

TOWN OF SMITHFIELD RHODE ISLAND

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2015



Dennis G. Finlay
Town Manager

Randy R. Rossi
Finance Director/Treasurer

Prepared by: Finance Department

TOWN OF SMITHFIELD

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-

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YEAR ENDED JUNE 30, 2015

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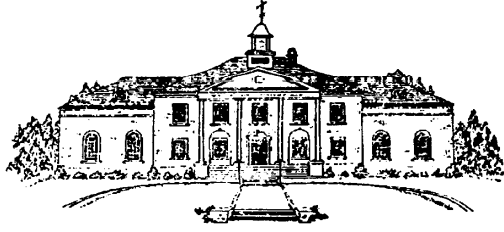
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Town of Smithfield

64 Farnum Pike • Smithfield, Rhode Island 02917
Finance Director & Tax Collector
Randy R. Rossi
(401) 233-1072 • Fax (401) 233-1060

December 23, 2015

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

The Comprehensive Annual Financial Report of the Town of Smithfield, for the fiscal year ended June 30, 2015 is submitted herewith. This report was prepared by the Town's Finance Department. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the Town. We believe the information, as presented, is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial positions, results of operations and cash flows of the Town. All disclosures necessary to enable the reader to gain maximum understanding of the Town's financial affairs have been included.

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

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

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

GOVERNMENT PROFILE

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

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

GENERAL

Except as provided below, under Rhode Island law the Town may not, without special statutory authorization, incur any debt which would increase its aggregate indebtedness not otherwise excepted by law to an amount greater than 3% of the taxable property of the Town. Deducted from the computation of aggregated indebtedness is the amount of any borrowing in anticipation of taxes authorized by law and the amount of any sinking funds maintained by the Town. The 3% debt limit of the Town is \$77,247,379 based on net assessed valuations of \$2,574,912,619 as December 31, 2013. As of June 30, 2015, the Town has \$206,000 of outstanding under the 3% debt limit provision; all other outstanding debt has been authorized by special act of the Rhode Island State Legislature and referenda approved by the Town Electorate.

STATE SCHOOL AID

Pursuant to Rhode Island General Laws Sections 16-7-15 et seq., as amended, the State provides school operations aid to each municipality and school district in the State, subject to annual appropriation by the General Assembly. The statutes provide for reimbursement of school expenditures based on a formula which adjusts the reimbursement ratio based on the relative equalized evaluation of property and median family income of a community relative to the state as a whole. The Town's School Department received \$5,058,392 in direct state aid for the fiscal year ended June 30, 2015. The Town budgeted \$5,340,503 in direct state aid for fiscal year ending June 30, 2016.

The State provides construction aid to Rhode Island municipalities for the cost of building new public schools. All buildings constructed since July 1, 1949 are eligible for assistance of a minimum of 30% of the full cost of such buildings. Such assistance level may be further increased by a formula which takes into account the equalized assessed valuation and debt service burden of the particular municipality. For the fiscal year ended June 30, 2015, the Town received \$410,842 in such construction aid and the Town budgeted \$200,000 for fiscal year ending June 30, 2016.

EDUCATION

A five-member School Committee that is elected at large at the regular biennial elections for staggered four-year terms directs the general administration of the Smithfield School System. The School Committee determines and controls all policies affecting the administration, maintenance, and operation of the public schools in the Town. The School Committee appoints a Superintendent as its chief administrative agent; submits a detailed budget of expenditures and revenues to the Town Council and, once the school budget has been approved, determines the allocation of the amount appropriated. The cost of operating the Town's School System (Unrestricted Fund) for the fiscal year ended June 30, 2015 was \$34,200,052 (excluding the State on-behalf pension contribution). The School Department budget for fiscal year ending June 30, 2016 is \$35,058,588. The cost per student is \$14,358 shared by the Town and the State of Rhode Island in the form of School Operations Aid.

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

| <u>FISCAL YEAR ENDING</u> | <u>ENROLLMENT</u> |
|---------------------------|-------------------|
| 2006 | 2,625 |
| 2007 | 2,609 |
| 2008 | 2,599 |
| 2009 | 2,555 |
| 2010 | 2,504 |
| 2011 | 2,470 |
| 2012 | 2,407 |
| 2013 | 2,410 |
| 2014 | 2,367 |
| 2015 | 2,382 |

MUNICIPAL SERVICES

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

WASTEWATER FACILITIES

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

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

| | <u>Accounts</u> | <u>Units</u> |
|-------------|-----------------|--------------|
| Residential | 4,727 | 5,441 |
| Commercial | 335 | 2,669 |
| Industrial | 24 | 355 |
| Total | <u>5,086</u> | <u>8,465</u> |

User charges are assessed each year in an amount necessary to cover the projected operating expenses and debt service of the Sewer Authority for that year. For the fiscal year ended June 30, 2015 residential users were charged a flat rate of \$330 for the year.

In fiscal year ended June 30, 2013, the Town contracted with the firm, Veolia Water North America to operate the Town's wastewater treatment facility over the next ten years. There are approximately \$7.4 million dollars in capital improvements that were recently performed at the sewer plant which were financed through the Rhode Island Clean Water Finance Agency.

SANITATION

Weekly rubbish and garbage collection is provided by the Town through the use of private contractors. For the fiscal year ended June 30, 2015, the Public Works Department expended \$940,643 for these services. For the fiscal year ending June 30, 2016 the approved budget is \$960,000.

PUBLIC WORKS

The Town of Smithfield's Department of Public Works provides a full range of services including street construction and maintenance, snow removal and maintenance of Town facilities. Total expenditures for the fiscal year ended June 30, 2015 totaled \$2,403,595 (including \$222,916 of capital outlays) and budgeted \$2,831,181 for fiscal year ending June 30, 2016.

PUBLIC SAFETY

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

The Police Department consists of 42 full-time police officers and 1 auxiliary officer. In addition, there are 12 civilian full-time and 6 civilian part-time employees of support personnel including dispatchers. The Police Department expended \$4,979,407 (including \$115,278 of capital outlays) for fiscal year ended June 30, 2015 and budgeted \$5,061,446 for fiscal year ending June 30, 2016.

The Fire Department has 3 fire stations staffed by 51 full-time fire fighters and support personnel of 6 full-time employees. The Fire Department expended \$5,170,335 (including \$58,994 of capital outlays) for fiscal year ended June 30, 2015 and budgeted \$5,305,164 for fiscal year ending June 30, 2016.

PUBLIC LIBRARIES

There are two public libraries in Town, the Greenville Public Library and East Smithfield Public Library. For the fiscal year ended June 30, 2015 the combined allocation from the Town was \$1,254,265 and budgeted \$1,283,079 for the fiscal year ending June 30, 2016.

EMPLOYEE RELATIONS

The Town of Smithfield currently employs 170 full-time employees exclusive of those employed by the School Department. The School Department employs 223.9 certified employees and 96 full-time and part-time non-certified employees.

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

| | |
|-------------------------------------------------|-----------------------------------------|
| Police Department | 3 year contract expires June 30, 2016 |
| Fire Department | 3 year contract expires June 30, 2016 |
| Police Civilian Employees | 3 year contract expired June 30, 2018 |
| Public Works Employees | 3 year contract expired June 30, 2018 |
| Town Hall Employees | 3 year contract expired June 30, 2018 |
| Teachers | 3 year contract expires August 31, 2017 |
| Custodians | 3 year contract expires June 30, 2016 |
| Teacher Para-Professionals & Clerical Employees | 3 year contract expires June 30, 2018 |

FINANCIAL INFORMATION

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

INTERNAL CONTROLS

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

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

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

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

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

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

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

DEBT ADMINISTRATION

The ratio of net bonded debt to net assessed valuation and the amount of bonded debt per capita are useful indicators of the Town's debt position to municipal management, citizens and investors. This data for the Town at June 30, 2015 is as follows:

| | <u>AMOUNT</u> | <u>RATIO OF NET BONDED DEBT TO NET ASSESSED VALUE</u> | <u>DEBT PER CAPITA</u> |
|-----------------|---------------|-------------------------------------------------------------------|--------------------------------|
| Net Bonded Debt | \$13,596,000 | 0.53% | \$634.44 |

The Town's bond ratings as of June 30, 2015 are as follows:

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

LONG-TERM FINANCIAL PLANNING

The Town Council has continued to support Capital Improvements and Projects. The fiscal year 2016 budget includes an appropriation of \$1,595,681 for the following projects: various town building improvements, radio system upgrades, police vehicles, information technology, school department technology, and dam and bridge improvements. The Town uses a combination of capital reserve funds, police and fire capital funds, and tax dollars to fund these capital improvements.

