusive of overtime, bonuses or severance pay. Such benefits are available to members at least age 58 with 10 years of service or after 30 years regardless of age. The plan also provides non-occupational disability benefits after 5 years of service, occupational disability benefits with no minimum service requirement, survivors' benefits, and certain lump sum death benefits. Employees are vested in their retirement benefits on completion of 10 years of service. Benefits are established by State Statute.

MERS is an agent multiple-employer Public Employee Retirement System that acts as a common investment agent for participants. The Municipal Employee's Retirement System of the State of Rhode Island issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the State of Rhode Island Employee Retirement Board, 40 Fountain Street, Providence, RI 02903.

Funding Policy

MERS members are required to contribute 7% of their annual covered salary. The Town is required to contribute at an actuarially determined rate; the current rate is 0% of annual covered payroll. The contribution requirements of plan members and the Town are established and may be amended by State Statute.

Annual Pension Cost

For 2007, the Town did not have any pension cost for MERS. The required contribution was determined as part of the June 30, 2004 actuarial valuation using the entry age normal cost method with frozen initial liability. Significant actuarial assumptions included (a) a net investment return of 8.25 percent compounded annually, (b) projected salary increases of 4.5 percent compounded annually, (c) 3 percent per year cost-of-living adjustments, (d) mortality rates based on the 1994 Group Annuity Mortality Table and (e) a retirement age of 65 or completion of service requirements, if later. The actuarial value of MERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period. MERS unfunded actuarial accrued liability is being amortized using the weighted average method over a 25-year period.

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007

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

(b) **Employees' Retirement System of the State of Rhode Island**

All Town of Smithfield, Rhode Island certified school personnel participate in the Employees' Retirement System of the State of Rhode Island ("System"), a cost-sharing multiple-employer public employee retirement system. The payroll for employees covered by the System for the year ended June 30, 2007 was \$15,458,414. The Town's total payroll was approximately \$30.3 million.

Plan Description

The following eligibility and benefit provisions are established by State Statute. All Town of Smithfield, Rhode Island certified school personnel are eligible to participate in the System if they are certified by the Board of Regents, engaged in teaching as principal occupation, and are regularly employed on at least a half time basis. Employees who retire at or after age 60 with 10 years of credited service or after 28 years of credited service regardless of age are entitled to a retirement benefit. The retirement benefit is equal to 1.7 percent of their final average salary for each year of credited service up to 10 years, plus 1.9 percent of their final average salary in excess of 10 years through 20 years, plus 3.0 percent of their final average salary in excess of 20 years up to the 34th year of service, plus 2.0 percent of their final average salary for the 35th year, up to a maximum benefit of 80 percent of their final average salary. Final average salary is the three highest consecutive years of earned salary exclusive of overtime, bonuses, or severance pay. Employees are vested in their retirement benefits on completion of 10 years of service. Retirees' benefits are adjusted annually by 3 percent compounded to allow for increases in cost of living. Cost of living adjustments begin on the January 1st following the third anniversary of an employee's retirement. There were no changes in the method, and assumptions in the June 30, 2004 actuarial valuation to determine plan cost. The System also provides death and disability benefits. The System also provides pre-retirement benefits at a minimum of 17% of salary for non-occupational disabilities after 5 years of service and at 67% of salary for occupational disabilities regardless of service. Surviving spouses are also eligible for both pre and post-retirement benefits with minimum amounts established under varying circumstances.

Funding Policy

Rhode Island general laws set the contribution rates for participating State employees at 9.5% of salary. Annual contributions by both employers and the State on behalf of those employees are determined by actuaries and assessed as percentage of participants' payroll. The Town was required to contribute 11.62%, 9.72%, and 8.72%, for all full-time employees for fiscal years 2007, 2006, and 2005, respectively. The required contributions include (a) normal costs; (b) payments to amortize the unfunded frozen actuarial accrued liability as of July 1, 1985 over 30 years; and (c) interest on the unfunded frozen actuarial liability. Normal cost is determined using the entry age normal cost method with frozen initial liability. Both employers and employees contribute 1% of the first \$9,600 of salary for survivor benefits. A variety of significant actuarial assumptions are used and these assumptions are summarized below:

- A. **Mortality** – 1994 Group Annuity Mortality Tables.
- B. **Investment return** – 8.25 percent, compounded annually.
- C. **Salary increase** - Salaries will increase at a rate of 3.0 percent, compounded annually.
- D. **Retirement age** - Teachers are assumed to retire at the later of age 61 or completion of the service requirements.
- E. **Cost of living adjustments** – 3.0 percent compounded annually beginning on the January 1st following a participant's third anniversary of retirement.

(CONTINUED)

TOWN OF SMITFIELD, RHODE ISLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007

11. DEFINED BENEFIT PENSION PLANS (Continued)

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

Funding Policy (Continued)

As prescribed by Rhode Island general law, the State pays the entire portion of the annual required contribution attributable to the costs of contributions deferred by the State in prior years plus 40% of contributions assessed to employers on payroll not reimbursable through Federal programs. This resulted in contribution rates paid by the State on behalf of the School Department of 8.02% of non-federally reimbursable payrolls totaling \$1,193,957 for the fiscal year ended June 30, 2007.

The School Department does not have any investments or related party investment with the State Plan.

The amounts contributed to the plan are as follows:

<u>Years Ending June 30,</u>	<u>Employee</u>	<u>Town's Portion Of Annual Required Contributions</u>	<u>Percentage Contributed</u>
2007	\$1,468,540	\$1,841,864	100%
2006	\$1,369,783	\$1,437,111	100%
2005	\$1,297,674	\$1,221,776	100%

In accordance with GASB 27, "Accounting for Pensions by State and Local Governmental Employers," the Town has determined that there are no assets or liabilities relating to the funding requirements of the plan.

Trend information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented in the State of Rhode Island's Employee Retirement System's June 30, 2006 annual financial report, which may be obtained from the administrative offices of the State of Rhode Island Retirement Board, 40 Fountain Street, Providence, Rhode Island. This report is the most recent report available from the State who administers the Plan.

(c) Police Pension Plan

Plan Description

Police officers hired prior to July 1, 1999 were covered through June 30, 2006, 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. For the year ended June 30, 2005, the plan was comprised of sixty-four participants: twenty-four active, five disabled, and thirty-five retired participants. Fourteen of the twenty-four active participants had sufficient service to be vested at June 30, 2005. This is based upon the most recent actuarial report dated July 1, 2005.

(CONTINUED)

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

11. DEFINED BENEFIT PENSION PLANS (Continued)

(c) Police Pension Plan (Continued)

Plan Description (Continued)

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 (3) consecutive years producing the highest such average in the last ten (10) years preceding normal retirement date. The normal retirement dates are as follows:

- Police employed prior to December 1, 1987 - the earlier of age 55 or completion of 20 years of service;
- Police employed on or after December 1, 1987 - completion of 20 years of service;

As of July 1, 2006, all active police officers were transferred to the Municipal Employees' Retirement System of the State of Rhode Island (the "System").

Summary of Significant Accounting Policies

The Police Pension Trust Fund is prepared on the accrual basis of accounting. Contributions from the Town and participants are recognized as revenue in the period in which employees provide service to the Town. Investment income is recognized as earned by the pension plan. Investment in securities is valued at fair value.

Contributions and Reserves

As a condition of participation in the plan, members of the police department were required to make contributions each year at 13% of their pay. The collective bargaining agreement between the Town and police provided that the Town would contribute no more than 18.3% of police department payroll to the plan, plus an additional \$1,048,000. In addition, the Town contributes the difference between the former 18.3% contribution rate of the Police Pension Trust Fund and the 12.47% contribution rate of the System to the Police Pension Trust Fund. Total contributions for the year ended June 30, 2007 were \$1,193,376.

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

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

11. DEFINED BENEFIT PENSION PLANS (Continued)

(c) Police Pension Plan (Continued)

Plan Assets:

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Fund value assets at beginning of year	\$8,054,539	\$7,161,996	\$6,371,566
Plan income year ended June 30:			
Employer contributions	1,193,376	1,583,170	1,357,089
Employee contributions	0	189,023	291,887
Investment return	972,690	505,894	473,583
Plan expenses year ended June 30:			
Benefits paid	(1,464,352)	(1,315,091)	(1,281,869)
Administrative costs	(59,264)	(70,453)	(50,260)
Fund value assets at June 30	<u>\$8,696,989</u>	<u>\$8,054,539</u>	<u>\$ 7,161,996</u>

Unfunded Actuarial Accrued Liability:

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Unfunded actuarial accrued liability at beginning of year	*	*	\$12,820,330
Interest at 8.5%	*	*	1,089,728
Normal cost assumed due July 1	*	*	884,133
Interest at 8.5%	*	*	75,151
Less: contributions applicable to plan year ending June 30	*	*	(1,648,976)
Less: adjustment to UAAL as a result of plan change	*	*	(674,290)
Interest at 8.5%	*	*	(16,391)
Unfunded actuarial accrued liability at June 30	<u>*</u>	<u>*</u>	<u>\$12,529,685</u>

* Unavailable as of date of this report.

The actuarial cost method used to calculate the unfunded liability was the Frozen Initial Liability Cost Method. Under this method there are two components of annual cost: (1) the Amortization of unfunded actuarial accrued liability and (2) the Normal Cost, which is computed to spread the balance of the total liability over the average future working period of current active plan participants. The unfunded actuarial accrued liability is computed when this method is first applied, using the Entry Age Normal cost method. From that point forward, it is not recalculated, but instead updated with Normal Cost, employer contributions, interest, and any changes due to plan amendments or changes in assumption.

Police Pension Effective FY 2000 for New Hires

Effective fiscal year 2000, new hires of the Town of Smithfield Police Department participate in the 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 firemen. All full-time police employees hired after July 1, 1999 participate in the System. In addition, as of July 1, 2006, all active police officers were transferred to this plan.

The payroll for employees covered by the System for the year ended June 30, 2007 was \$2,236,531 and the Town wide payroll was approximately \$30.3 million.

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

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

11. DEFINED BENEFIT PENSION PLANS (Continued)

(c) Police Pension Plan (Continued)

Plan Description

The eligibility and benefit provisions are established by State Statute. The System provides retirement benefits to employees at or after age 55 with 10 years of service or after 20 years of service with no restriction on age. The monthly benefit is calculated at 2.5% of the member's final average compensation for each year of service, up to a maximum of 30 years (75% maximum).

Final average salary is the three highest consecutive years of earned salary exclusive of overtime, bonuses or severance pay. The plan also provides non-occupational disability benefits after 5 years of service, occupational disability benefits with no minimum service requirement, survivors' benefits, and certain lump sum death benefits. Employees are vested in their retirement benefits on completion of 10 years of service. Retirees' benefits are adjusted annually by 3%, not compounded, to allow for increases in the cost of living.

Contributions Required and Contributions Made

Police personnel are required by State Statute to contribute 9% until the maximum benefit (75 percent of final average salary) is accrued. The Town is required to contribute based on an actuarially computed amount and as provided by State Statute for each participating municipality. The actuarial method used is the entry age normal cost with part of each municipality's unfunded actuarial liability funded over a fixed amortization period and the balance funded over the projected future payroll of active members. Due to large fluctuations in the contribution rates of certain municipalities, the plan has adopted a procedure which would allow a unit the option of paying a smoothed contribution rate. The smoothed contribution rate equals the previous fiscal year's contribution rate plus the greater of 2% or one eighth of the increase in contribution rate plus the cost of any benefit improvements. The actuarially determined contribution amount for the Town was determined as described above and was based on an actuarial valuation as of June 30, 2004.

The annual required contribution for the Town which equals the annual pension cost for the year ended June 30, 2007 was \$278,895. This contribution represents 12.47% of covered payroll. Employees were required to contribute \$201,288. This contribution represents 9% of covered payroll.

There were no current year changes in actuarial assumptions, benefit provisions, or actuarial funding method that would significantly affect the contribution requirements. Significant actuarial assumptions and other actuarial information are presented in the following required supplemental information.

(d) Fire Pension Plan

Plan Description

Fire department employees 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. For the year ended June 30, 2007, the plan was comprised of 75 participants: 54 active, 1 terminated vested, 5 disabled, and 15 retired participants. 25 of the 54 active participants had sufficient service to be vested at June 30, 2007.

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007

11. DEFINED BENEFIT PENSION PLANS (Continued)

(d) Fire Pension Plan (Continued)

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 (3) consecutive years producing the highest such average in the last ten (10) years preceding normal retirement date. The normal retirement date is 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.

Summary of Significant Accounting Policies

The Fire Pension Trust Fund is prepared on the accrual basis of accounting. Contributions from the Town and participants are recognized as revenue in the period in which employees provide service to the Town. Investment income is recognized as earned by the pension plan. Investment in securities is valued at cost.

Contributions and Reserves

As a condition of participation in the plan, members of the fire department are required to make contributions each year at 7% of their pay. The collective bargaining agreement between the Town and police provides that the Town will contribute no more than 19.6% of fire department payroll to the plan. Accordingly, for the year ended June 30, 2007, the Town and plan participants contributed 19.6% and 7% of covered payroll, respectively. Total contributions for the year ended June 30, 2007, were \$658,982. The contributions were comprised of a Town contribution of \$485,567 and an employee contribution of \$173,415. Total covered payroll for the year ended June 30, 2007 was approximately \$2,504,806.

Plan Assets:

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Fund value assets at beginning of year	\$12,455,809	\$11,388,221	\$10,423,249
Plan income year ended June 30:			
Employer contributions	485,567	480,608	380,764
Employee contributions	173,415	171,646	135,987
Investment return.....	2,136,407	974,816	919,630
Plan expenses year ended June 30:			
Benefits paid	(544,381)	(526,466)	(432,275)
Administrative costs.....	(84,469)	(33,016)	(39,134)
Fund value assets at June 30	<u>\$14,622,348</u>	<u>\$12,455,809</u>	<u>\$11,388,221</u>

Unfunded Actuarial Accrued Liability:

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Unfunded actuarial accrued liability at beginning of year	\$1,989,143	\$1,822,156	\$1,596,388
Interest at 8.5%.....	169,077	154,883	135,693
Normal cost assumed due July 1.....	639,600	457,066	447,168
Interest at 8.5%.....	54,366	38,851	38,009
Less: contributions applicable to plan year ending June 30.....	(495,004)	(464,475)	(380,764)
Interest at 8.5%.....	(20,609)	(19,338)	(14,338)
Unfunded actuarial accrued liability at June 30	<u>\$2,336,573</u>	<u>\$1,989,143</u>	<u>\$1,822,156</u>

(CONTINUED)

TOWN OF SMITHELD, RHODE ISLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007

11. DEFINED BENEFIT PENSION PLANS (Continued)

(d) Fire Pension Plan (Continued)

The actuarial cost method used to calculate the unfunded liability was the Frozen Initial Liability Cost Method. Under this method there are two components of annual cost: (1) the Amortization of unfunded actuarial accrued liability and (2) the Normal Cost, which is computed to spread the balance of the total liability over the average future working period of current active plan participants. The unfunded actuarial accrued liability is computed when this method is first applied, using the Entry Age Normal cost method. From that point forward, it is not recalculated, but instead updated with Normal Cost, employer contributions, interest, and any changes due to plan amendments or changes in assumption.

Financial assumptions were as follows: investment return 8.5%, prior year's expenses increased by 4%, salary increases 5.5%.

12. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

In addition to the pension benefits described in Note 11, the Town provides post employment health care benefits in accordance with Town contracts. These benefits are for continued full family or individual health care for the employee groups as described below.

Town Hall Employees, Police Civilians and Public Service Employees

Members of this group are eligible for postemployment benefits if they retire on or after July 1, 1988, have attained the age of fifty-eight and have served at least twenty years in the department at the time of retirement. Personnel employed by the Town as of December 31, 1980, shall be eligible for benefits with at least ten years of experience.

Firefighters

All employees of the fire department who retire on or after July 1, 1984 and have served at least twenty years in the department at the time of retirement or were placed on disability retirement, are eligible for postemployment benefits.

Police

Eligibility for members of the group stems from taking a normal retirement on or after July 1, 1988. A normal retirement shall be any of the following:

- (1) Retirement after a minimum of twenty years of service and/or purchased military time.
- (2) Retirement after a minimum of ten years of service at a minimum of fifty-five years of age.

(CONTINUED)

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

12. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (Continued)

The Town's obligation for these groups shall continue until either the retiree or his spouse receive health care coverage from another employer or the retiree becomes eligible for Medicare or another federally subsidized health care program. If the health care program provided by another employer of the retiree or his spouse ceases to be provided at any time before the retiree becomes eligible for Medicare or another federally subsidized health care program, then the Town's obligation to pay for health care coverage shall resume. For police personnel, if the health care coverage offered by the new employer provides a lesser level of benefits than the Town plan, the Town shall pay to the health care provider the additional premium to provide benefits comparable to the Town plan.

The expenditures for post-employment health care benefits are recognized as the monthly premiums for the insurance become due. During the year ended June 30, 2007, expenditures of \$576,895 were recognized for post-employment health care benefits. Of this amount, \$365,820 was paid for twenty-five police retirees, \$145,853 was incurred on behalf of eleven firefighter retirees and \$65,222 was incurred on behalf of seven Town retirees.

School

Based on union contracts, the School Department pays the cost of health and dental insurance premiums for certain retired School Department employees. The School Department funds post employment benefits on a pay as you go basis. During the 2007 fiscal year, the School Department paid approximately \$511,612 for health benefits and \$48,332 for dental benefits for 75 retirees.

13. FUND EQUITY

The fund equity balances have been classified to reflect the limitations and restrictions placed on the respective funds as follows:

(a) Reservations

Reservations of fund balance at June 30, 2007 were as follows:

General Fund:	
Reserved for Town held tax liens	\$ 71,680
Reserved for amounts not due within one year	94,912
Reserved for capital expenditures	2,548,664
Reserved for capital improvements	100,000
Reserved for reappropriation of unappropriated balances (RUBS).....	2,030,154
Reserved for subsequent year's budgeted expenditures	400,000
Total	<u>\$5,245,410</u>
School Department:	
Reserved for subsequent year's budgeted expenditures	<u>\$ 852,900</u>
Fiduciary Fund Types:	
Reserved for perpetual care	<u>\$ 60,798</u>

(CONTINUED)

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

13. FUND EQUITY (Continued)

(b) Designations

Designations of fund balance at June 30, 2007 were as follows:

General Fund:

Designated to supplement future tax assessments	\$3,576,955
Designated for Capital Reserve	401,381
Designated for Land Trust	200,691
Total	<u>\$4,179,027</u>

School Department:

Designated for capital outlay	\$176,476
Designated for restricted state aid	10,320
Total	<u>\$186,796</u>

(c) Deficits

The following funds had deficit fund equity balances at June 30, 2007:

Major Governmental Funds:

Log Road	\$2,446,791
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Non-major Governmental Funds:

Deerfield Park	\$ 159,809
Deerfield Park Addition	\$ 231,185
Senior Center Addition.....	\$ 534,820
Wastewater Treatment Facility Improvements	\$ 26,754

The deficits will be eliminated through future bond issues and/or Town appropriations.

(d) Restatement

Government-Wide Financial Statements

Net assets at June 30, 2006 have been restated as follows:

Net assets at June 30, 2006 as originally reported	\$23,855,215
Adjustment for overstatement of deferred revenue	2,243,259
Adjustment for overstatement of intergovernmental receivable	<u>(640,930)</u>
Net assets at June 30, 2006 as restated	<u>\$25,457,544</u>

(CONTINUED)

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

13. FUND EQUITY (Continued)

(d) Restatement (Continued)

Fund Financial Statements

Fund balance at June 30, 2006 has been restated as follows:

Fund balance at June 30, 2006 as originally reported.....	\$16,818,909
Adjustment for overstatement of intergovernmental receivable	<u>(640,930)</u>
Fund balance at June 30, 2006 as restated	<u>\$16,177,979</u>

14. RISK MANAGEMENT

Health Care

The Town provides medical and dental coverage for all eligible employees of the Town and their dependents. Coverage is provided through a prospective premium basis plan which is a fully insured plan.

Unemployment

The Town is self-insured for unemployment benefits. There were no incurred but not reported claims as of June 30, 2007.

Other Insurance

The Town receives coverage for its property and liability expenses and for its workers' compensation expenses through the Rhode Island Interlocal Risk Management Trust. During the fiscal year ended June 30, 2007, the Town paid premiums of \$138,256, \$202,310, and \$0 for its workers' compensation coverage, property and liability coverage, and for special police liability coverage, respectively. At June 30, 2007, 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 parameters of the trust policy.

At June 30, 2007, the Town is unable to estimate the potential exposure for outstanding claims, which may fall outside the parameter of the trust policy.

15. 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 these plans in its financial statements in accordance with GASB No. 32 since the Town does not have fiduciary responsibility for this plan. The plan, available to all municipal employees, permits the deferred of a portion of the employee's salary. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

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

15. DEFERRED COMPENSATION PLAN (Continued)

During the year ended June 30, 1999, the Town implemented the Governmental Accounting Standards Board, Statement No. 32, "Accounting for Internal Revenue Code Section 457 Deferred Compensation Plans." All assets and income of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries. As a result, deferred compensation investments and the perspective liabilities have been omitted from the Town's financial statements.

Prior to implementing GASB 32, all amounts of compensation deferred under the plans, all property and rights purchased with the amounts, and all income attributable to those amounts, property or rights were (until paid or made available to the employee or other beneficiary) solely the property and rights of the Town (without being restricted to the provisions of benefits under the Plan), subject only to the claims of the Town's general creditors. Participants' rights under the Plan were equal by those of general creditors of the Town in an amount equal to the market value of the deferred account for each participant.

16. CONTINGENT LIABILITIES AND LITIGATION

The Town has established a \$132,500 liability based on attorneys' estimates of pending matters and lawsuits in which the Town is involved. In addition, there are other pending matters and lawsuits in which the Town is involved. The Town estimates that the potential claims against the Town not recorded in the accompanying basic financial statements resulting from such litigation would not materially affect the basic financial statements.

The Town has received federal and state grants for specific purposes that are subject to audit by the grantors or their representatives. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Town officials believe such disallowances, if any, would be immaterial.

There are several lawsuits pending against the School Department. School Department officials estimate that liabilities, if any, against the Town from such litigation not covered by insurance will be immaterial.

17. CASH FLOWS

Cash paid for interest for the ended June 30, 2007 for the enterprise funds was \$8,340.

18. OTHER COMMITMENTS

As of June 30, 2007, the Town had committed to make payments on a loan related to a land purchase by the Land Trust, a separate entity. The amount outstanding on the purchase of land was \$4,800 at June 30, 2007. The Town plans on paying the above amount out of the Land Trust Reserve Fund.

(CONTINUED)

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

19. INTERFUND TRANSFERS

Interfund transfers for fiscal year ended June 30, 2007 are as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental activities:		
Major funds:		
General Fund	\$ 2,212,628	\$30,955,382
School Department	28,534,885	
Non-major funds	<u>1,318,448</u>	<u>1,246,128</u>
Total governmental activities	<u>\$32,065,961</u>	<u>\$32,201,510</u>
Business-type activities:		
Major funds:		
Sewer Authority		\$906,500
Water Supply Board		60,000
Non-major funds	<u>\$1,044,994</u>	
Total business-type activities	<u>\$1,044,994</u>	<u>\$966,500</u>
Fiduciary funds:		
Accrued Retirement Plan	<u>\$ 57,055</u>	<u>\$ 0</u>

(CONCLUDED)

TOWN OF SMITHFIELD, RHODE ISLAND

REQUIRED SUPPLEMENTARY INFORMATION



TOWN OF SMITHFIELD, RHODE ISLAND
POLICE EMPLOYEES' RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date <u>July 1,</u>	Actuarial Value of Assets <u>(a)</u>	Actuarial Accrued Liability (AAL) <u>(b)</u>	Unfunded AAL (UAAL) <u>(b-a)</u>	Funded Ratio <u>(a/b)</u>	Covered Payroll <u>(c)</u>	UAAL as a Percentage of Covered Payroll <u>((b-a)/c)</u>
2005	\$7,161,996	\$19,691,681	\$12,529,685	36%	\$1,163,680	1,077%
2006	\$8,050,660	\$19,642,923	\$11,592,263	41%	\$1,454,021	797%
2007	\$7,536,420	\$19,663,020	\$12,126,600	38%	N/A*	N/A*

SCHEDULE OF CONTRIBUTIONS FROM THE TOWN

<u>Year Ended June 30</u>	<u>Annual Pension Cost (APC)</u>	<u>Minimum Recommended Contribution</u>	<u>Percentage of Minimum Recommended Contribution</u>	<u>Net Pension Obligation</u>
2005	\$1,357,089	\$1,167,128	116%	\$ 0
2006	\$1,583,170	\$1,032,192	153%	\$ 0
2007	N/A*	N/A*	N/A*	N/A*

* As of July 1, 2006, all active police officers were transferred to the Municipal Employees' Retirement System of the State of Rhode Island.

NOTES TO SCHEDULES

Additional information as of the latest actuarial valuation follows:

Valuation date	July 1, 2005
Actuarial cost method	Frozen initial liability cost method
Amortization method	25 years as of July 1, 1999
Remaining amortization period	19 years (for original unfunded)
Asset valuation method	IPG Fund is held at contract value, all other investments at current market value
Actuarial assumptions:	
Investment rate of return	8.5%, net of investment expenses
Projected salary increases	5.5% annually
Cost-of-living adjustments	3% annually

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND
FIRE EMPLOYEES' RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date <u>July 1,</u>	Actuarial Value of Assets <u>(a)</u>	Actuarial Accrued Liability (AAL) <u>(b)</u>	Unfunded AAL (UAAL) <u>(b-a)</u>	Funded Ratio <u>(a/b)</u>	Covered Payroll <u>(c)</u>	UAAL as a Percentage of Covered Payroll <u>((b-a)/c)</u>
2005	\$11,388,221	\$13,210,377	\$1,822,156	86%	\$1,918,028	95%
2006	\$12,402,997	\$14,392,140	\$1,989,143	86%	\$2,503,328	79%
2007	\$14,635,156	\$16,971,729	\$2,336,573	86%	\$2,504,806	93%

SCHEDULE OF CONTRIBUTIONS FROM THE TOWN

<u>Year Ended June 30</u>	<u>Annual Pension Cost (APC)</u>	<u>Minimum Recommended Contribution</u>	<u>Percentage of Minimum Recommended Contribution</u>	<u>Net Pension Obligation</u>
2005	\$380,764	\$596,055	64%	\$215,291
2006	\$480,608	\$667,495	72%	\$186,887
2007	\$391,501	\$629,719	62%	\$238,218

NOTES TO SCHEDULES

Additional information as of the latest actuarial valuation follows:

Valuation date	July 1, 2007
Actuarial cost method	Frozen initial liability cost method
Amortization method	25 years as of July 1, 1999
Remaining amortization period	17 years (for original unfunded)
Asset valuation method	IPG Fund is held at book value, all other investments at current market value
Actuarial assumptions:	
Investment rate of return	8.5%
Projected salary increases	5.5% annually
Cost-of-living adjustments	3% annually

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND
MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date <u>June 30,</u>	Actuarial Value of Assets <u>(a)</u>	Actuarial Accrued Liability (AAL) <u>(b)</u>	Unfunded AAL (UAAL) <u>(b-a)</u>	Funded Ratio <u>(a/b)</u>	Covered Payroll <u>(c)</u>	UAAL as a Percentage of Covered Payroll <u>((b-a)/c)</u>
<u>General Employees</u>						
2004	\$18,037,583	\$13,952,013	\$(4,085,570)	129%	\$4,966,118	(82)%
2005	\$18,025,550	\$16,265,163	\$(1,760,387)	111%	\$5,349,863	(33)%
2006	\$18,912,050	\$17,786,263	\$(1,125,787)	106%	\$5,728,180	(20)%
<u>Police Units</u>						
2004	\$360,186	\$398,340	\$ 38,154	90%	\$524,140	7%
2005	\$519,314	\$511,054	\$ (8,260)	102%	\$540,015	(2)%
2006	\$753,241	\$768,948	\$ 15,707	98%	\$935,323	2%

SCHEDULE OF CONTRIBUTIONS FROM THE TOWN

<u>Year Ended June 30,</u>	<u>Annual Required Contribution</u>	<u>Amount Contributed</u>	<u>Percentage Contributed</u>
<u>General Employees</u>			
2005	\$0	\$0	0%
2006	\$0	\$0	0%
2007	\$76,040	\$76,040	100%
<u>Police</u>			
2005	\$ 91,542	\$ 91,542	100%
2006	\$115,910	\$115,910	100%
2007	\$276,558	\$276,558	100%

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND
MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)

NOTES TO SCHEDULES

Additional information as of the latest actuarial valuation follows:

Valuation date	June 30, 2006
Actuarial cost method	Entry Age Normal Cost
Amortization method	Level percent closed
Remaining amortization period	N/A – No unfunded actuarial accrued liability
Asset valuation method	3 year smoothed market value of assets
Actuarial assumptions:	
Investment rate of return	8.25%, compounded annually
Projected salary increases	4.5%, compounded annually
Cost-of-living adjustments	3.0% not compounded
Inflation	3.0% annually

(CONCLUDED)

TOWN OF SMITHFIELD, RHODE ISLAND

**SCHEDULE OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES (USES),
AND CHANGES IN FUND BALANCE (NON-GAAP BUDGETARY BASIS)
BUDGET AND ACTUAL**

**GENERAL FUND
YEAR ENDED JUNE 30, 2007**

	Originally Adopted Budget	Final Approved Budget	Actual (Budgetary Basis)	Variance Favorable (Unfavorable)
REVENUES:				
General property taxes	\$ 42,395,927	\$ 42,395,927	\$ 43,244,359	\$ 848,432
Intergovernmental	9,201,632	9,201,632	9,192,777	(8,855)
Licenses, fees and permits	450,000	450,000	1,493,774	1,043,774
Investment income	125,000	125,000	480,545	355,545
Departmental	337,500	446,835	473,149	26,314
Other	2,437,704	4,233,164	4,073,305	(159,859)
Total Revenues	<u>54,947,763</u>	<u>56,852,558</u>	<u>58,957,909</u>	<u>2,105,351</u>
EXPENDITURES:				
Current:				
General government	2,993,334	3,909,418	3,358,496	550,922
Public safety	8,379,989	9,071,373	9,256,961	(185,588)
Public works	3,104,027	3,549,597	3,277,988	271,609
Education	28,618,974	28,618,974	28,675,379	(56,405)
Public health and assistance	39,475	39,475	38,849	626
Recreation	442,849	614,297	642,588	(28,291)
Libraries	1,025,924	1,025,924	1,025,920	4
Other	7,419,591	7,858,485	7,568,964	289,521
Debt service:				
Principal	1,855,000	2,340,931	1,730,000	610,931
Interest and other costs	1,068,600	1,517,688	625,875	891,813
Total Expenditures	<u>54,947,763</u>	<u>58,546,162</u>	<u>56,201,020</u>	<u>2,345,142</u>
Excess of revenues over expenditures	<u>0</u>	<u>(1,693,604)</u>	<u>2,756,889</u>	<u>4,450,493</u>
Other financing sources (uses):				
Transfers from fund balance		1,693,604	1,693,604	
Proceeds from leasing			71,510	71,510
Other financing sources	<u>0</u>	<u>1,693,604</u>	<u>1,765,114</u>	<u>71,510</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>\$ 0</u>	<u>\$ 0</u>	<u>4,522,003</u>	<u>\$ 4,522,003</u>
Add: Capital project appropriation available for future years			2,548,664	
Less: Transfers from fund balance			(1,693,604)	
Less: Capital projects prior year fund balance carryover			(1,795,460)	
Less: Transfers to special revenue funds utilizing prior year designated fund balance			(818,179)	
Fund balance, beginning of year, as restated			<u>9,572,779</u>	
Fund balance, end of year			<u>\$ 12,336,203</u>	

TOWN OF SMITHFIELD, RHODE ISLAND

GENERAL FUND
SCHEDULE OF BUDGET ESTIMATES AND ACTUAL REVENUES (BUDGETARY BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	<u>Original Budget</u>	<u>Carryover of Prior Year Balance</u>	<u>Restricted Receipts Added to Appropriation</u>	<u>Final Budget</u>	<u>Actual Revenue</u>	<u>Capital Project Appropriations Reserved for Future Years</u>	<u>Budget Variation Over (Under)</u>
Revenues:							
Property taxes (includes state phase-out)	\$ 42,395,927	\$ 0	\$ 0	\$42,395,927	\$43,244,359	\$ 0	\$ 848,432
Intergovernmental revenue:							
State aid for education	5,802,003			5,802,003	5,761,685		(40,318)
School housing aid	420,000			420,000	360,104		(59,896)
State hotel and meals tax	430,000			430,000	548,358		118,358
General state aid	1,871,460			1,871,460	1,881,701		10,241
Connecticut plan	438,387			438,387	437,602		(785)
Public utilities tax	239,782			239,782	203,327		(36,455)
Total intergovernmental revenue	9,201,632	0	0	9,201,632	9,192,777	0	(8,855)
Licenses, fees and permits	450,000	0	0	450,000	1,493,774	0	1,043,774
Miscellaneous:							
Interest - short-term investments	125,000			125,000	480,545		355,545
Interest on taxes	220,000			220,000	210,141		(9,859)
Total miscellaneous	345,000	0	0	345,000	690,686	0	345,686
Departmental revenue:							
Police Department			109,335	109,335	109,335		
School Department	335,500			335,500	327,020		(8,480)
Miscellaneous	2,000			2,000	36,794		34,794
Total departmental revenue	337,500	0	109,335	446,835	473,149	0	26,314

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

GENERAL FUND
SCHEDULE OF BUDGET ESTIMATES AND ACTUAL REVENUES (BUDGETARY BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	<u>Original Budget</u>	<u>Carryover of Prior Year Balance</u>	<u>Restricted Receipts Added to Appropriation</u>	<u>Final Budget</u>	<u>Actual Revenue</u>	<u>Capital Project Appropriations Reserved for Future Years</u>	<u>Budget Variation Over (Under)</u>
Revenue for capital expenditures	2,217,704	1,795,460	0	4,013,164	3,863,164	0	(150,000)
Other financing sources:							
Transfer from Fund Balance - RUB		1,693,604		1,693,604	1,693,604		
Proceeds from leasing				0	71,510		71,510
Other financing sources	0	1,693,604	0	1,693,604	1,765,114	0	71,510
Total revenues and other financing sources	\$ 54,947,763	\$ 3,489,064	\$ 109,335	\$ 58,546,162	\$ 60,723,023	\$ 0	\$ 2,176,861

(CONCLUDED)

TOWN OF SMITHFIELD, RHODE ISLAND

**GENERAL FUND
SCHEDULE OF APPROPRIATIONS AND ACTUAL EXPENDITURES (BUDGETARY BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<u>Original Budget</u>	<u>Carryover of Prior Year Balance</u>	<u>Restricted Receipts Added to Appropriation</u>	<u>Final Budget</u>	<u>Actual Expenditures</u>	<u>Current Year Encumbrances</u>	<u>Capital Project Appropriations Reserved for Future Years</u>	<u>Budget Variation (Over) Under</u>
General Government:								
Town administration and solicitor	\$ 847,091	\$ 378,032		\$ 1,225,123	\$ 887,999		\$ 335,897	\$ 1,227 *
Building Inspector's Office	282,657			282,657	295,038			(12,381)
Tax Assessor's Office	187,866			187,866	180,470			7,396
Treasurer/Tax Collector's Office	445,604			445,604	415,022			30,582
Tax sale and collections	26,000			26,000	(6,553)			32,553 *
Town Clerk's Office	261,080			261,080	282,371			(21,291) *
Town Hall expense	446,518	411,927		858,445	289,137		243,474	325,834 *
Environmental affairs	268,118	126,125		394,243	223,206			171,037 *
Municipal Planner's office	149,710			149,710	134,970			14,740
Board of Canvassers/Elections	23,700			23,700	34,689			(10,989) *
Conservation Commission/Green Acre	18,050			18,050	16,096			1,954
Town Boards and Commissions	36,940			36,940	26,680			10,260
Total General Government	2,993,334	916,084	\$ 0	3,909,418	2,779,125	\$0	579,371	550,922
Public Safety:								
Police Department	4,195,255	230,389	109,335	4,534,979	4,028,797		526,875	(20,693)
Fire Department	4,073,861	335,841		4,409,702	4,105,392		468,812	(164,502)
Animal Control	102,903			102,903	101,702			1,201
Civil Defense	7,970	15,819		23,789	25,043		340	(1,594)
Total Public Safety	8,379,989	582,049	109,335	9,071,373	8,260,934	0	996,027	(185,588)

* Accounts are budgeted as "amount sufficient" whereby overexpenditures are allowed without Town Council approval or transfers.

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

GENERAL FUND
SCHEDULE OF APPROPRIATIONS AND ACTUAL EXPENDITURES (BUDGETARY BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	<u>Original Budget</u>	<u>Carryover of Prior Year Balance</u>	<u>Restricted Receipts Added to Appropriation</u>	<u>Final Budget</u>	<u>Actual Expenditures</u>	<u>Current Year Encumbrances</u>	<u>Capital Project Appropriations Reserved for Future Years</u>	<u>Budget Variation (Over) Under</u>
Public Works:								
Payroll and operating expenses	1,316,814			1,316,814	1,004,023			312,791
Rubbish and garbage collection	860,000			860,000	855,645			4,355
Street lights	190,000			190,000	218,550			(28,550) *
Hydrant service	163,000	13,043		176,043	140,744			35,299 *
Highway resurfacing	150,000	89,064		239,064	196,119			42,945 *
Highway drainage	18,000	10,059		28,059	16,714			11,345 *
Landfill program	300,000			300,000	311,743			(11,743) *
Capital improvements	106,213	333,404		439,617	94,833		439,617	(94,833) *
Total Public Works	3,104,027	445,570	0	3,549,597	2,838,371	0	439,617	271,609
Public Health and Assistance:								
Northwest Community Nursing	20,000			20,000	20,000			
Mental Health Services of N.W. RI	13,000			13,000	13,000			
General Public Assistance	6,475			6,475	5,849			626
Total Public Health and Assistance	39,475	0	0	39,475	38,849	0	0	626
Recreation:								
Parks and Recreation Department	423,979	171,448		595,427	418,749		204,969	(28,291)
East Smithfield Neighborhood Center	18,870			18,870	18,870			
Total Recreation	442,849	171,448	0	614,297	437,619	0	204,969	(28,291)
Libraries	1,025,924	0	0	1,025,924	1,025,920	0	0	4

* Accounts are budgeted as "amount sufficient" whereby overexpenditures are allowed without Town Council approval or transfers.

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

**GENERAL FUND
SCHEDULE OF APPROPRIATIONS AND ACTUAL EXPENDITURES (BUDGETARY BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<u>Original Budget</u>	<u>Carryover of Prior Year Balance</u>	<u>Restricted Receipts Added to Appropriation</u>	<u>Final Budget</u>	<u>Actual Expenditures</u>	<u>Current Year Encumbrances</u>	<u>Capital Project Appropriations Reserved for Future Years</u>	<u>Budget Variation (Over) Under</u>
Education:								
School Department	28,618,974	0	0	28,618,974	28,675,379	0	0	(56,405)
Miscellaneous - Town:								
Retirement escrow	57,055			57,055	57,055			*
Revaluation escrow	138,000			138,000	138,000			
Municipal escrow	250,000			250,000	248,598			1,402
Retirement fund	1,990,000			1,990,000	2,047,350			(57,350) *
Social Security taxes	893,273			893,273	776,109			117,164 *
Georgiaville Pond Association	1,000			1,000	1,000			
Unemployment Compensation	19,000			19,000	10,253			8,747 *
Insurance	450,000			450,000	413,630			36,370 *
Blue Cross/Delta Dental	2,894,515			2,894,515	2,348,741			545,774 *
Blackstone Valley Tourism	1,000			1,000	1,800			(800)
Northern RI Chamber Commerce	1,000			1,000				1,000
Senior Services, Inc.	1,000			1,000	1,000			
Tree Warden	750			750				750
Postage	45,000			45,000	37,028			7,972 *
Tri-Town E.O.C.	14,000			14,000	14,000			
Decorating soldiers' graves	700			700	700			
Northern RI Extension Service	4,500			4,500	4,700			(200)
League of Cities and Towns	9,000			9,000	8,206			794
Retired Senior Volunteer Program	5,000			5,000	5,000			
Volunteer Center of RI	500			500	500			
Woonasquatucket Watershed	5,000			5,000	5,000			
National Council Boy Scouts	500			500	500			
Library escrow	20,119			20,119	20,119			
Smith Appleby Historical	5,000			5,000	5,000			

* Accounts are budgeted as "amount sufficient" whereby overexpenditures are allowed without Town Council approval or transfers.

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

GENERAL FUND
SCHEDULE OF APPROPRIATIONS AND ACTUAL EXPENDITURES (BUDGETARY BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	<u>Original Budget</u>	<u>Carryover of Prior Year Balance</u>	<u>Restricted Receipts Added to Appropriation</u>	<u>Final Budget</u>	<u>Actual Expenditures</u>	<u>Current Year Encumbrances</u>	<u>Capital Project Appropriations Reserved for Future Years</u>	<u>Budget Variation (Over) Under</u>
Miscellaneous - Town: (Continued)								
Capital Expenditure	25,000			25,000				25,000
Postemployment escrow	100,000			100,000	108,000			(8,000)
RI Resource Consulting & Development	100			100	100			
The Samaritans	100			100	100			
Dora C. Howard	20,000			20,000	20,000			
Sewer assessments	3,800	32,210		36,010	2,750			33,260 *
Town newsletter		13,167		13,167				13,167
Senior Activities Center	323,091	102,213		425,304	332,196		113,000	(19,892)
North Central Chamber of Commerce	500			500	700			(200)
Handicapped Access		111,672		111,672	3,907			107,765 *
Reserve for unpaid taxes and abatements	100,000			100,000	72,214			27,786
Fire Department escrow		120,000		120,000			120,000	
Land Trust	41,088	59,632		100,720	556,028		95,680	(550,988)
Total miscellaneous - Town	7,419,591	438,894	0	7,858,485	7,240,284	0	328,680	289,521
Debt Service:								
Redemption of bonds and notes	1,855,000	485,931		2,340,931	1,730,000			610,931 *
Interest on bonds and notes	1,068,600	449,088		1,517,688	625,875			891,813 *
Total debt service	2,923,600	935,019	0	3,858,619	2,355,875	0	0	1,502,744
TOTAL EXPENDITURES	\$ 54,947,763	\$ 3,489,064	\$ 109,335	\$ 58,546,162	\$ 53,652,356	\$ 0	\$ 2,548,664	\$ 2,345,142

* Accounts are budgeted as "amount sufficient" whereby overexpenditures are allowed without Town Council approval or transfers.