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

CASH MANAGEMENT

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

RISK MANAGEMENT

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

INDEPENDENT AUDIT

In accordance with Town's Charter, the Town's Independent Certified Public Accountants, Robert J. Civetti, CPA, LLC have completed an audit of the accounts and financial statements, and their opinion is included herein.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Smithfield for its comprehensive annual financial report for the fiscal year ended June 30, 2014. This was the seventh consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

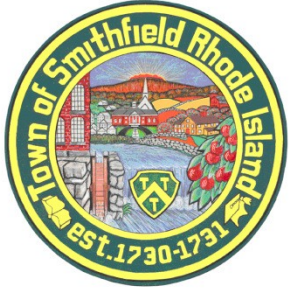
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of the Comprehensive Annual Financial Report and its timely issuance is the result of the efforts and dedication of the competent staff of the Department of Finance. I would like to acknowledge the special efforts of the Town Controller, my staff and other personnel from various departments who assisted in its preparation. Also, I would like to thank the Town Manager and the Town Council for their interest and support in planning and conducting the financial operation of the Town in a dedicated and responsible manner.

Respectfully Submitted,

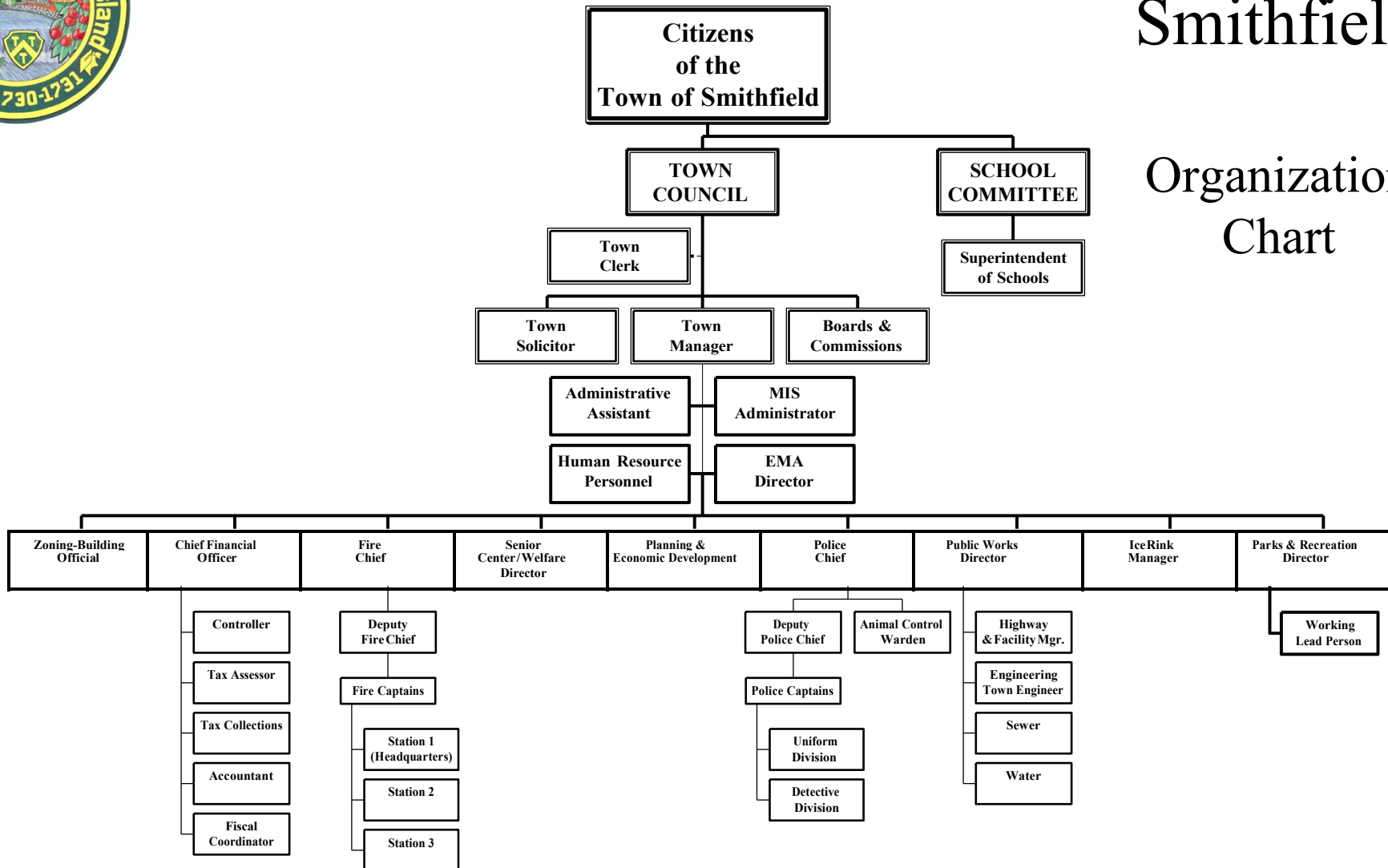
A handwritten signature in black ink, appearing to read 'R. R. Rossi', written in a cursive style.

Randy R. Rossi
Finance Director



Town of Smithfield

Organization Chart



TOWN OF SMITHFIELD, RHODE ISLAND

June 30, 2015

TOWN COUNCIL

Bernard A. Hawkins, President
Suzanna L. Alba, Vice-President

Gregory J. Tocco
Maxine A. Cavanagh
Alberto J. LaGreca, Jr.

TOWN MANAGER

Dennis G. Finlay

DEPARTMENT DIRECTORS

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



Government Finance Officers Association

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

Presented to

**Town of Smithfield
Rhode Island**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO

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TOWN OF SMITHFIELD

FINANCIAL SECTION

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

INDEPENDENT AUDITOR'S REPORT

To the Town Council
Town of Smithfield, Rhode Island

Report on the Financial Statements

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, 2015, and the related notes to the financial statements, which collectively comprise the Town of Smithfield, Rhode Island's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Smithfield, Rhode Island, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1 to the financial statements, in fiscal 2015, the Town of Smithfield, Rhode Island adopted new accounting guidance, GASB Statement 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

As described in Note 16, the implementation of GASB Statement 68 resulted in the restatement of net position of the Governmental Activities as of June 30, 2014. The net position was restated to include the net pension assets, net pension liabilities, deferred inflows of resources, and deferred outflows of resources related to the various pension plans maintained by the Town of Smithfield, Rhode Island. The net position was decreased by \$53,878,707 as a result of the implementation of GASB 68.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, the required schedules related to pension plans, and the Schedule of Funding Progress for OPEB Plans on Pages 4 through 16, Pages 85 through 90, Pages 91 through 106, and Page 107, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

Other Matters (Continued)

Other Information (Continued)

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2015, on our consideration of the Town of Smithfield, Rhode Island's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Smithfield, Rhode Island's internal control over financial reporting and compliance.

Prior Year Comparative Information

The financial statements include partial prior-year comparative information for the proprietary funds. Such information does not include all of the information required to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Town of Smithfield, Rhode Island's financial statements for the year ended June 30, 2014, from which the partial information was derived.

Robert J. Civetti, CPA, LLC

Johnston, Rhode Island
December 23, 2015

TOWN OF SMITHFIELD, RHODE ISLAND
Management's Discussion and Analysis
For the Year Ended June 30, 2015
(Unaudited)

As management of the Town of Smithfield, we offer readers of the Town of Smithfield's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with the letter of transmittal and the Town's financial statements that follow this section.

Financial Highlights

- ❖ The assets and deferred outflow of resources for the Town of Smithfield exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$2,392,424.
- ❖ The government's total net position increased by \$2,178,322. The increase is primarily attributable to an increase in property tax revenues of \$1,800,960.
- ❖ As of the close of the fiscal year, the Town of Smithfield's governmental funds reported combined ending fund balances of \$23,470,649. Approximately 8.3% of this amount, \$1,941,276 is unassigned and available for use at the government's discretion.
- ❖ The remaining fund balance of \$21,529,373 includes \$1,293,093 in non-spendable funds, \$398,444 in restricted funds, \$16,657,836 in committed funds, and \$3,180,000 in assigned funds.
- ❖ At the end of the current fiscal year, the General Funds unassigned fund balance was \$3,372,908, or 11.3% of the total general fund expenditures for the fiscal year. The general fund's current fiscal year's revenues and transfers exceeded expenditures and transfers by \$72,410.

New Significant Accounting Standards

For the fiscal year ended June 30, 2015, the Town adopted two new statements of financial accounting standards issued by the Governmental Accounting Standards Board (GASB) that relate to pension activity:

- GASB Statement No. 68, "*Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27,*" and
- GASB Statement No. 71, "*Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*"

GASB Statement No. 68 (Statement) establishes standards of accounting and financial reporting, but not funding or budgetary standards, for the Town's defined benefit pension plans. This Statement replaces the requirements of prior GASB statements impacting accounting and disclosure of pensions.

The significant impact to the Town of implementing Statement No. 68 is the reporting of the Town's unfunded pension liability on the Town's full accrual basis of accounting government-wide financial statements. There are also new note disclosure requirements and supplementary schedules required by the Statement.

The measurement date for the pension liabilities in the plans administered by the State of Rhode Island is as of June 30, 2014. This date reflects a one year lag and was used so that these financial statements could be issued in an expedient manner. Activity (i.e., contributions made by the Town) occurring during the fiscal year ended June 30, 2015 are reported as deferred outflows of resources in accordance with Statement No. 71 for these plans.

TOWN OF SMITHFIELD, RHODE ISLAND
Management's Discussion and Analysis
For the Year Ended June 30, 2015
(Unaudited)

In order to implement the Statement, the Town's June 30, 2014 net position has been restated to reflect the cumulative effect resulting from the implementation of GASB Statement #68. The restatement decreased the Town's net position by \$53,878,707 to \$214,102 and reflects the reporting of: 1) net pension liabilities of \$67,056,123, 2) net pension asset of \$4,205,111, 3) removal of net pension obligation of \$6,389,884 and 4) increase in deferred outflows of resources of \$2,582,421. Please refer to Note 10 for more information regarding the Town's pensions.

The adoption of Statement No. 68 has no impact on the Town's governmental fund financial statements, which continue to report expenditures equal to the amount of the Town's actuarially determined contribution (formerly referred to as the "annual required contribution"). The calculation of pension contributions is also unaffected by this Statement.

Overview of the Financial Statements

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

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

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

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

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

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

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

The government wide financial statements are reported on Pages 17 through 18.

TOWN OF SMITHFIELD, RHODE ISLAND
Management's Discussion and Analysis
For the Year Ended June 30, 2015
(Unaudited)

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

Governmental Funds - Governmental funds (Pages 19-22) are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

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

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

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

The proprietary fund financial statements are presented on Pages 23 through 26.

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

The fiduciary fund financial statements can be found on Pages 27 and 28.

Notes to Financial Statements -The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are presented on Pages 29 through 84.

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

TOWN OF SMITHFIELD, RHODE ISLAND
Management's Discussion and Analysis
For the Year Ended June 30, 2015
(Unaudited)

information is presented on Pages 85 through 107.

The combining statements referred to earlier in connection with non-major governmental funds and proprietary funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules are presented on Pages 108 through 124.

Government-wide Financial Analysis

As noted earlier, over time net position may serve as a useful indicator of a government's financial position and an important determinant of its ability to finance services in the future. In the case of the Town of Smithfield, assets exceeded liabilities by \$2,392,424 as of June 30, 2015.

Listed below is a comparison of the current and prior fiscal years.

TOWN OF SMITHFIELD, RHODE ISLAND
NET POSITION

| | Governmental Activities | | Business-Type Activities | | Total | |
|-------------------------------------------------|-------------------------|----------------------|--------------------------|----------------------|---------------------|----------------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| ASSETS | | | | | | |
| Current assets | \$ 27,627,078 | \$ 27,977,690 | \$ 7,008,736 | \$ 7,686,058 | \$ 34,635,814 | \$ 35,663,748 |
| Noncurrent assets | 45,233,054 | 39,292,553 | 22,308,280 | 22,698,112 | 67,541,334 | 61,990,665 |
| Total Assets | 72,860,132 | 67,270,243 | 29,317,016 | 30,384,170 | 102,177,148 | 97,654,413 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | | |
| Deferred charges on refunding | 109,792 | 123,661 | - | - | 109,792 | 123,661 |
| Difference between projected & actual earnings | 304,830 | - | - | - | 304,830 | - |
| Changes in pension assumptions | 16,219 | - | - | - | 16,219 | - |
| Pension contributions after measurement date | 3,287,200 | - | - | - | 3,287,200 | - |
| Total Deferred Outflows of Resources | 3,718,041 | 123,661 | - | - | 3,718,041 | 123,661 |
| LIABILITIES | | | | | | |
| Current liabilities | 5,210,980 | 5,224,758 | 792,607 | 1,120,570 | 6,003,587 | 6,345,328 |
| Noncurrent liabilities | 79,138,596 | 28,824,736 | 8,016,290 | 8,533,576 | 87,154,886 | 37,358,312 |
| Total Liabilities | 84,349,576 | 34,049,494 | 8,808,897 | 9,654,146 | 93,158,473 | 43,703,640 |
| DEFERRED INFLOWS OF RESOURCES | | | | | | |
| Difference between actual & expected experience | 79,195 | - | - | - | 79,195 | - |
| Difference between projected & actual earnings | 4,764,120 | - | - | - | 4,764,120 | - |
| Changes in pension assumptions | 5,501,977 | - | - | - | 5,501,977 | - |
| Total Deferred Inflows of Resources | 10,345,292 | - | - | - | 10,345,292 | - |
| NET POSITION | | | | | | |
| Net Investment in Capital Assets | 24,868,591 | 23,649,502 | 13,998,195 | 14,225,333 | 38,866,786 | 37,874,835 |
| Unrestricted | (42,984,286) | 9,694,908 | 6,509,924 | 6,504,691 | (36,474,362) | 16,199,599 |
| Total Net Position | \$ (18,115,695) | \$ 33,344,410 | \$ 20,508,119 | \$ 20,730,024 | \$ 2,392,424 | \$ 54,074,434 |

By far largest portion of the Town's net position \$38,866,786 reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment); less any related debt used to acquire these assets that are still outstanding. The Town uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

TOWN OF SMITHFIELD, RHODE ISLAND
Management's Discussion and Analysis
For the Year Ended June 30, 2015
(Unaudited)

The unrestricted net position of (\$36,474,362), a decrease of 3,252% from the prior year, is the change in resources available to fund Town programs to residents and debt obligations to creditors. The negative unrestricted net position is primarily the result of the Town's unfunded pension and OPEB obligations.