(CONCLUDED)

TOWN OF SMITHFIELD, RHODE ISLAND

**SCHEDULE OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES
AND CHANGES IN FUND BALANCE
(NON-GAAP BUDGETARY BASIS)
BUDGET AND ACTUAL**

**SMITHFIELD PUBLIC SCHOOLS GENERAL FUND
YEAR ENDED JUNE 30, 2007**

	Originally Adopted Budget	Final Approved Budget	Actual (Budgetary Basis)	Variance Favorable (Unfavorable)
Revenues:				
State aid	\$ 5,407,725	\$ 5,668,567	\$ 5,752,316	\$ 83,749
Carryover		1,798,982	1,798,982	
Miscellaneous	335,500	335,500	296,511	(38,989)
Total revenues	<u>5,743,225</u>	<u>7,803,049</u>	<u>7,847,809</u>	<u>44,760</u>
Expenditures:				
Current:				
Instruction	15,681,928	15,060,243	14,866,868	193,375
Instructional improvement	845,679	835,189	648,747	186,442
Special student services	6,257,924	6,126,000	5,939,206	186,794
Academic support	7,809,774	7,654,870	7,431,583	223,287
Administration	85,654	155,857	134,962	20,895
Community services	25,000	19,000	18,255	745
Research and analysis	24,542	75,542	68,244	7,298
Capital:				
Capital outlay	770,966	491,254	217,709	273,545
Total expenditures	<u>31,501,467</u>	<u>30,417,955</u>	<u>29,325,574</u>	<u>1,092,381</u>
Excess of expenditures over revenues	<u>(25,758,242)</u>	<u>(22,614,906)</u>	<u>(21,477,765)</u>	<u>1,137,141</u>
Other financing sources:				
Transfers from Town of Smithfield	25,321,392	22,264,906	22,264,906	
Transfers from Town of Smithfield for capital projects	436,850	350,000	361,646	11,646
Total other financing sources	<u>25,758,242</u>	<u>22,614,906</u>	<u>22,626,552</u>	<u>11,646</u>
Excess of revenues and other financing sources over expenditures	<u>\$ 0</u>	<u>\$ 0</u>	1,148,787	<u>\$ 1,148,787</u>
Less: reappropriated fund balance			(1,798,982)	
Less: excess of Literacy Fund expenditures over revenues			8,573	
Fund balance, beginning of year			<u>1,798,982</u>	
Fund balance, end of year			<u>\$ 1,157,360</u>	

TOWN OF SMITHFIELD, RHODE ISLAND

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2007**

BUDGETARY TO GAAP BASIS RECONCILIATION

The following reconciliation summarizes the differences for the Town's General Fund between budgetary and GAAP basis accounting principles for the year ended June 30, 2007:

Excess of revenues and other sources over expenditures and other uses (Non-GAAP Budgetary Basis).....	\$ 4,522,003
Fund balance reappropriated (RUBS)	(1,693,604)
Capital projects prior year fund balance carryover	(1,795,460)
Transfers to special revenue funds utilizing prior year designated fund balance	(818,179)
Capital project appropriation available for future years	<u>2,548,664</u>
Excess of revenues and other sources over expenditures and other uses (GAAP).....	<u>\$ 2,763,424</u>

The following reconciliation summarizes the differences for the School's General Fund between budgetary and GAAP basis accounting principles for the year ended June 30, 2007:

Excess of revenues and other sources over expenditures and other uses (Non-GAAP Budgetary Basis).....	\$1,148,787
Use of accumulated fund balance.....	(1,798,982)
Excess of nonbudgeted revenues under nonbudgeted expenditures	<u>8,573</u>
Excess of revenues and other sources over expenditures and other uses (GAAP).....	<u>\$ (641,622)</u>

TOWN OF SMITHFIELD, RHODE ISLAND

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2007**

	Special Revenue Funds						
	School Restricted Grants	Fire Apparatus	Municipal Contingency Escrow	Revaluation Fund	Smithfield Fire Rescue	Scholarship Fund	Recreation Capital
ASSETS:							
Cash and cash equivalents	\$ 6	\$ 290	\$ 477,619	\$ 263,750	\$ 374,884	\$ 4,461	\$ 24,596
Loans receivable							
Due from:							
Other funds	47,473						
Other governments	285,335						
TOTAL ASSETS	\$ 332,814	\$ 290	\$ 477,619	\$ 263,750	\$ 374,884	\$ 4,461	\$ 24,596
LIABILITIES AND FUND BALANCES:							
LIABILITIES:							
Accounts payable							
Retainage payable							
Due to other funds	\$ 297,422						
Deferred revenues	35,392						
Other liabilities							
TOTAL LIABILITIES	332,814	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
FUND BALANCES:							
Reserved for:							
Perpetual care							
Unreserved, reported in:							
Special revenue funds		290	477,619	263,750	374,884	4,461	24,596
Capital project funds							
TOTAL FUND BALANCES	0	290	477,619	263,750	374,884	4,461	24,596
TOTAL LIABILITIES AND FUND BALANCES	\$ 332,814	\$ 290	\$ 477,619	\$ 263,750	\$ 374,884	\$ 4,461	\$ 24,596

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2007**

	Special Revenue Funds						
	Review Fees	Animal Control Fund	Hazardous Material	Animal Control Spay Neuter	RI DOH Alcohol Grant	CDBG Grant Funds	Inspection Fees
ASSETS:							
Cash and cash equivalents	\$ 88,439	\$ 16,341	\$ 511,096	\$ 3,035		\$ 21,343	\$ 238,140
Loans receivable							
Due from:							
Other funds		26					
Other governments					\$ 3,667		
TOTAL ASSETS	\$ 88,439	\$ 16,367	\$ 511,096	\$ 3,035	\$ 3,667	\$ 21,343	\$ 238,140
LIABILITIES AND FUND BALANCES:							
LIABILITIES:							
Accounts payable							
Retainage payable							
Due to other funds			\$ 3,378		\$ 3,667		
Deferred revenues						\$ 21,343	
Other liabilities							
TOTAL LIABILITIES	\$ 0	\$ 0	3,378	\$ 0	3,667	21,343	\$ 0
FUND BALANCES:							
Reserved for:							
Perpetual care							
Unreserved, reported in:							
Special revenue funds	88,439	16,367	507,718	3,035			238,140
Capital project funds							
TOTAL FUND BALANCES	88,439	16,367	507,718	3,035	0	0	238,140
TOTAL LIABILITIES AND FUND BALANCES	\$ 88,439	\$ 16,367	\$ 511,096	\$ 3,035	\$ 3,667	\$ 21,343	\$ 238,140

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2007**

	Special Revenue Funds					EMA - EOP
	Senior Center	Capital Reserve	Land Trust	Historical Records	RI DOH Tobacco Grant	
ASSETS:						
Cash and cash equivalents		\$ 635,127	\$ 520,472	\$ 11,389		\$ 5,000
Loans receivable						
Due from:						
Other funds	\$ 106,451			373		
Other governments						
TOTAL ASSETS	\$ 106,451	\$ 635,127	\$ 520,472	\$ 11,762	\$0	\$ 5,000
LIABILITIES AND FUND BALANCES:						
LIABILITIES:						
Accounts payable						
Retainage payable						
Due to other funds						
Deferred revenues						\$ 5,000
Other liabilities						
TOTAL LIABILITIES	\$ 0	\$ 0	\$ 0	\$ 0	\$0	5,000
FUND BALANCES:						
Reserved for:						
Perpetual care						
Unreserved, reported in:						
Special revenue funds	106,451	635,127	520,472	11,762		
Capital project funds						
TOTAL FUND BALANCES	106,451	635,127	520,472	11,762	0	0
TOTAL LIABILITIES AND FUND BALANCES	\$ 106,451	\$ 635,127	\$ 520,472	\$ 11,762	\$0	\$ 5,000

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2007**

	Special Revenue Funds					
	Police Christmas Fund	Document Preservation & Tech Upgrades	Police Confiscated Funds	EMA - Radio	Senior Center	Chief's Challenge Incentive
ASSETS:						
Cash and cash equivalents	\$ 335	\$ 111,812	\$ 14,384	\$ 10,070	\$ 1	
Loans receivable						
Due from:						
Other funds		2,208				
Other governments				6,154		
TOTAL ASSETS	\$ 335	\$ 114,020	\$ 14,384	\$ 16,224	\$ 1	\$0
LIABILITIES AND FUND BALANCES:						
LIABILITIES:						
Accounts payable						
Retainage payable						
Due to other funds				\$ 8,831	\$ 1	
Deferred revenues				2,323		
Other liabilities	\$ 335		\$ 14,384			
TOTAL LIABILITIES	335	\$ 0	14,384	11,154	1	\$0
FUND BALANCES:						
Reserved for:						
Perpetual care						
Unreserved, reported in:						
Special revenue funds		114,020		5,070		
Capital project funds						
TOTAL FUND BALANCES	0	114,020	0	5,070	0	0
TOTAL LIABILITIES AND FUND BALANCES	\$ 335	\$ 114,020	\$ 14,384	\$ 16,224	\$ 1	\$0

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2007**

	Special Revenue Funds					COPS That Care
	Revolving Loan Fund	Senator Lincoln Chafee Grant	Byrne Grant	Bulletproof Vest Program	RIDOT Click It or Ticket	
ASSETS:						
Cash and cash equivalents						
Loans receivable	\$ 11,259					
Due from:						
Other funds	14,681		\$ 2,615			\$ 3
Other governments		\$ 8,023			\$ 2,225	
TOTAL ASSETS	\$ 25,940	\$ 8,023	\$ 2,615	\$0	\$ 2,225	\$ 3
LIABILITIES AND FUND BALANCES:						
LIABILITIES:						
Accounts payable						
Retainage payable						
Due to other funds		\$ 8,023			\$ 2,225	
Deferred revenues			\$ 2,615			\$ 3
Other liabilities						
TOTAL LIABILITIES	\$ 0	8,023	2,615	\$0	2,225	3
FUND BALANCES:						
Reserved for:						
Perpetual care						
Unreserved, reported in:						
Special revenue funds	25,940					
Capital project funds						
TOTAL FUND BALANCES	25,940	0	0	0	0	0
TOTAL LIABILITIES AND FUND BALANCES	\$ 25,940	\$ 8,023	\$ 2,615	\$0	\$ 2,225	\$ 3

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2007**

	Special Revenue Funds					Capital Project Funds
	Operation Blue Riptide	Kennedy Grant	Homeland Security Grant IV	Homeland Security Grant III	RIDOT Child Safety Station	Highway Resurfacing
ASSETS:						
Cash and cash equivalents						\$ 37,877
Loans receivable						
Due from:						
Other funds				\$ 76,597		
Other governments	\$ 5,099		\$ 41,372		\$ 827	
TOTAL ASSETS	\$ 5,099	\$0	\$ 41,372	\$ 76,597	\$ 827	\$ 37,877
LIABILITIES AND FUND BALANCES:						
LIABILITIES:						
Accounts payable						
Retainage payable						
Due to other funds	\$ 5,099		\$ 41,372		\$ 827	
Deferred revenues				\$ 76,597		
Other liabilities						
TOTAL LIABILITIES	5,099	\$0	41,372	76,597	827	\$ 0
FUND BALANCES:						
Reserved for:						
Perpetual care						
Unreserved, reported in:						
Special revenue funds						
Capital project funds						37,877
TOTAL FUND BALANCES	0	0	0	0	0	37,877
TOTAL LIABILITIES AND FUND BALANCES	\$ 5,099	\$0	\$ 41,372	\$ 76,597	\$ 827	\$ 37,877

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2007**

	Capital Project Funds					
	Building Maintenance	Special Drainage	Handicap Accessibility	Senior Center	Highway Drainage	Sewer Contingency
ASSETS:						
Cash and cash equivalents	\$ 12,051	\$ 3,411	\$ 10,722	\$ 144,161	\$ 29,339	\$ 3,243
Loans receivable						
Due from:						
Other funds						
Other governments						
TOTAL ASSETS	\$ 12,051	\$ 3,411	\$ 10,722	\$ 144,161	\$ 29,339	\$ 3,243
LIABILITIES AND FUND BALANCES:						
LIABILITIES:						
Accounts payable						
Retainage payable						
Due to other funds				\$ 130,451		
Deferred revenues						
Other liabilities						
TOTAL LIABILITIES	\$ 0	\$ 0	\$ 0	130,451	\$ 0	\$ 0
FUND BALANCES:						
Reserved for:						
Perpetual care						
Unreserved, reported in:						
Special revenue funds						
Capital project funds	12,051	3,411	10,722	13,710	29,339	3,243
TOTAL FUND BALANCES	12,051	3,411	10,722	13,710	29,339	3,243
TOTAL LIABILITIES AND FUND BALANCES	\$ 12,051	\$ 3,411	\$ 10,722	\$ 144,161	\$ 29,339	\$ 3,243

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2007**

	Capital Project Funds					
	Green Acres Acquisition Fund	Police Equipment	Impact Fees	Capital Improvement	State Sewer Projects	Open Space and Recreation Area
ASSETS:						
Cash and cash equivalents	\$ 95,658	\$ 154,447	\$ 443,028	\$ 2,071	\$ 5,733	\$ 4,464
Loans receivable						
Due from:						
Other funds		27,977	17,145			
Other governments						
TOTAL ASSETS	\$ 95,658	\$ 182,424	\$ 460,173	\$ 2,071	\$ 5,733	\$ 4,464
LIABILITIES AND FUND BALANCES:						
LIABILITIES:						
Accounts payable						
Retainage payable						
Due to other funds						
Deferred revenues						
Other liabilities						
TOTAL LIABILITIES	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
FUND BALANCES:						
Reserved for:						
Perpetual care						
Unreserved, reported in:						
Special revenue funds						
Capital project funds	95,658	182,424	460,173	2,071	5,733	4,464
TOTAL FUND BALANCES	95,658	182,424	460,173	2,071	5,733	4,464
TOTAL LIABILITIES AND FUND BALANCES	\$ 95,658	\$ 182,424	\$ 460,173	\$ 2,071	\$ 5,733	\$ 4,464