The Town's net position increased by \$2,178,322 during the current fiscal year. The increase is primarily attributable to an increase in property tax revenues and decrease in pension expenses recognized within Public Safety. Of this amount, governmental activities accounted for \$2,400,227 of the increase, while business-type activities accounted for a decrease of (\$221,905).

Governmental Activities

Governmental activities increased the Town's net position by \$2,400,227 for the current period, which is an overall increase of (11.7%) in the Town's governmental net position.

Property taxes increased by \$1,800,960 (3.42 percent) during the year. Most of this increase is the product of additional taxable value generated throughout town and continued collection efforts for both current and delinquent taxes. Operating grants for governmental activities decreased by \$473,789, while charges for services increased by \$399,238.

The net change in fund balance for the fiscal year ended June 30, 2015 was a decrease of (\$184,318) for the Town's governmental fund types. The reduction in fund balance was due mainly to School Department's use of \$225,134 in fund balance for fiscal year 2015.

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

The following presents the Changes in Net Position for the current year's activity.

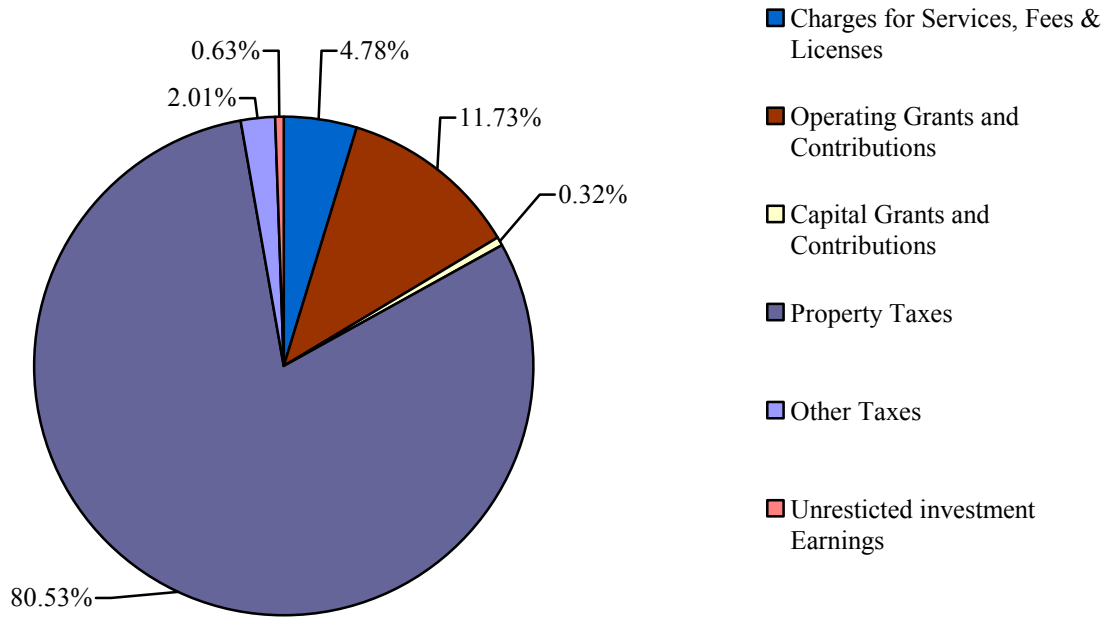
TOWN OF SMITHFIELD, RHODE ISLAND
Management's Discussion and Analysis
For the Year Ended June 30, 2015
(Unaudited)

TOWN OF SMITHFIELD, RHODE ISLAND
Changes in Net Position

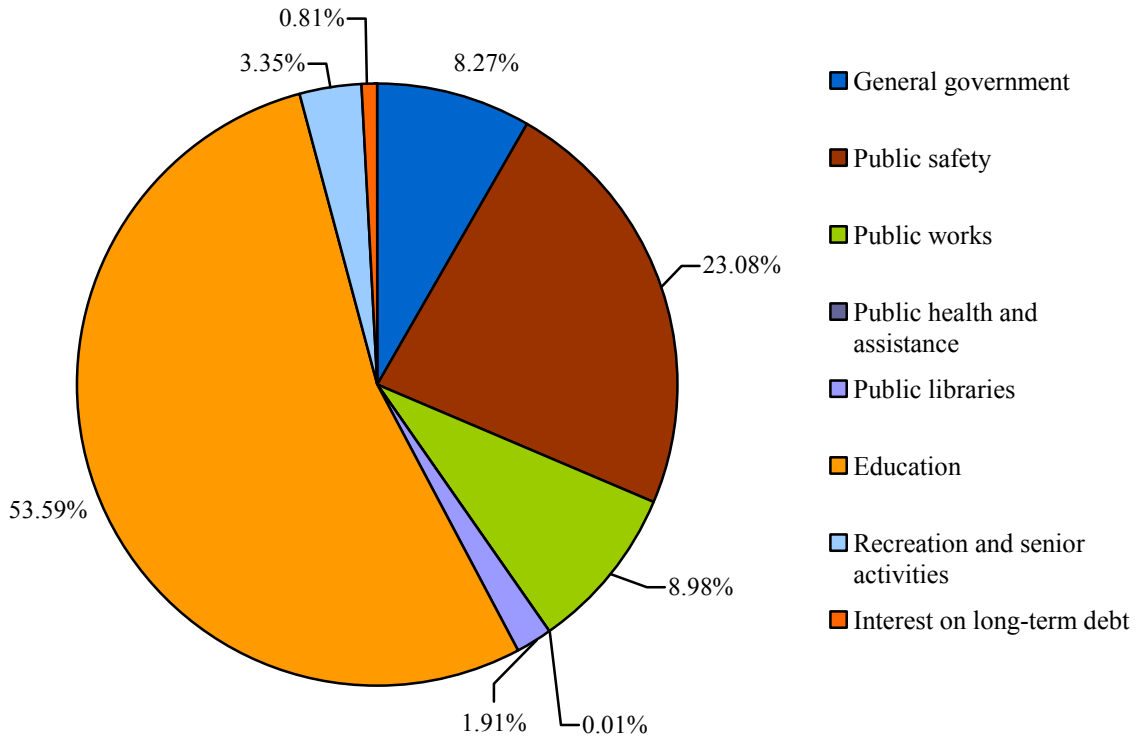
| | Governmental Activities | | | Business-Type Activities | | |
|--------------------------------------------|----------------------------|------------------------|---------------------|-----------------------------|----------------------|---------------------|
| | 2015 | 2014 | Change | 2015 | 2014 | Change |
| Revenues | | | | | | |
| Program revenues | | | | | | |
| Charges for services | \$ 3,237,569 | \$ 2,838,331 | \$ 399,238 | \$ 5,652,821 | \$ 5,776,799 | \$ (123,978) |
| Operating grants and contributions | 7,943,116 | 8,416,905 | (473,789) | 208,807 | 215,512 | (6,705) |
| Capital grants and contributions | 213,473 | 119,323 | 94,150 | - | - | - |
| General revenues | | | | | | |
| Property taxes | 54,525,300 | 52,724,340 | 1,800,960 | - | - | - |
| Unrestricted investment earnings | 429,541 | 459,545 | (30,004) | 19,516 | 43,443 | (23,927) |
| Miscellaneous | 1,359,288 | 1,329,750 | 29,538 | - | - | - |
| Total Revenues | <u>67,708,287</u> | <u>65,888,194</u> | <u>1,820,093</u> | <u>5,881,144</u> | <u>6,035,754</u> | <u>(154,610)</u> |
| Expenses | | | | | | |
| General government | 5,442,335 | 6,066,867 | (624,532) | - | - | - |
| Public safety | 15,190,320 | 17,179,333 | (1,989,013) | - | - | - |
| Public works | 5,910,910 | 5,028,166 | 882,744 | - | - | - |
| Education | 35,265,621 | 35,866,336 | (600,715) | - | - | - |
| Recreation and senior activities | 2,204,210 | 1,065,331 | 1,138,879 | - | - | - |
| Public health & assistance | 5,992 | 8,197 | (2,205) | - | - | - |
| Community development | - | - | - | - | - | - |
| Public libraries | 1,254,265 | 1,217,734 | 36,531 | - | - | - |
| Interest on long-term debt | 534,407 | 552,480 | (18,073) | - | - | - |
| Sewer Authority | - | - | - | 3,067,255 | 3,299,297 | (232,042) |
| Water Supply Board | - | - | - | 1,336,587 | 1,336,273 | 314 |
| Smithfield Ice Rink | - | - | - | 650,176 | 664,391 | (14,215) |
| School Lunch Program | - | - | - | 549,031 | 554,776 | (5,745) |
| Total Expenses | <u>65,808,060</u> | <u>66,984,444</u> | <u>(1,176,384)</u> | <u>5,603,049</u> | <u>5,854,737</u> | <u>(251,688)</u> |
| Increase (Decrease) in Net Position | | | | | | |
| before transfers | 1,900,227 | (1,096,250) | 2,996,477 | 278,095 | 181,017 | 97,078 |
| Transfers | 500,000 | 500,000 | - | (500,000) | (500,000) | - |
| Increase (Decrease) in Net Position | <u>2,400,227</u> | <u>(596,250)</u> | <u>2,996,477</u> | <u>(221,905)</u> | <u>(318,983)</u> | <u>97,078</u> |
| Net Position - beginning | (20,515,922) | 33,959,035 | (54,474,957) | 20,730,024 | 21,049,007 | (318,983) |
| Cumulative effect to implement GASB 68 | - | (53,878,707) | 53,878,707 | - | - | - |
| Net Position - ending | <u>\$ (18,115,695)</u> | <u>\$ (20,515,922)</u> | <u>\$ 2,400,227</u> | <u>\$ 20,508,119</u> | <u>\$ 20,730,024</u> | <u>\$ (221,905)</u> |

TOWN OF SMITHFIELD, RHODE ISLAND
Management's Discussion and Analysis
For the Year Ended June 30, 2015
(Unaudited)

Revenue by Source - Governmental Activities



Expenses by Function - Governmental Activities



TOWN OF SMITHFIELD, RHODE ISLAND
Management's Discussion and Analysis
For the Year Ended June 30, 2015
(Unaudited)

Education expenses account for approximately 53.6 percent of the total expenses within the governmental funds of the Town of Smithfield. Public safety and General government expenses account for approximately 23.08 percent and 8.27 percent, respectively of the total expenses for the 2015 fiscal year. Major expense factors include:

- Governmental activities expenses decreased by \$1,176,384 from \$66,984,444 to \$65,808,060. The decrease was largely generated from decreases in Public Safety and General Government expenditures. While Recreation and Public Work recognized an increase of \$1,138,879 and \$885,744, respectfully.
- Public Safety saw a decrease in expenditures by \$1,989,013 from \$17,179,333 to \$15,190,320 due to accounting changes required by GASB Statement 68 for recording pension expense.
- Interest of long term debt decreased by (\$18,073) based on a declining debt schedule.

Business-type Activities – Net position in business-type activities decreased by (\$221,905) resulting in a (1.1%) decrease in business-type net position.

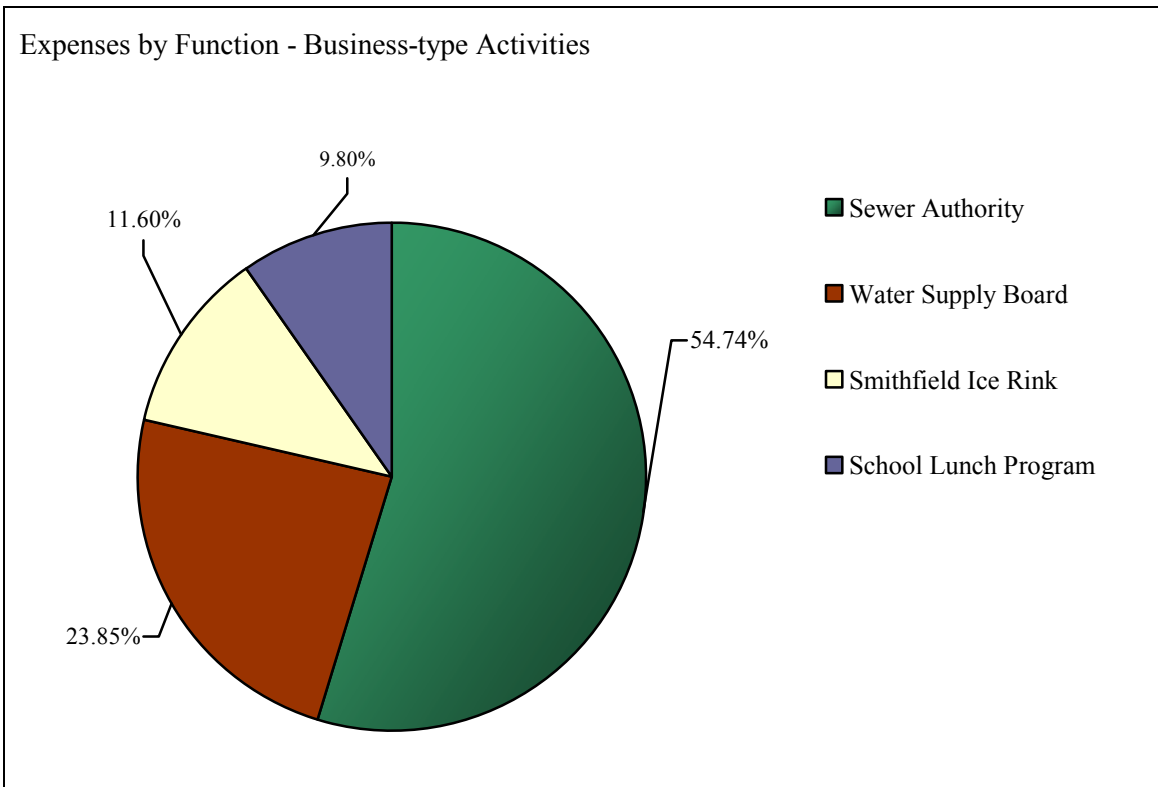
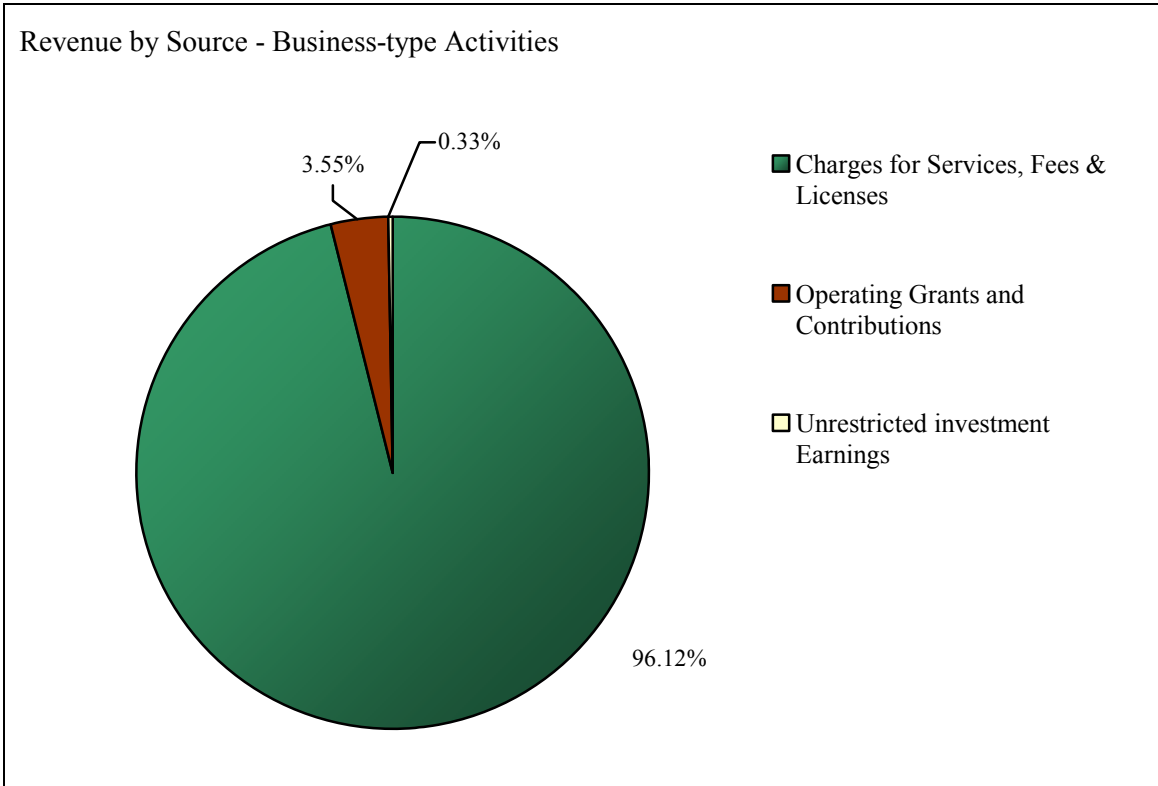
Charges for services for business-type activities accounted for 96.1% of the total revenue sources. The balance of revenues for business-type activities was from operating grants and contributions of 3.6%, and investment earnings of 0.3%.