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2007**

	Capital Project Funds					
	Drainage	Deerfield Park	Smithfield Historic Landmark	Middle School Additions	Water District Improvement Fee	Deerfield Park Addition
ASSETS:						
Cash and cash equivalents	\$ 3,850		\$ 877		\$ 18,607	
Loans receivable						
Due from:						
Other funds		\$ 24,000		\$ 5,124		\$ 571,179
Other governments						
TOTAL ASSETS	\$ 3,850	\$ 24,000	\$ 877	\$ 5,124	\$ 18,607	\$ 571,179
LIABILITIES AND FUND BALANCES:						
LIABILITIES:						
Accounts payable						
Retainage payable						\$ 2,091
Due to other funds						800,273
Deferred revenues		\$ 183,809				
Other liabilities						
TOTAL LIABILITIES	\$ 0	183,809	\$ 0	\$ 0	\$ 0	802,364
FUND BALANCES:						
Reserved for:						
Perpetual care						
Unreserved, reported in:						
Special revenue funds						
Capital project funds	3,850	(159,809)	877	5,124	18,607	(231,185)
TOTAL FUND BALANCES	3,850	(159,809)	877	5,124	18,607	(231,185)
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,850	\$ 24,000	\$ 877	\$ 5,124	\$ 18,607	\$ 571,179

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2007**

	Capital Project Funds				Permanent Fund	Total Non-Major Governmental Funds
	Senior Center Addition	High School Addition	Fire Department Headquarters	Wastewater Treatment Facility Improvements	Cemetery Fund	
ASSETS:						
Cash and cash equivalents				\$ 339,878	\$ 60,798	\$ 4,702,805
Loans receivable						11,259
Due from:						
Other funds		\$ 98,720	\$ 2,190,820			3,185,392
Other governments						352,702
TOTAL ASSETS	\$ 0	\$ 98,720	\$ 2,190,820	\$ 339,878	\$ 60,798	\$ 8,252,158
LIABILITIES AND FUND BALANCES:						
LIABILITIES:						
Accounts payable				\$ 18,006		\$ 18,006
Retainage payable				348,626		350,717
Due to other funds	\$ 534,820					1,836,389
Deferred revenues						327,082
Other liabilities						14,719
TOTAL LIABILITIES	534,820	\$ 0	\$ 0	366,632	\$ 0	2,546,913
FUND BALANCES:						
Reserved for:						
Perpetual care					60,798	60,798
Unreserved, reported in:						
Special revenue funds						3,418,141
Capital project funds	(534,820)	98,720	2,190,820	(26,754)		2,226,306
TOTAL FUND BALANCES	(534,820)	98,720	2,190,820	(26,754)	60,798	5,705,245
TOTAL LIABILITIES AND FUND BALANCES	\$ 0	\$ 98,720	\$ 2,190,820	\$ 339,878	\$ 60,798	\$ 8,252,158

(CONCLUDED)

TOWN OF SMITHFIELD, RHODE ISLAND

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES (USES), AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007**

	Special Revenue Funds						
	School Restricted Grants	Fire Apparatus	Municipal Contingency Escrow	Revaluation Fund	Smithfield Fire Rescue	Scholarship Fund	Recreation Capital
REVENUES:							
Intergovernmental	\$ 1,001,035						
Investment income			\$ 1,047	\$ 6,097	\$ 10,915	\$ 17	\$ 51
Other	28,404				414,237		
TOTAL REVENUES	1,029,439	\$ 0	1,047	6,097	425,152	17	51
EXPENDITURES:							
Current:							
General government				14,863			
Public safety					25,692		
Public works							
Education	989,358						
Community development							
Capital:							
Capital outlay	40,081						
TOTAL EXPENDITURES	1,029,439	0	0	14,863	25,692	0	0
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	0	0	1,047	(8,766)	399,460	17	51
OTHER FINANCING SOURCES (USES):							
Transfers in			206,172	138,000			
Transfers out			(85,000)		(343,000)		
NET OTHER FINANCING SOURCES (USES)	0	0	121,172	138,000	(343,000)	0	0
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	0	0	122,219	129,234	56,460	17	51
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	0	290	355,400	134,516	318,424	4,444	24,545
FUND BALANCE (DEFICIT) AT END OF YEAR	\$ 0	\$ 290	\$ 477,619	\$ 263,750	\$ 374,884	\$ 4,461	\$ 24,596

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES (USES), AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007**

	Special Revenue Funds						
	Review Fees	Animal Control Fund	Hazardous Material	Animal Control Spay Neuter	RI DOH Alcohol Grant	CDBG Grant Funds	Inspection Fees
REVENUES:							
Intergovernmental					\$ 3,667	\$ 50,686	
Investment income	\$ 120	\$ 69	\$ 7,659	\$ 7			\$ 1,152
Other	30,857		341,131				75,400
TOTAL REVENUES	30,977	69	348,790	7	3,667	50,686	76,552
EXPENDITURES:							
Current:							
General government							104,000
Public safety			7,050		3,667		
Public works							
Education							
Community development						50,686	
Capital:							
Capital outlay							
TOTAL EXPENDITURES	0	0	7,050	0	3,667	50,686	104,000
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	30,977	69	341,740	7	0	0	(27,448)
OTHER FINANCING SOURCES (USES):							
Transfers in		966		406			
Transfers out			(33,379)				
NET OTHER FINANCING SOURCES (USES)	0	966	(33,379)	406	0	0	0
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	30,977	1,035	308,361	413	0	0	(27,448)
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	57,462	15,332	199,357	2,622	0	0	265,588
FUND BALANCE (DEFICIT) AT END OF YEAR	\$ 88,439	\$ 16,367	\$ 507,718	\$ 3,035	\$ 0	\$ 0	\$ 238,140

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES (USES), AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007**

	Special Revenue Funds					EMA - EOP
	Senior Center	Capital Reserve	Land Trust	Historical Records	RI DOH Tobacco Grant	
REVENUES:						
Intergovernmental					\$ 1,437	
Investment income		\$ 2,784		\$ 63		
Other						
TOTAL REVENUES	\$ 0	2,784	\$ 0	63	1,437	\$ 0
EXPENDITURES:						
Current:						
General government			25,805		1,437	
Public safety						
Public works						
Education						
Community development						
Capital:						
Capital outlay						
TOTAL EXPENDITURES	0	0	25,805	0	1,437	0
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	0	2,784	(25,805)	63	0	0
OTHER FINANCING SOURCES (USES):						
Transfers in		548,180	269,999	4,889		
Transfers out		(300,000)	(36,048)			
NET OTHER FINANCING SOURCES (USES)	0	248,180	233,951	4,889	0	0
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	0	250,964	208,146	4,952	0	0
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	106,451	384,163	312,326	6,810	0	0
FUND BALANCE (DEFICIT) AT END OF YEAR	\$ 106,451	\$ 635,127	\$ 520,472	\$ 11,762	\$ 0	\$ 0

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES (USES), AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007**

	Special Revenue Funds					
	Police Christmas Fund	Document Preservation & Tech Upgrades	Police Confiscated Funds	EMA - Radio	Senior Center	Chief's Challenge Incentive
REVENUES:						
Intergovernmental				\$ 14,331		\$ 1,575
Investment income		\$ 259		44		
Other						
TOTAL REVENUES	\$0	259	\$0	14,375	\$0	1,575
EXPENDITURES:						
Current:						
General government						
Public safety				9,331		1,575
Public works						
Education						
Community development						
Capital:						
Capital outlay						
TOTAL EXPENDITURES	0	0	0	9,331	0	1,575
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	0	259	0	5,044	0	0
OTHER FINANCING SOURCES (USES):						
Transfers in		26,425				
Transfers out						
NET OTHER FINANCING SOURCES (USES)	0	26,425	0	0	0	0
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	0	26,684	0	5,044	0	0
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	0	87,336	0	26	0	0
FUND BALANCE (DEFICIT) AT END OF YEAR	\$0	\$ 114,020	\$0	\$ 5,070	\$0	\$ 0

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES (USES), AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007**

	Special Revenue Funds					COPS That Care
	Revolving Loan Fund	Senator Lincoln Chafee Grant	Bryne Grant	Bulletproof Vest Program	RIDOT Click It or Ticket	
REVENUES:						
Intergovernmental		\$ 132,664		\$ 640	\$ 2,549	
Investment income						
Other	\$ 448					
TOTAL REVENUES	448	132,664	\$0	640	2,549	\$0
EXPENDITURES:						
Current:						
General government						
Public safety		11,876		640	2,549	
Public works						
Education						
Community development						
Capital:						
Capital outlay		120,788				
TOTAL EXPENDITURES	0	132,664	0	640	2,549	0
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	448	0	0	0	0	0
OTHER FINANCING SOURCES (USES):						
Transfers in						
Transfers out						
NET OTHER FINANCING SOURCES (USES)	0	0	0	0	0	0
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	448	0	0	0	0	0
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	25,492	0	0	0	0	0
FUND BALANCE (DEFICIT) AT END OF YEAR	\$ 25,940	\$ 0	\$0	\$ 0	\$ 0	\$0

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES (USES), AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007**

	Special Revenue Funds					Capital Project Funds
	Operation Blue Riptide	Kennedy Grant	Homeland Security Grant IV	Homeland Security Grant III	RIDOT Child Safety Station	Highway Resurfacing
REVENUES:						
Intergovernmental	\$ 16,376	\$ 31,324	\$ 55,978	\$ 91,870	\$ 6,308	
Investment income						\$ 170
Other						
TOTAL REVENUES	16,376	31,324	55,978	91,870	6,308	170
EXPENDITURES:						
Current:						
General government						
Public safety	16,376				6,308	
Public works						
Education						
Community development						
Capital:						
Capital outlay		31,324	55,978	91,870		
TOTAL EXPENDITURES	16,376	31,324	55,978	91,870	6,308	0
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	0	0	0	0	0	170
OTHER FINANCING SOURCES (USES):						
Transfers in						
Transfers out						
NET OTHER FINANCING SOURCES (USES)	0	0	0	0	0	0
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	0	0	0	0	0	170
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	0	0	0	0	0	37,707
FUND BALANCE (DEFICIT) AT END OF YEAR	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 37,877

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES (USES), AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007**

	Capital Project Funds					
	Building Maintenance	Special Drainage	Handicap Accessibility	Senior Center	Highway Drainage	Sewer Contingency
REVENUES:						
Intergovernmental				\$ 20,000		
Investment income	\$ 36	\$ 10	\$ 32	644	\$ 32	\$ 10
Other				20,628		
TOTAL REVENUES	36	10	32	41,272	32	10
EXPENDITURES:						
Current:						
General government						
Public safety						
Public works						
Education						
Community development						
Capital:						
Capital outlay				8,062		
TOTAL EXPENDITURES	0	0	0	8,062	0	0
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	36	10	32	33,210	32	10
OTHER FINANCING SOURCES (USES):						
Transfers in						
Transfers out				(17,000)		
NET OTHER FINANCING SOURCES (USES)	0	0	0	(17,000)	0	0
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	36	10	32	16,210	32	10
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	12,015	3,401	10,690	(2,500)	29,307	3,233
FUND BALANCE (DEFICIT) AT END OF YEAR	\$ 12,051	\$ 3,411	\$ 10,722	\$ 13,710	\$ 29,339	\$ 3,243

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES (USES), AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007**

	Capital Project Funds					
	Green Acres Acquisition Fund	Police Equipment	Impact Fees	Capital Improvement	State Sewer Projects	Open Space and Recreation Area
REVENUES:						
Intergovernmental		\$ 165,146				
Investment income	\$ 192	561	\$ 4,047	\$ 5	\$ 17	\$ 8
Other				573		2,500
TOTAL REVENUES	192	165,707	4,047	578	17	2,508
EXPENDITURES:						
Current:						
General government						
Public safety						
Public works						
Education						
Community development						
Capital:						
Capital outlay		66				
TOTAL EXPENDITURES	0	66	0	0	0	0
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	192	165,641	4,047	578	17	2,508
OTHER FINANCING SOURCES (USES):						
Transfers in			123,411			
Transfers out		(381,701)	(50,000)			
NET OTHER FINANCING SOURCES (USES)	0	(381,701)	73,411	0	0	0
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	192	(216,060)	77,458	578	17	2,508
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	95,466	398,484	382,715	1,493	5,716	1,956
FUND BALANCE (DEFICIT) AT END OF YEAR	\$ 95,658	\$ 182,424	\$ 460,173	\$ 2,071	\$ 5,733	\$ 4,464

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES (USES), AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007**

	Capital Project Funds					
	Drainage	Deerfield Park	Smithfield Historic Landmark	Middle School Additions	Water District Improvement Fee	Deerfield Park Addition
REVENUES:						
Intergovernmental						
Investment income	\$ 8		\$ 4		\$ 72	
Other						
TOTAL REVENUES	<u>8</u>	<u>\$ 0</u>	<u>4</u>	<u>\$ 0</u>	<u>72</u>	<u>\$ 0</u>
EXPENDITURES:						
Current:						
General government						
Public safety						
Public works						
Education						
Community development						
Capital:						
Capital outlay						152,833
TOTAL EXPENDITURES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>152,833</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	<u>8</u>	<u>0</u>	<u>4</u>	<u>0</u>	<u>72</u>	<u>(152,833)</u>
OTHER FINANCING SOURCES (USES):						
Transfers in						
Transfers out						
NET OTHER FINANCING SOURCES (USES)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>8</u>	<u>0</u>	<u>4</u>	<u>0</u>	<u>72</u>	<u>(152,833)</u>
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	<u>3,842</u>	<u>(159,809)</u>	<u>873</u>	<u>5,124</u>	<u>18,535</u>	<u>(78,352)</u>
FUND BALANCE (DEFICIT) AT END OF YEAR	<u>\$ 3,850</u>	<u>\$ (159,809)</u>	<u>\$ 877</u>	<u>\$ 5,124</u>	<u>\$ 18,607</u>	<u>\$ (231,185)</u>

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES (USES), AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007**

	Capital Project Funds				Permanent Fund	Total Non-Major Governmental Funds
	Senior Center Addition	High School Addition	Fire Department Headquarters	Wastewater Treatment Facility Improvements	Cemetery Fund	
REVENUES:						
Intergovernmental						\$ 1,595,586
Investment income				\$ 32,170	\$ 1,987	70,289
Other	\$ 221,812					1,135,990
TOTAL REVENUES	<u>221,812</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>32,170</u>	<u>1,987</u>	<u>2,801,865</u>
EXPENDITURES:						
Current:						
General government						146,105
Public safety						85,064
Public works				66,836		66,836
Education						989,358
Community development						50,686
Capital:						
Capital outlay	11,193	81,259		98,405		691,859
TOTAL EXPENDITURES	<u>11,193</u>	<u>81,259</u>	<u>0</u>	<u>165,241</u>	<u>0</u>	<u>2,029,908</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	<u>210,619</u>	<u>(81,259)</u>	<u>0</u>	<u>(133,071)</u>	<u>1,987</u>	<u>771,957</u>
OTHER FINANCING SOURCES (USES):						
Transfers in						1,318,448
Transfers out						(1,246,128)
NET OTHER FINANCING SOURCES (USES)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>72,320</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>210,619</u>	<u>(81,259)</u>	<u>0</u>	<u>(133,071)</u>	<u>1,987</u>	<u>844,277</u>
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	<u>(745,439)</u>	<u>179,979</u>	<u>2,190,820</u>	<u>106,317</u>	<u>58,811</u>	<u>4,860,968</u>
FUND BALANCE (DEFICIT) AT END OF YEAR	<u>\$ (534,820)</u>	<u>\$ 98,720</u>	<u>\$ 2,190,820</u>	<u>\$ (26,754)</u>	<u>\$ 60,798</u>	<u>\$ 5,705,245</u>