Sewer authority expenses account for approximately 54.7% of the total expenditures within the business-type activities of the Town. Water Supply Board, Ice Rink, and School Lunch Program expenses account for approximately 23.9%, 11.6%, and 9.8%, respectively of the total business-type activities expenditures for the 2015 fiscal year.

Charges for service for business-type activities decreased by \$123,978 from \$5,776,799 to \$5,652,821. The Sewer Authority fund had a decrease of \$99,756. The decrease was the result of lower sewer usage while maintain no increase in the user rate. Charges for services in the Water Supply Board fund and the School Lunch Programs fund decreased by \$71,418 and \$20,864 respectively. The Ice Rink recognized an increase of \$68,060 which was due primarily to increase ice time rental. Unrestricted investment earnings decreased from \$43,443 to \$19,516 for all business-type activities. The slight decrease in interest earned on investments was due to limited investment opportunities during the fiscal year.

Expenses in the Sewer Authority fund decreased by \$232,042 as of result a decrease in depreciation and amortization that were recognized during the fiscal year. Water Supply expenses increased by \$314 while the Ice Rink fund experienced a decrease of (\$14,215) due to savings generated with health benefits. The School Lunch Program fund recognized a decrease in expenditures of (\$5,745) due to a reduction in the cafeteria operating costs.

TOWN OF SMITHFIELD, RHODE ISLAND
Management's Discussion and Analysis
For the Year Ended June 30, 2015
(Unaudited)



TOWN OF SMITHFIELD, RHODE ISLAND
Management's Discussion and Analysis
For the Year Ended June 30, 2015
(Unaudited)

Financial Analysis of the Town of Smithfield's Funds

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

At the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$23,470,649. Approximately 8.2% of the total amount, or \$1,941,276 constituted unassigned fund balances. The remainder of the fund balance is non-spendable, restricted, committed or assigned for future commitments or designated for specific purposes. The fund balance in the General Fund increased due to a positive variance of revenues in excess of expenditures of \$72,410. While the fund balance in the School Unrestricted Fund decreased by (\$225,134) due to expenditures for capital projects and revenue shortfalls. The School Unrestricted Fund planned on the decrease and budgeted the use of fund balance for fiscal 2015.

For a more detailed review of changes in fund balances, see the statement of revenues, expenditures and changes in fund balances on Page 21.

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

Unrestricted net position in the Sewer Authority at the end of the fiscal year amount to \$4,871,006, a decrease of \$146,782. Unrestricted net position in the Water Supply increased by \$96,520 for a total of \$1,050,729. The Ice Rink finished the year with an unrestricted net position of \$522,091, which was an increase in value of \$29,473. The School Lunch Program recognized an increase in unrestricted net position by \$26,025.

General Fund Budgetary Highlights

For the year ended June 30, 2015, the General Fund revenues and transfers were over budget projections by \$301,359, or 0.44%. General Fund expenditures were under budget by \$196,514, or 0.28%. This resulted in a \$497,873 budgetary surplus in the General Fund for the year ended June 30, 2015. See details on Pages 85 through 88.

Revenues:

Intergovernmental revenues - were over budget by \$577,319 due to conservative budgeting for state aid revenues based on the Governor's Budget.

License, fees and permits - were over budget by \$191,763 due to an unanticipated increase in the quantity building permit fees and recording fees collected.

Interest Income revenues – were over budget by \$132,158 due to increasing investment rates and increased delinquent collections.

Other funding sources - were under budget by \$714,722 due to the availability of other revenue sources and the lack of need to transfer amounts from other funds.

TOWN OF SMITHFIELD, RHODE ISLAND
Management's Discussion and Analysis
For the Year Ended June 30, 2015
(Unaudited)

Expenditures:

Public Safety - was over budget by \$222,807 due to overtime costs for covering long-term vacancies.

Public Works – was under budget by \$36,726 due to unfilled positions.

Town Miscellaneous - was under budget by \$96,323 due to savings realized due to reductions in health benefits and operating costs.

Municipal Capital Improvements – was under budget by \$291,166 due to time constraints in being able to complete projects during the fiscal year.

The Town of Smithfield's Capital Assets

The Town of Smithfield's investment in capital assets for its governmental and business-type activities as of June 30, 2015 amounts to \$60,616,127 (net of accumulated depreciation). The investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, infrastructure, and construction in progress.

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

| | Governmental Activities | | Business-Type Activities | | Total | |
|--------------------------|----------------------------|---------------------|-----------------------------|---------------------|---------------------|---------------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Land | \$15,229,652 | \$14,557,927 | \$ 270,688 | \$ 270,688 | \$15,500,340 | \$14,828,615 |
| Construction in progress | 573,135 | 154,180 | 6,689,523 | 6,622,689 | 7,262,658 | 6,776,869 |
| Land improvements | - | - | 2,857 | 4,894 | 2,857 | 4,894 |
| Plant and buildings | 13,098,879 | 13,442,779 | 1,770,468 | 1,737,452 | 14,869,347 | 15,180,231 |
| Equipment | 822,195 | 1,224,572 | 5,639,188 | 5,997,497 | 6,461,383 | 7,222,069 |
| Motor vehicles | 1,237,751 | 1,432,636 | 34,001 | - | 1,271,752 | 1,432,636 |
| Infrastructure | 7,848,415 | 8,480,459 | 7,399,375 | 7,501,703 | 15,247,790 | 15,982,162 |
| Total | \$38,810,027 | \$39,292,553 | \$21,806,100 | \$22,134,923 | \$60,616,127 | \$61,427,476 |

Additional information on the Town of Smithfield's capital assets is located in "Note 5" of the notes to the financial statements on Pages 48 and 49.

The Town of Smithfield's Debt Administration

At the end of the current fiscal year, the Town of Smithfield's Governmental Activities had a total bonded debt of \$13,390,000. Of this amount, 100% comprises bonded debt backed by the full faith and credit of the government. The following is a summary of the Town's long-term debt.

TOWN OF SMITHFIELD, RHODE ISLAND
Management's Discussion and Analysis
For the Year Ended June 30, 2015
(Unaudited)

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

| | Governmental Activities | | Business-Type Activities | | Total | |
|-------------------------------------|-------------------------|----------------------|--------------------------|---------------------|----------------------|----------------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Bonds payable | \$ 13,390,000 | \$ 14,770,000 | \$ 7,940,651 | \$ 8,389,101 | \$ 21,330,651 | \$ 23,159,101 |
| Lease purchase obligations & leases | 461,110 | 777,080 | - | - | 461,110 | 777,080 |
| Total | <u>\$ 13,851,110</u> | <u>\$ 15,547,080</u> | <u>\$ 7,940,651</u> | <u>\$ 8,389,101</u> | <u>\$ 21,791,761</u> | <u>\$ 23,936,181</u> |

Note 7, Pages 50 through 53 provides additional information on the Town's long-term debt obligations.

The Town's general obligation bond rating as assigned by Moody's Investors Service in 2012 is Aa2 and AA by S&P. The State of Rhode Island imposes a limit of 3 percent of the fair value of all taxable Town property on the general obligation debt that a municipality can issue. The Town of Smithfield's limit is \$77,247,379 at year-end. The Town's outstanding governmental activities general obligation debt is \$13,390,000 and business-type activity debt of \$206,000 at year-end, of which only \$206,000 is subject to the legal debt margin. See Schedule 12 on Page 139 (Statistical Section) for a further explanation of debt subject to the margin.

EMPLOYMENT

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

HOUSING

At the end of June 2015 the median sale price for single family homes in Smithfield was \$272,500 and the median price of all sales was \$246,500.

POPULATION

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

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

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

Economic Factors and Next Year's Budgets and Rates

Smithfield is known as the Apple Valley for orchards. In the 20th century, the Town transformed into a suburban community with a solid industrial and commercial base. Residential accounts for 63.1% of the tax base while commercial and industrial account for 25% of the tax base.

TOWN OF SMITHFIELD, RHODE ISLAND
Management's Discussion and Analysis
For the Year Ended June 30, 2015
(Unaudited)

The Town of Smithfield's total general fund budget for fiscal year 2016 amounts to \$67,028,007 which reflects an increase of \$2,242,276 or 3.46% above the fiscal year 2015 budget of \$64,785,731. Of the Town's 2016 budget, \$35,058,588, or 52.3% is budgeted for education expenditures.

The State of Rhode Island is budgeted to contribute \$5,340,503 to the Town's education department based on State Aid in fiscal 2016.

The Town's tax rate for fiscal year 2016 is \$17.57 per \$1,000 of assessed value with 47.7% allocated for general government and 52.3% allocated for education. For fiscal year 2015 the Town's tax rate was \$17.13 per \$1,000 of assessed value with 47.5% allocated for general government and 52.5% allocated for education.

Request for Information

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



Randy R. Rossi
Finance Director

TOWN OF SMITHFIELD

BASIC FINANCIAL STATEMENTS



TOWN OF SMITHFIELD, RHODE ISLANDStatement of Net Position
June 30, 2015

| | Governmental Activities | Business-type Activities | Total |
|-----------------------------------------------------|----------------------------|-----------------------------|---------------------|
| ASSETS: | | | |
| Current Assets: | | | |
| Cash and cash equivalents | \$ 21,429,230 | \$ 6,633,313 | \$ 28,062,543 |
| Cash on deposit with funding agency | - | 132,743 | 132,743 |
| Restricted cash | - | 579,489 | 579,489 |
| Investments | 1,168,781 | - | 1,168,781 |
| Accounts receivable | 2,931,604 | 744,286 | 3,675,890 |
| Internal balances | 1,111,442 | (1,111,442) | - |
| Due from federal and state governments | 930,617 | - | 930,617 |
| Inventory | - | 30,350 | 30,350 |
| Prepays | 55,404 | - | 55,404 |
| Total Current Assets | 27,627,078 | 7,008,739 | 34,635,817 |
| Noncurrent Assets: | | | |
| Net Pension Asset | 6,423,027 | - | 6,423,027 |
| Assessment fees | - | 502,177 | 502,177 |
| Capital assets not being depreciated | 15,802,787 | 6,960,211 | 22,762,998 |
| Capital assets, net of accumulated depreciation | 23,007,240 | 14,845,889 | 37,853,129 |
| Total Noncurrent Assets | 45,233,054 | 22,308,277 | 67,541,331 |
| TOTAL ASSETS | 72,860,132 | 29,317,016 | 102,177,148 |
| DEFERRED OUTFLOWS OF RESOURCES: | | | |
| Deferred charges on refunding | 109,792 | - | 109,792 |
| Difference between projected & actual earnings | 304,830 | - | 304,830 |
| Changes in pension assumptions | 16,219 | - | 16,219 |
| Pension contributions after measurement date | 3,287,200 | - | 3,287,200 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | 3,718,041 | - | 3,718,041 |
| LIABILITIES: | | | |
| Current Liabilities: | | | |
| Accounts payable and accrued expenses | 2,783,270 | 241,051 | 3,024,321 |
| Unearned revenue, assessments, and fees | - | 64,106 | 64,106 |
| Current portion of compensated absences | 750,000 | 35,000 | 785,000 |
| Current portion of bonds and other debt obligations | 1,677,710 | 452,450 | 2,130,160 |
| Total Current Liabilities | 5,210,980 | 792,607 | 6,003,587 |
| Noncurrent Liabilities: | | | |
| Compensated absences | 3,858,925 | 72,327 | 3,931,252 |
| Unearned revenue, assessments, and fees | - | 455,762 | 455,762 |
| Net OPEB obligation | 5,318,230 | - | 5,318,230 |
| Net Pension Liability | 57,697,715 | - | 57,697,715 |
| General obligation bonds and other debt, net | 12,263,726 | 7,488,201 | 19,751,927 |
| Total Noncurrent Liabilities | 79,138,596 | 8,016,290 | 87,154,886 |
| TOTAL LIABILITIES | 84,349,576 | 8,808,897 | 93,158,473 |
| DEFERRED INFLOWS OF RESOURCES: | | | |
| Difference between actual & expected experience | 78,195 | - | 78,195 |
| Difference between projected & actual earnings | 4,764,120 | - | 4,764,120 |
| Changes in pension assumptions | 5,501,977 | - | 5,501,977 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 10,344,292 | - | 10,344,292 |
| NET POSITION | | | |
| Net Investment in Capital Assets | 24,868,591 | 13,998,192 | 38,866,783 |
| Unrestricted | (42,984,286) | 6,509,927 | (36,474,359) |
| TOTAL NET POSITION | \$ (18,115,695) | \$ 20,508,119 | \$ 2,392,424 |