(CONCLUDED)

TOWN OF SMITHFIELD, RHODE ISLAND

**COMBINING STATEMENT OF NET ASSETS
NON-MAJOR PROPRIETARY FUNDS
JUNE 30, 2007**

	School Lunch	Smithfield Ice Rink	East Smithfield Public Library	Greenville Public Library	East Smithfield Neighborhood Center	Totals
ASSETS:						
Current Assets:						
Cash and cash equivalents	\$ 71,187	\$ 748,774	\$ 57,910	\$ 98,947	\$ 9,968	\$ 986,786
Investments				252,890		252,890
Receivables, net	13,817	41,858				55,675
Prepaid expenses					116	116
Due from:						
Other governments	25,379					25,379
Inventory		4,674				4,674
Total Current Assets	110,383	795,306	57,910	351,837	10,084	1,325,520
Noncurrent Assets:						
Asset restricted to investment in building				5,000		5,000
Net capital assets	48,198	789,257	466,769	1,491,342		2,795,566
Total Noncurrent Assets	48,198	789,257	466,769	1,496,342	0	2,800,566
TOTAL ASSETS	158,581	1,584,563	524,679	1,848,179	10,084	4,126,086

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

**COMBINING STATEMENT OF NET ASSETS
NON-MAJOR PROPRIETARY FUNDS
JUNE 30, 2007**

	School Lunch	Smithfield Ice Rink	East Smithfield Public Library	Greenville Public Library	East Smithfield Neighborhood Center	Totals
LIABILITIES:						
Current Liabilities:						
Accounts payable	55,613	24,249	2,514	6,511	587	89,474
Accrued payroll			27,082	20,478	1,517	49,077
Deferred revenue	1,164	1,395				2,559
Due to other funds	2,760	53,079				55,839
Accrued liabilities			620	3,210		3,830
Current portion of long term debt				81,000		81,000
Current portion of accrued vacation and sick leave		3,900				3,900
Total Current Liabilities	59,537	82,623	30,216	111,199	2,104	285,679
Noncurrent Liabilities:						
Long-term debt, net				51,686		51,686
Accrued vacation and sick leave		35,247				35,247
Total Noncurrent Liabilities	0	35,247	0	51,686	0	86,933
TOTAL LIABILITIES	59,537	117,870	30,216	162,885	2,104	372,612
NET ASSETS:						
Invested in capital assets, net of related debt	48,198	789,257	466,769	1,358,656		2,662,880
Unrestricted	50,846	677,436	27,694	326,638	7,980	1,090,594
TOTAL NET ASSETS	\$ 99,044	\$ 1,466,693	\$ 494,463	\$ 1,685,294	\$ 7,980	\$ 3,753,474

(CONCLUDED)

TOWN OF SMITHFIELD, RHODE ISLAND

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
NON-MAJOR PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2007**

	<u>School Lunch</u>	<u>Smithfield Ice Rink</u>	<u>East Smithfield Public Library</u>	<u>Greenville Public Library</u>	<u>East Smithfield Neighborhood Center</u>	<u>Totals</u>
OPERATING REVENUES:						
Charges for usage and service		\$ 634,611	\$ 3,431	\$ 18,544	\$ 19,808	\$ 676,394
Food sales	\$ 596,324					596,324
Miscellaneous		13,360	2,311	26,244		41,915
Total Operating Revenues	596,324	647,971	5,742	44,788	19,808	1,314,633
OPERATING EXPENSES:						
Operations	738,262	328,382	162,434	257,469	19,068	1,505,615
Personnel		228,718	364,181	553,040	23,782	1,169,721
Depreciation	5,132	74,144	43,454	69,273		192,003
Total Operating Expenses	743,394	631,244	570,069	879,782	42,850	2,867,339
OPERATING INCOME (LOSS)	(147,070)	16,727	(564,327)	(834,994)	(23,042)	(1,552,706)
NONOPERATING REVENUES (EXPENSES):						
Interest expense				(4,850)		(4,850)
Investment income		22,021	289	24,054	36	46,400
Town appropriation			395,540	630,384	19,070	1,044,994
Intergovernmental	132,586		102,488	198,301		433,375
Grants			22,362	50,226		72,588
Vendor contribution	12,722					12,722
Loss on sale of asset		(7,105)				(7,105)
Net Nonoperating Revenues	145,308	14,916	520,679	898,115	19,106	1,598,124
CHANGE IN NET ASSETS	(1,762)	31,643	(43,648)	63,121	(3,936)	45,418
TOTAL NET ASSETS - BEGINNING	100,806	1,435,050	538,111	1,622,173	11,916	3,708,056
TOTAL NET ASSETS - ENDING	\$ 99,044	\$ 1,466,693	\$ 494,463	\$ 1,685,294	\$ 7,980	\$ 3,753,474

TOWN OF SMITHFIELD, RHODE ISLAND

**COMBINING STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2007**

	<u>School Lunch</u>	<u>Smithfield Ice Rink</u>	<u>East Smithfield Public Library</u>	<u>Greenville Public Library</u>	<u>East Smithfield Neighborhood Center</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES:						
Cash received from customers	\$ 596,393	\$ 649,936	\$ 3,431	\$ 18,544	\$ 19,808	\$ 1,288,112
Cash received from providing services			2,311	26,244		28,555
Cash paid to suppliers	(739,054)	(320,955)	(161,825)	(261,415)	(19,193)	(1,502,442)
Cash paid to employees		(226,963)	(362,326)	(550,609)	(23,267)	(1,163,165)
Net cash provided by (used for) operating activities	(142,661)	102,018	(518,409)	(767,236)	(22,652)	(1,348,940)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Nonoperating grants received	128,062		124,850	198,301		451,213
Decrease in due from other funds	3,250					3,250
Increase in due to other funds	2,760	99				2,859
Net cash provided by noncapital financing activities	134,072	99	124,850	198,301	0	457,322
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Acquisition of capital assets		(60,460)	(10,005)	(36,697)		(107,162)
Town appropriation			395,540	630,384	19,070	1,044,994
Nonoperating grants received				25,571		25,571
Principal paid on long-term debt obligations				(52,304)		(52,304)
Interest paid on long-term debt obligations				(8,340)		(8,340)
Net cash provided by (used for) capital and related financing activities	0	(60,460)	385,535	558,614	19,070	902,759
CASH FLOWS FROM INVESTING ACTIVITIES:						
Interest on investments		22,021	289	24,054	36	46,400
Net purchases of investments				(8,223)		(8,223)
Net cash provided by investing activities	0	22,021	289	15,831	36	38,177

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

**COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2007**

	<u>School Lunch</u>	<u>Smithfield Ice Rink</u>	<u>East Smithfield Public Library</u>	<u>Greenville Public Library</u>	<u>East Smithfield Neighborhood Center</u>	<u>Totals</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(8,589)	63,678	(7,735)	5,510	(3,546)	49,318
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	79,776	681,196	65,645	93,437	13,514	933,568
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 71,187	\$ 744,874	\$ 57,910	\$ 98,947	\$ 9,968	\$ 982,886
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:						
Operating income (loss)	\$ (147,070)	\$ 16,727	\$ (564,327)	\$ (834,994)	\$ (23,042)	\$ (1,552,706)
Adjustments to reconcile:						
Depreciation	5,132	74,144	43,454	69,273		192,003
Supplies donated through grant				3,505		3,505
(Increase) decrease in receivables, net	(1,095)	1,122				27
Decrease in prepaid expenses					33	33
Increase in inventory		(421)				(421)
Increase (decrease) in accounts payable	(792)	7,848	609	(7,451)	(158)	56
Increase in accrued payroll			1,855	2,431	515	4,801
Increase in deferred revenue	1,164	843				2,007
Increase in accrued vacation and sick leave		5,655				5,655
Net cash provided by (used for) operating activities	\$ (142,661)	\$ 105,918	\$ (518,409)	\$ (767,236)	\$ (22,652)	\$ (1,345,040)

(CONCLUDED)

TOWN OF SMITHFIELD, RHODE ISLAND

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
YEAR ENDED JUNE 30, 2007**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<u>PUPIL ACTIVITY FUNDS</u>				
<u>ASSETS</u>				
Cash	\$ 148,988	\$ 466,684	\$ 470,952	\$ 144,720
<u>LIABILITIES</u>				
Deposits held in custody for others	\$ 148,988	\$ 466,684	\$ 470,952	\$ 144,720
<u>PROBATE COURT</u>				
<u>ASSETS</u>				
Cash	\$ 121,168	\$ 537	\$ 0	\$ 121,705
<u>LIABILITIES</u>				
Deposits held in custody for others	\$ 121,168	\$ 537	\$ 0	\$ 121,705
<u>STREET LIGHTING</u>				
<u>ASSETS</u>				
Cash	\$ 20,289	\$ 42	\$ 40	\$ 20,291
<u>LIABILITIES</u>				
Deposits held in custody for others	\$ 20,287	\$ 40	\$ 40	\$ 20,287
Due to other funds	2	2		4
TOTAL LIABILITIES	\$ 20,289	\$ 42	\$ 40	\$ 20,291
<u>SOIL EROSION</u>				
<u>ASSETS</u>				
Cash	\$ 267,665	\$ 47,193	\$ 15,800	\$ 299,058
<u>LIABILITIES</u>				
Deposits held in custody for others	\$ 267,665	\$ 47,193	\$ 15,800	\$ 299,058

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
YEAR ENDED JUNE 30, 2007**

<u>TOTAL - ALL AGENCY FUNDS</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<u>ASSETS</u>				
Cash	\$ 558,110	\$ 514,456	\$ 486,792	\$ 585,774
<u>LIABILITIES</u>				
Deposits held in custody for others	\$ 558,108	\$ 514,454	\$ 486,792	\$ 585,770
Due to other funds	2	2		4
<i>TOTAL LIABILITIES</i>	<u>\$ 558,110</u>	<u>\$ 514,456</u>	<u>\$ 486,792</u>	<u>\$ 585,774</u>

(CONCLUDED)

TOWN OF SMITHFIELD, RHODE ISLAND

SINGLE AUDIT SECTION



CAYER CACCIA LLP

Certified Public Accountants and Business Consultants

**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,
Smithfield, Rhode Island

We have audited 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, 2007, which collectively comprise the Town of Smithfield, Rhode Island's basic financial statements and have issued our report thereon dated January 30, 2008. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Smithfield, Rhode Island's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Smithfield, Rhode Island's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town of Smithfield, Rhode Island's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town of Smithfield, Rhode Island's financial statements that is more than inconsequential will not be prevented or detected by the Town of Smithfield, Rhode Island's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting. Finding 2007-1 and 2007-2.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material misstatement of the financial statements will not be prevented or detected by the Town of Smithfield, Rhode Island's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the deficiencies described above to be material weaknesses.

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*.

We noted certain other matters that we reported to management of the Town of Smithfield, Rhode Island, in a separate letter dated January 30, 2008.

This report is intended solely for the information and use of the Town Council, management, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

January 30, 2008

Cayer Caccia, LLP

CAYER CACCIA LLP

Certified Public Accountants and Business Consultants

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Honorable Town Council
Smithfield, Rhode Island

Compliance

We have audited the compliance of the Town of Smithfield, Rhode Island with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The Town of Smithfield, Rhode Island's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Town of Smithfield, Rhode Island's management. Our responsibility is to express an opinion on the Town of Smithfield, Rhode Island's compliance based on our audit.

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. Our audit does not provide a legal determination of the Town of Smithfield, Rhode Island's compliance with those requirements.

As described in item 2007-3 in the accompanying schedule of findings and questioned costs, the Town of Smithfield, Rhode Island did not comply with requirements regarding allowable costs/cost principles that are applicable to its IDEA – Special Education Cluster grants. Compliance with such requirements is necessary, in our opinion, for the Town of Smithfield, Rhode Island to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Town of Smithfield, Rhode Island complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of the Town of Smithfield, Rhode Island is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Town of Smithfield, Rhode Island's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Smithfield, Rhode Island's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The Town of Smithfield, Rhode Island's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Town of Smithfield, Rhode Island's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Town Council, management, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

January 30, 2008

Cayer Caccia, LLP

TOWN OF SMITHFIELD, RHODE ISLAND

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2007**

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development:		
Community Development Block Grant.....	14.219	<u>\$ 50,686</u>
U.S. Department of Justice:		
Bulletproof Vest.....	16.607	640
Cops Grants.....	16.XXX	<u>163,988</u>
Total U.S. Department of Justice.....		<u>164,628</u>
U.S. Department of Education:		
Passed through RI Department of Education:		
Title I, PL 103-382.....	84.010	118,244
Idea B - EHA - PL 94-142.....	84.027**	528,086
Title IV - PL 103-382.....	84.186	10,322
Support Services - PL 89 - 313.....	84.173**	20,761
Perkins Career Awareness.....	84.048	34,471
Title V.....	84.298	3,061
Title II.....	84.367	<u>96,645</u>
Total U.S. Department of Education.....		<u>811,590</u>
U.S. Department of Agriculture:		
Passed through RI Department of Education:		
National School Lunch.....	10.555	108,242
National School Milk.....	10.556	1,108
National School Breakfast.....	10.553	<u>11,484</u>
Total U.S. Department of Agriculture.....		<u>120,834</u>
U.S. Department of Transportation:		
Operation Riptide.....	20.XXX	16,376
Chief's Challenge Incentive.....	20.XXX	1,575
Click It or Ticket.....	20.601	<u>2,549</u>
Total U.S. Department of Transportation.....		<u>20,500</u>
Federal Emergency Management:		
Homeland Security Grant FEMA.....	97.067	87,651
Homeland Security Grant IV.....	97.067	<u>55,978</u>
Total Federal Emergency Management.....		<u>143,629</u>
Total Expenditures of Federal Awards.....		<u>\$1,311,867</u>

** Denotes a major program.

SEE ACCOMPANYING NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TOWN OF SMITHFIELD, RHODE ISLAND

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2007**

1. General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the Town of Smithfield, Rhode Island. 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.

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, Rhode Island. 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. There was one program with expenditures exceeding \$300,000 for the fiscal year ended June 30, 2007. For the fiscal year ended June 30, 2007, the following program was considered to be a major program:

IDEA – Special Education Cluster #84.027 and #84.173

TOWN OF SMITFIELD, RHODE ISLAND

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007**

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an adverse opinion on the financial statements of the governmental activities of the Town of Smithfield, Rhode Island. The auditor's report expresses an unqualified opinion on the financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Smithfield, Rhode Island.
2. Significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditor's Report.
3. No instances of noncompliance material to the financial statements of the Town of Smithfield, Rhode Island were disclosed during the audit.
4. Significant deficiencies relating to the audit of the major federal award programs are reported.
5. The auditor's report on compliance for the major federal award programs for the Town of Smithfield, Rhode Island expresses a qualified opinion.
6. Audit findings that are required to be reported in accordance with OMB Circular A-133 are reported in this Schedule.
7. The program tested as a major program was:
 - IDEA – Special Education Cluster, CFDA # 84.027 and #84.173
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 - FINANCIAL STATEMENT AUDIT

Current year findings:

- 2007 – 1 Condition and Criteria: Management has not recorded certain general infrastructure assets in governmental activities and, accordingly, has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that those general infrastructure assets be capitalized and depreciated, which would increase the assets, net assets, and expenses of the governmental activities.

Cause: A comprehensive study of the Town's infrastructure assets has not been performed.

Effect: The Town's capital assets do not include all infrastructure assets.

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007**

B. FINDINGS - FINANCIAL STATEMENT AUDIT (Continued)

Current year findings (Continued):

2007 – 2 Condition and Criteria: The Town Council and management are responsible for the effective oversight of the financial reporting process, including the preparation of Town financial statements and related footnote disclosures. During fiscal year 2007, the Town relied upon the external auditors to prepare its financial statements and related footnote disclosures to ensure they were prepared in accordance with generally accepted accounting principles. Therefore, there were no controls in place as of June 30, 2007 to prevent and detect misstatements in the financial reporting process.

Cause: The Town has not obtained a sufficient level of understanding to effectively review its financial statements and related footnote disclosures.

Effect: The Town relied on its independent auditors to prepare its financial statements and related footnote disclosures.

C. FINDINGS AND QUESTIONED COSTS - RELATING TO FEDERAL AWARDS

U.S. Department of Education

**Questioned
Costs**

IDEA – Special Education Cluster – CFDA No. 84.027 and No. 84.173

2007 – 3 Condition and Criteria: The payroll charges for employees' salaries funded by these grants were not supported by time records.

Effect: The payroll charges are subject to disallowance and are, therefore, considered a questioned cost.

Cause: There are no procedures in place to ensure compliance with this compliance requirement.

Population and Items Tested: All payroll expenses charged to these grants. \$435,071

Auditor's Recommendation: Procedures should be established which require the regular reporting by all employees paid by the IDEA grants of the hours allocated to the IDEA program.

Grantee's Response: The Town agrees with the finding. Procedures have been put in place which require submission of bi-weekly time reporting to substantiate the number of hours charged to the IDEA grants.

D. SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

None noted.

(CONCLUDED)

TOWN OF SMITHFIELD, RHODE ISLAND

STATISTICAL SECTION



TOWN OF SMITHFIELD, RHODE ISLAND

NET ASSETS BY COMPONENT

LAST FIVE FISCAL YEARS

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
<i>Governmental activities:</i>					
Invested in capital assets, net of related debt	\$ 15,714,930	\$ 11,847,660	\$ 10,481,689	\$ 9,283,598	\$ 14,943,880
Restricted	6,159,108	3,943,034	7,497,123	8,331,876	8,885,988
Unrestricted (deficit)	7,690,795	8,064,521	6,450,626	7,554,625	(1,670,809)
<i>Total governmental activities</i>	\$ 29,564,833	\$ 23,855,215	\$ 24,429,438	\$ 25,170,099	\$ 22,159,059
<i>Business-type activities:</i>					
Invested in capital assets, net of related debt	\$ 18,745,736	\$ 19,462,765	\$ 16,282,443	\$ 14,095,661	\$ 14,301,206
Unrestricted	6,352,272	6,033,377	5,286,771	4,742,358	5,303,476
<i>Total business-type activities</i>	\$ 25,098,008	\$ 25,496,142	\$ 21,569,214	\$ 18,838,019	\$ 19,604,682
<i>Primary government:</i>					
Invested in capital assets, net of related debt	\$ 34,460,666	\$ 31,310,425	\$ 26,764,132	\$ 23,379,259	\$ 29,245,086
Restricted	6,159,108	3,943,034	7,497,123	8,331,876	8,885,988
Unrestricted	14,043,067	14,097,898	11,737,397	12,296,983	3,632,667
<i>Total primary government</i>	\$ 54,662,841	\$ 49,351,357	\$ 45,998,652	\$ 44,008,118	\$ 41,763,741

NOTE: Prior to implementation of GASB 34 in 2003, this information was not compiled and is unavailable.

TOWN OF SMITHFIELD, RHODE ISLAND

CHANGES IN NET ASSETS

LAST FIVE FISCAL YEARS

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
<u>EXPENSES:</u>					
<i>Governmental activities:</i>					
General government	\$ 2,441,754	\$ 2,754,935	\$ 2,416,005	\$ 2,477,033	\$ 2,771,749
Public safety	8,734,533	8,593,527	7,585,295	7,755,503	6,550,284
Public works	3,776,856	3,939,646	3,973,204	3,423,977	2,913,481
Education	31,981,580	29,756,361	27,507,323	25,945,633	25,536,807
Recreation	448,708	332,377	357,994	473,132	397,695
Public health and assistance	38,849	38,811	38,712	38,100	38,265
Community development	50,686	31,182	123,516	29,835	44,743
Other	6,788,619	6,668,165	7,054,668	5,749,149	7,403,676
Interest on long-term debt	607,413	718,819	794,182	890,253	445,283
<i>Total governmental activities</i>	54,868,998	52,833,823	49,850,899	46,782,615	46,101,983
<i>Business-type activities:</i>					
Sewer Authority	2,376,756	2,251,112	1,922,068	2,010,078	2,027,058
Water Supply Board	940,214	770,658	728,222	789,363	732,110
School Lunch	743,394	661,393	621,349	568,273	547,958
Smithfield Ice Rink	638,349	591,683	611,342	501,620	524,946
East Smithfield Public Library	570,069	545,151	498,535	498,406	447,068
Greenville Public Library	884,632	815,266	811,503	798,865	784,651
East Smithfield Neighborhood Center	42,850	45,892	36,216	34,274	32,772
<i>Total business-type activities</i>	6,196,264	5,681,155	5,229,235	5,200,879	5,096,563
<i>Total primary government expenses</i>	61,065,262	58,514,978	55,080,134	51,983,494	51,198,546

NOTE: Prior to implementation of GASB 34 in 2003, this information was not compiled and is unavailable.

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

CHANGES IN NET ASSETS

LAST FIVE FISCAL YEARS

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
<u>PROGRAM REVENUES:</u>					
<i>Governmental activities:</i>					
Charges for services:					
General government	1,792,087	1,539,128	1,440,426	1,510,073	1,009,156
Public safety	866,113	727,656	513,218	593,256	666,350
Education	327,020	350,655	425,814	430,249	335,554
Other activities	448	492			
Operating grants and contributions	9,505,923	9,003,676	8,818,307	8,546,776	7,647,387
Capital grants and contributions	727,546	700,344	145,230	146,091	225,810
Total governmental activities program revenues	13,219,137	12,321,951	11,342,995	11,226,445	9,884,257
<i>Business-type activities:</i>					
Charges for services:					
Sewer Authority	2,444,586	2,439,771	2,305,730	2,336,656	2,414,768
Water Supply Board	1,024,187	1,025,992	801,197	759,027	798,368
School Lunch	596,324	563,511	541,100	470,435	466,519
Smithfield Ice Rink	647,971	643,320	662,521	665,541	640,316
East Smithfield Public Library	5,742	8,852	7,598	8,098	7,503
Greenville Public Library	44,788	34,294	31,505	39,327	114,787
East Smithfield Neighborhood Center	19,808	17,204	15,174	14,507	15,909
Operating grants and contributions	496,323	435,202	430,762	405,535	276,639
Capital grants and contributions	22,362	16,952	42,662	57,411	103,637
Total business-type activities program revenues	5,302,091	5,185,098	4,838,249	4,756,537	4,838,446
Total primary government revenues	18,521,228	17,507,049	16,181,244	15,982,982	14,722,703
<i>Net (expenses) revenues:</i>					
Governmental activities	(41,649,861)	(40,511,872)	(38,507,904)	(35,556,170)	(36,217,726)
Business-type activities	(894,173)	(496,057)	(390,986)	(444,342)	(258,117)
Total primary government net expense	(42,544,034)	(41,007,929)	(38,898,890)	(36,000,512)	(36,475,843)

NOTE: Prior to implementation of GASB 34 in 2003, this information was not compiled and is unavailable.

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

CHANGES IN NET ASSETS

LAST FIVE FISCAL YEARS

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
<u>GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS:</u>					
<i>Governmental activities:</i>					
Property taxes and other	43,501,514	41,549,207	38,477,384	38,596,955	35,256,580
Grants and contributions not restricted to specific programs				3,256,500	4,824,600
State revenue sharing	1,881,701	1,792,773	1,346,867	1,268,058	1,295,242
Unrestricted investment earnings	550,834	402,377	271,356	181,552	126,380
Transfers	(176,899)	(4,159,315)	(1,684,220)	397,733	(886,555)
<i>Total governmental activities</i>	45,757,150	39,585,042	38,411,387	43,700,798	40,616,247
<i>Business-type activities:</i>					
Unrestricted investment earnings	319,140	263,670	135,374	75,412	122,470
Transfers	176,899	4,159,315	1,684,220	(397,733)	886,555
<i>Total business-type activities</i>	496,039	4,422,985	1,819,594	(322,321)	1,009,025
<i>Total primary government</i>	46,253,189	44,008,027	40,230,981	43,378,477	41,625,272
<u>CHANGE IN NET ASSETS:</u>					
Governmental activities	4,107,289	(926,830)	(96,517)	8,144,628	4,398,521
Business-type activities	(398,134)	3,926,928	1,428,608	(766,663)	750,908
<i>Total primary government</i>	\$ 3,709,155	\$ 3,000,098	\$ 1,332,091	\$ 7,377,965	\$ 5,149,429

NOTE: Prior to implementation of GASB 34 in 2003, this information was not compiled and is unavailable.

(CONCLUDED)

TOWN OF SMITHFIELD, RHODE ISLAND

CHANGES IN FUND BALANCE, GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS (1)

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Revenues:					
General property taxes	\$ 43,244,359	\$ 40,753,963	\$ 38,487,365	\$ 36,132,748	\$ 34,816,220
Intergovernmental	10,647,869	10,507,554	9,447,575	9,187,777	8,504,339
Licenses, fees, and permits	1,495,146	1,081,003	1,070,424	1,024,119	702,697
Investment income	550,834	402,377	271,356	181,552	126,380
Departmental	627,876	818,850	857,153	81,458	157,212
Other	2,540,088	1,912,773	1,548,997	2,492,977	2,020,608
Total revenues	59,106,172	55,476,520	51,682,870	49,100,631	46,327,456
Expenditures:					
General government	2,202,635	2,531,717	2,521,855	2,395,357	2,879,998
Public safety	7,900,652	8,119,241	7,324,594	7,518,593	7,145,315
Public works	2,853,597	3,076,619	2,934,086	3,222,301	2,590,970
Education	31,142,113	28,812,232	26,808,027	26,103,001	25,597,252
Public health and assistance	38,849	38,811	38,712	38,100	38,265
Parks and recreation	410,255	306,226	328,358	447,534	305,248
Community development	50,686	31,182	123,516	29,835	44,743
Other	6,766,122	6,614,323	7,054,668	5,749,149	7,380,494
Capital outlay	4,686,181	6,141,528	3,500,909	3,309,641	3,496,646
Debt service	2,417,005	2,752,627	2,869,661	2,527,342	1,365,627
Total expenditures	58,468,095	58,424,506	53,504,386	51,340,853	50,844,558
Excess of revenues over (under) expenditures	638,077	(2,947,986)	(1,821,516)	(2,240,222)	(4,517,102)
Other financing sources (uses)					
Issuance of debt				8,608,466	
Proceeds from leasing	71,510	335,000	138,000		8,008,597
Transfers in	32,065,961	29,720,658	29,086,908	28,267,737	25,962,429
Transfers out	(32,201,510)	(29,799,222)	(29,132,386)	(27,920,004)	(26,898,984)
Net other financing sources (uses)	(64,039)	256,436	92,522	8,956,199	7,072,042
Net change in fund balances	\$ 574,038	\$ (2,691,550)	\$ (1,728,994)	\$ 6,715,977	\$ 2,554,940
Debt service as a percentage of noncapital expenditures	4.5%	5.3%	5.7%	5.3%	2.9%

(1) This schedule includes expenditures of the General Fund, Special Revenue Funds and Capital Project Funds

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

CHANGES IN FUND BALANCE, GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS (1)

	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
Revenues:					
General property taxes	\$ 31,095,444	\$ 29,896,617	\$ 28,978,635	\$ 26,042,568	\$ 24,647,638
Intergovernmental	8,563,362	8,308,465	7,933,374	7,234,230	6,846,980
Licenses, fees, and permits	1,116,900	830,495	454,272	433,777	365,843
Investment income	182,991	359,303			
Departmental	448,891	85,624	67,913	49,431	70,549
Other	1,187,872	1,152,270	1,754,394	1,588,428	1,608,400
Total revenues	<u>42,595,460</u>	<u>40,632,774</u>	<u>39,188,588</u>	<u>35,348,434</u>	<u>33,539,410</u>
Expenditures:					
General government	1,873,760	1,901,536	1,897,716	1,707,231	1,675,597
Public safety	6,509,075	6,209,586	5,902,273	5,659,132	5,366,518
Public works	2,384,253	2,225,013	1,961,528	1,970,859	1,887,645
Education	23,667,375	22,598,548	21,610,665	20,113,212	18,504,475
Public health and assistance	38,036	38,091	37,981	37,886	38,524
Parks and recreation	291,911	284,582	266,658	279,078	250,685
Community development					
Other	4,177,707	3,701,528	3,495,355	3,170,006	3,345,627
Capital outlay	677,440	522,842	353,817	1,418,417	5,624,650
Debt service	1,414,334	1,472,372	1,528,679	1,458,040	1,606,012
Total expenditures	<u>41,033,891</u>	<u>38,954,098</u>	<u>37,054,672</u>	<u>35,813,861</u>	<u>38,299,733</u>
Excess of revenues over (under) expenditures	<u>1,561,569</u>	<u>1,678,676</u>	<u>2,133,916</u>	<u>(465,427)</u>	<u>(4,760,323)</u>
Other financing sources (uses)					
Issuance of debt					2,517,407
Transfers in	24,908,353	21,825,751	20,723,885	19,680,711	18,104,465
Repayment of debt to escrow agent					(2,521,859)
Transfers out	(25,714,278)	(22,538,066)	(21,397,031)	(20,276,074)	(18,650,476)
Net other financing sources (uses)	<u>(805,925)</u>	<u>(712,315)</u>	<u>(673,146)</u>	<u>(595,363)</u>	<u>(550,463)</u>
Net change in fund balances	<u>\$ 755,644</u>	<u>\$ 966,361</u>	<u>\$ 1,460,770</u>	<u>\$ (1,060,790)</u>	<u>\$ (5,310,786)</u>
Debt service as a percentage of noncapital expenditures	3.5%	3.8%	4.2%	4.2%	4.9%

(1) This schedule includes expenditures of the General Fund, Special Revenue Funds and Capital Project Funds

(CONCLUDED)

TOWN OF SMITHFIELD, RHODE ISLAND

FUND BALANCES, GOVERNMENTAL FUNDS

LAST FIVE FISCAL YEARS

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
General Fund:					
Reserved	\$ 5,245,410	\$ 3,777,906	\$ 3,219,830	\$ 2,385,611	\$ 2,327,767
Unreserved	7,090,793	6,435,803	4,832,027	5,259,494	4,255,635
Total general fund	<u>12,336,203</u>	<u>10,213,709</u>	<u>8,051,857</u>	<u>7,645,105</u>	<u>6,583,402</u>
All Other Governmental Funds:					
Reserved	913,698	165,128	4,277,293	5,946,265	6,558,221
Unreserved	186,796	57,565	116,001		
Unreserved, reported in:					
Special revenue funds	3,535,805	4,042,001	3,980,001	3,337,926	3,229,634
Capital project funds	(220,485)	2,340,506	2,732,700	3,957,550	(2,200,388)
Total all other governmental funds	<u>4,415,814</u>	<u>6,605,200</u>	<u>11,105,995</u>	<u>13,241,741</u>	<u>7,587,467</u>
Total governmental funds	<u>\$ 16,752,017</u>	<u>\$ 16,818,909</u>	<u>\$ 19,157,852</u>	<u>\$ 20,886,846</u>	<u>\$ 14,170,869</u>

NOTE: Prior to implementation of GASB 34 in 2003, this information was not compiled and is unavailable.

TOWN OF SMITHFIELD, RHODE ISLAND

**PROPERTY TAX RATES
(PER \$1,000 OF ASSESSED VALUE)
LAST TEN FISCAL YEARS**

<u>Year</u>	<u>Municipal</u>	<u>Education</u>	<u>Tax</u>
1998-99			
Real Estate	\$ 9.39	\$ 11.02	\$ 20.41
Personal Property	\$ 17.94	\$ 21.06	\$ 39.00
1999-2000			
Real Estate	\$ 10.30	\$ 12.10	\$ 22.40
Personal Property	\$ 17.94	\$ 21.06	\$ 39.00
2000-2001			
Real Estate	\$ 10.08	\$ 12.32	\$ 22.40
Personal Property	\$ 17.55	\$ 21.45	\$ 39.00
2001-2002 (1)			
Real Estate	\$ 8.40	\$ 10.26	\$ 18.66
Personal Property	\$ 17.55	\$ 21.45	\$ 39.00
2002-2003			
Real Estate	\$ 8.86	\$ 10.82	\$ 19.68
Personal Property	\$ 17.55	\$ 21.45	\$ 39.00
2003-2004			
Real Estate	\$ 10.06	\$ 11.34	\$ 21.40
Personal Property	\$ 18.33	\$ 20.67	\$ 39.00
2004-2005 (1)			
Real Estate	\$ 6.70	\$ 7.25	\$ 13.95
Personal Property	\$ 18.72	\$ 20.28	\$ 39.00
2005-2006			
Real Estate	\$ 6.90	\$ 7.78	\$ 14.68
Personal Property	\$ 18.33	\$ 20.67	\$ 39.00
2006-2007			
Real Estate	\$ 7.23	\$ 8.17	\$ 15.40
Personal Property	\$ 18.33	\$ 20.67	\$ 39.00
2007-2008 (1)			
Real Estate	\$ 6.22	\$ 7.01	\$ 13.23
Personal Property	\$ 18.33	\$ 20.67	\$ 39.00

Source: Town of Smithfield, Rhode Island tax records

(1) Town wide property statistical revaluation

TOWN OF SMITHFIELD, RHODE ISLAND

**PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**

<u>Levy Date December 31,</u>	<u>Total Levy</u>	<u>Current Tax Collection</u>	<u>Percentage of Levy Collection</u>	<u>Delinquent Tax Collection</u>	<u>Percent of Delinquent Taxes to Tax Levy</u>	<u>Total Tax Collections</u>	<u>Outstanding Delinquent Taxes</u>
1996 (1997-98)	\$ 24,391,296	\$ 21,488,733	88.10%	\$ 2,805,362	11.50%	\$ 24,294,095	\$ 5,603,861
1997 (1998-99)	\$ 25,698,812	\$ 22,297,158	86.76%	\$ 2,640,563	10.28%	\$ 24,937,721	\$ 6,218,954
1998 (1999-00)	\$ 27,827,270	\$ 25,166,553	90.44%	\$ 2,992,216	10.75%	\$ 28,158,769	\$ 4,694,433
1999 (2000-01)	\$ 28,147,971	\$ 24,909,188	88.49%	\$ 2,472,071	8.78%	\$ 27,381,259	\$ 5,307,846
2000 (2001-02)	\$ 29,964,881	\$ 25,621,516	85.51%	\$ 2,838,801	9.47%	\$ 28,460,317	\$ 5,081,855
2001 (2002-03)	\$ 31,801,057	\$ 27,462,597	86.36%	\$ 3,153,885	9.92%	\$ 30,616,482	\$ 5,163,898
2002 (2003-04)	\$ 33,739,654	\$ 31,036,315	91.99%	\$ 2,663,061	7.89%	\$ 33,699,376	\$ 6,476,811
2003 (2004-05)	\$ 35,384,006	\$ 33,142,577	93.67%	\$ 2,657,567	7.51%	\$ 35,800,144	\$ 6,759,193
2004 (2005-06)	\$ 37,721,249	\$ 35,204,633	93.33%	\$ 2,829,404	7.50%	\$ 38,034,037	\$ 6,072,767
2005 (2006-07)	\$ 39,873,408	\$ 35,907,818	90.05%	\$ 2,795,146	7.01%	\$ 38,702,964	\$ 7,106,467

Source: Town of Smithfield, Rhode Island records.

TOWN OF SMITHFIELD, RHODE ISLAND

**NET ASSESSED VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS**

<u>Levy Date (Fiscal Year)</u>	<u>Real Property</u>	<u>Motor Vehicles</u>	<u>Tangibles</u>	<u>Less: Real Estate Exemptions</u>	<u>Net</u>
<u>December 31,</u>					
1996 (1997-98)	\$ 917,878,490	\$ 105,075,680	\$ 65,065,500	\$ 11,016,490	\$ 1,077,003,180
1997 (1998-99)	\$ 963,858,120	\$ 96,759,882	\$ 63,129,029	\$ 10,775,517	\$ 1,112,971,514
1998 (1999-2000) (2) (3)	\$ 930,302,660	\$ 95,229,453	\$ 61,716,735	\$ 11,098,000	\$ 1,076,150,848
1999 (2000-2001) (2) (3)	\$ 856,797,430	\$ 95,229,453	\$ 62,530,590	\$ 3,388,000	\$ 1,011,169,473
2000 (2001-2002) (1) (2) (3)	\$ 1,182,272,730	\$ 89,122,609	\$ 71,134,180	\$ 11,629,000	\$ 1,330,900,519
2001 (2002-2003) (2) (3)	\$ 1,156,272,130	\$ 79,173,199	\$ 122,617,260	\$ 18,095,230	\$ 1,339,967,359
2002 (2003-2004) (2) (3)	\$ 1,251,144,353	\$ 87,487,639	\$ 109,794,363	\$ 19,598,435	\$ 1,428,827,920
2003 (2004-2005) (1) (2) (3)	\$ 1,971,932,170	\$ 87,388,715	\$ 122,818,750	\$ 23,202,023	\$ 2,158,937,612
2004 (2005-2006) (2) (3)	\$ 2,121,542,170	\$ 97,792,039	\$ 120,504,470	\$ 16,741,666	\$ 2,323,097,013
2005 (2006-2007) (2) (3)	\$ 2,146,178,830	\$ 94,414,993	\$ 122,345,240	\$ 16,750,370	\$ 2,346,188,693

Source: Town of Smithfield, Rhode Island tax records

- (1) Town wide property revaluation.
- (2) Effective fiscal year ending June 2000, the State of Rhode Island implemented a motor vehicle phase-out program. As a result, the assessed values noted are net of the related exemptions.
- (3) Effective fiscal year ending June 2000, the State of Rhode Island implemented a tangible property phase-out program. As a result, the assessed values noted are net of the related exemptions.

TOWN OF SMITHFIELD, RHODE ISLAND

**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES TO TOTAL GENERAL FUND EXPENDITURES
LAST TEN FISCAL YEARS**

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total General Fund Expenditures</u>	<u>Percentage of Total Debt Service to General Fund Expenditures</u>
1997-98	\$ 1,015,244	\$ 590,768	\$ 1,606,012	\$ 33,347,759	4.82%
1998-99	\$ 847,171	\$ 610,869	\$ 1,458,040	\$ 34,537,443	4.22%
1999-2000	\$ 980,132	\$ 548,547	\$ 1,528,679	\$ 36,141,282	4.23%
2000-2001	\$ 918,132	\$ 554,240	\$ 1,472,372	\$ 38,258,979	3.85%
2001-2002	\$ 971,268	\$ 443,066	\$ 1,414,334	\$ 42,336,464	3.34%
2002-2003	\$ 966,836	\$ 398,791	\$ 1,365,627	\$ 45,866,739	2.98%
2003-2004	\$ 1,657,972	\$ 869,370	\$ 2,527,342	\$ 48,159,938	5.25%
2004-2005	\$ 2,028,540	\$ 841,121	\$ 2,869,661	\$ 51,058,947	5.62%
2005-2006	\$ 1,730,000	\$ 625,875	\$ 2,355,875	\$ 52,474,432	4.49%
2006-2007	\$ 1,730,000	\$ 692,711	\$ 2,422,711	\$ 54,631,064	4.43%

Source: Town of Smithfield, Rhode Island financial records.

* Expenditures exclude the payment to refund the bond escrow agent.

TOWN OF SMITHFIELD, RHODE ISLAND

**DEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Population</u>		<u>School Enrollment</u>	<u>Median Family Income</u>	<u>Median Home Price</u>	<u>Building Permits Issued</u>	<u>Unemployment Rate</u>
1997-1998	19,163	(1)	2,718	\$ 49,060	\$ 133,900	460	4.1
1998-1999	19,163	(1)	2,757	\$ 49,060	\$ 135,800	411	3.7
1999-2000	19,163	(1)	2,735	\$ 49,060	\$ 137,500	419	3.5
2000-2001	20,613	(2)	2,704	\$ 49,060	\$ 137,500	429	4.3
2001-2002	20,613	(2)	2,687	\$ 66,320	\$ 153,000	669	4.2
2002-2003	20,613	(2)	2,703	\$ 67,026	\$ 176,300	625	3.8
2003-2004	20,613	(2)	2,615	\$ 67,646	\$ 189,400	559	4.2
2004-2005	20,613	(2)	2,659	\$ 68,322	\$ 259,950	622	5.0
2005-2006	21,608	(2)	2,625	\$ 66,320	\$ 309,950	594	4.4
2006-2007	21,608	(2)	2,609	\$ 66,320	\$ 335,000	667	4.1

Source: Rhode Island Economic Development - Research Division: Housing Data Base Annual State Report on Local Government Finances and Tax Equalization.

(1) Based on 1990 Census

(2) Based on 2000 Census

TOWN OF SMITHFIELD, RHODE ISLAND

PRINCIPAL TAXPAYERS

JUNE 30, 2007

<u>Taxpayer</u>	<u>Type of Business</u>	<u>December 31, 2006 Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
Fidelity Corporate Real Estate	Investment Company	Tax Treaty	Tax Treaty
W/S Smithfield Associates, LLC	Retail Mall Complex	\$ 61,422,400	2.13%
Smithfield Office Park	Office Building Complex	Tax Treaty	Tax Treaty
Village at Waterman Lake	Retirement Living Center	\$ 18,475,800	0.64%
Narragansett Electric	Public Utility	\$ 15,971,410	0.55%
Target Corp.	Retail Corporation	\$ 12,895,000	0.45%
Accessories Associates, Inc.	Manufacturer	Tax Treaty	Tax Treaty
B-D Assurance Co. Ltd.	Real Estate Holding Co.	\$ 11,359,260	0.39%
Alexion Manufacturing LLC	Pharmaceutical	\$ 10,088,711	0.35%
R.A. Smithfield, LLC	Real Estate Holding Co.	\$ 9,597,300	0.33%

Source: Town of Smithfield, Rhode Island tax records.

TOWN OF SMITHFIELD, RHODE ISLAND

**PUBLIC SCHOOL ENROLLMENTS - ACTUAL AND PROJECTED
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Total Annual</u>	<u>Elementary Annual</u>	<u>Secondary Annual</u>
1998	2,718	1,265	1,453
1999	2,757	1,249	1,508
2000	2,735	1,254	1,481
2001	2,704	1,220	1,484
2002	2,687	1,228	1,459
2003	2,703	1,169	1,534
2004	2,615	1,048	1,567
2005	2,659	1,125	1,534
2006	2,625	1,104	1,521
2007	2,609	1,119	1,490

In addition, there are approximately 257 students attending parochial or private schools.