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

TOWN OF SMITHFIELD, RHODE ISLANDStatement of Activities
For the Year Ended June 30, 2015

| <i>Functions/Programs:</i> | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | |
|-------------------------------------------------------|----------------------|---------------------------------------|------------------------------------|----------------------------------|---------------------------------------------------|--------------------------|---------------------|
| | | Charges for Services, Fees & Licenses | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | Total |
| Governmental activities: | | | | | | | |
| General government | \$ 5,442,335 | \$ 1,164,955 | \$ - | \$ - | \$ (4,277,380) | | \$ (4,277,380) |
| Public safety | 15,190,320 | 1,831,315 | 96,656 | 213,473 | (13,048,876) | | (13,048,876) |
| Public works | 5,910,910 | - | - | - | (5,910,910) | | (5,910,910) |
| Public health and assistance | 5,992 | - | 3,437 | - | (2,555) | | (2,555) |
| Public libraries | 1,254,265 | - | - | - | (1,254,265) | | (1,254,265) |
| Education | 35,265,621 | 238,152 | 7,359,611 | - | (27,667,858) | | (27,667,858) |
| Recreation and senior activities | 2,204,210 | 3,147 | 72,570 | - | (2,128,493) | | (2,128,493) |
| Interest on long-term debt | 534,407 | - | 410,842 | - | (123,565) | | (123,565) |
| Total governmental activities | 65,808,060 | 3,237,569 | 7,943,116 | 213,473 | (54,413,902) | | (54,413,902) |
| Business-type activities: | | | | | | | |
| Sewer Authority | 3,067,255 | 3,068,610 | - | - | - | \$ 1,355 | 1,355 |
| Water Supply Board | 1,336,587 | 1,545,776 | - | - | - | 209,189 | 209,189 |
| Smithfield Ice Rink | 650,176 | 683,279 | - | - | - | 33,103 | 33,103 |
| School Lunch Program | 549,031 | 355,156 | 208,807 | - | - | 14,932 | 14,932 |
| Total business-type activities | 5,603,049 | 5,652,821 | 208,807 | - | - | 258,579 | 258,579 |
| Total | \$ 71,411,109 | \$ 8,890,390 | \$ 8,151,923 | \$ 213,473 | \$ (54,413,902) | 258,579 | (54,155,323) |
| General revenues: | | | | | | | |
| Property taxes | | | | | 54,525,300 | - | 54,525,300 |
| Motor vehicle phase-out taxes | | | | | 253,182 | - | 253,182 |
| Telephone taxes | | | | | 291,036 | - | 291,036 |
| Hotel, meals, and beverage tax | | | | | 815,070 | - | 815,070 |
| Unrestricted investment earnings | | | | | 429,541 | 19,516 | 449,057 |
| Transfers | | | | | 500,000 | (500,000) | - |
| Total general revenues and transfers | | | | | 56,814,129 | (480,484) | 56,333,645 |
| Change in Net Position | | | | | 2,400,227 | (221,905) | 2,178,322 |
| Net Position - beginning of year (As Restated) | | | | | (20,515,922) | 20,730,024 | 214,102 |
| Net Position - ending of year | | | | | \$ (18,115,695) | \$ 20,508,119 | \$ 2,392,424 |

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

TOWN OF SMITHFIELD, RHODE ISLAND

Balance Sheet
Governmental Funds
June 30, 2015

| | General Fund | School Unrestricted Fund | Smithfield Fire Rescue | Other Governmental Funds | Total Governmental Funds |
|--------------------------------------------------------------------------|----------------------|--------------------------------|---------------------------|--------------------------------|--------------------------------|
| ASSETS: | | | | | |
| Cash and cash equivalents | \$ 14,484,765 | \$ 170,918 | \$ 2,397,026 | \$ 4,376,521 | \$ 21,429,230 |
| Investments | 1,168,781 | - | - | - | 1,168,781 |
| Taxes receivable, net | 2,311,448 | - | - | - | 2,311,448 |
| Other receivables | 277,057 | 16,461 | 276,963 | 49,675 | 620,156 |
| Due from federal and state governments | - | 89,050 | - | 841,567 | 930,617 |
| Prepaid expenditures | - | 55,404 | - | - | 55,404 |
| Due from other funds | 4,246,311 | 1,597,049 | - | 2,734,675 | 8,578,035 |
| TOTAL ASSETS | \$ 22,488,362 | \$ 1,928,882 | \$ 2,673,989 | \$ 8,002,438 | \$ 35,093,671 |
| LIABILITIES: | | | | | |
| Accounts payable | \$ 631,420 | \$ 194,595 | \$ 5,928 | \$ 144,851 | \$ 976,794 |
| Accrued liabilities | 1,030,708 | 613,033 | - | 19,635 | 1,663,376 |
| Due to other funds | 3,829,059 | - | 898,499 | 2,739,035 | 7,466,593 |
| TOTAL LIABILITIES | 5,491,187 | 807,628 | 904,427 | 2,903,521 | 10,106,763 |
| DEFERRED INFLOW OF RESOURCES: | | | | | |
| Unavailable tax and fee revenue | 1,239,296 | - | 276,963 | - | 1,516,259 |
| FUND BALANCE: | | | | | |
| Non-Spendable | 1,237,689 | 55,404 | - | - | 1,293,093 |
| Restricted | 24,398 | - | - | 374,046 | 398,444 |
| Committed | 7,942,884 | 1,065,850 | 1,492,599 | 6,156,503 | 16,657,836 |
| Assigned | 3,180,000 | - | - | - | 3,180,000 |
| Unassigned | 3,372,908 | - | - | (1,431,632) | 1,941,276 |
| TOTAL FUND BALANCE | 15,757,879 | 1,121,254 | 1,492,599 | 5,098,917 | 23,470,649 |
| TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCE | \$ 22,488,362 | \$ 1,928,882 | \$ 2,673,989 | \$ 8,002,438 | \$ 35,093,671 |

(CONTINUED)

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

TOWN OF SMITHFIELD, RHODE ISLAND

**Balance Sheet
Governmental Funds
June 30, 2015**

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

| | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------|
| Total Fund Balance reported in Exhibit B-1 | \$ 23,470,649 |
| Capital assets used in governmental activities are not financial resources and, therefore are not reported in the Gov't Fund balance sheet | 38,810,027 |
| Deferred debt charges resulting from issuance of refunding and advance refunding bonds. These charges have been included in the governmental activities in the Statement of Net Position. | 109,792 |
| Net Pension Assets and related Deferred Outflows of Resources for pension plans are reported in the Statement of Net Position of the Governmental Activities but are not reported on the Fund Statements. | 10,031,276 |
| Net OPEB Obligation is reported on the Statement of Net Position as a long-term obligation at June 30, 2015 but this obligation is not reported on the Fund Statements. | (5,318,230) |
| Net Pension Liability and related Deferred Inflows of Resources for pension plans are reported in the Statement of Net Position of the Governmental Activities but are not reported on the Fund Statements. | (68,042,007) |
| Long-term debt obligations are not due and payable in the current period and therefore are not reported in the funds. These liabilities are reported in the Statement of Net Position (excludes net premium noted below). | (18,460,035) |
| Unavailable tax revenue and fire rescue fees (net of an allowance for uncollectibles) are recorded in the funds, but are not recorded under the measurement focus employed in the Statement of Net Position. | 1,516,259 |
| Interest accrued on long-term debt obligations is reported as a liability in the Statement of Net Position but does not get reported in the Fund Statements. | (143,100) |
| Net premium on refunding has been recorded as long-term debt on the Statement of Net Position | <u>(90,326)</u> |
| Total Net Position reported in Exhibit A-1 | <u>\$ (18,115,695)</u> |

(CONCLUDED)

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

TOWN OF SMITHFIELD, RHODE ISLAND

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2015**

| | General Fund | School Unrestricted Fund | Smithfield Fire Rescue | Other Governmental Funds | Total Governmental Funds |
|-----------------------------------------------------------------------------------------------|----------------------|--------------------------------|---------------------------|--------------------------------|--------------------------------|
| REVENUES: | | | | | |
| General property taxes | \$ 53,704,073 | \$ - | \$ - | \$ - | \$ 53,704,073 |
| Intergovernmental | 2,228,796 | 5,058,392 | - | 1,494,125 | 8,781,313 |
| Licenses, fees, fines, charges, and assessments | 751,763 | 38,813 | 1,177,459 | 710,628 | 2,678,663 |
| Investment income (loss) | 422,165 | - | 4,159 | 3,217 | 429,541 |
| Contributions | - | 10,289 | - | 99,803 | 110,092 |
| State on behalf pension contribution | - | 1,625,700 | - | - | 1,625,700 |
| Other miscellaneous | 293,189 | 199,339 | - | 17,476 | 510,004 |
| TOTAL REVENUES | 57,399,986 | 6,932,533 | 1,181,618 | 2,325,249 | 67,839,386 |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| General government | 2,575,478 | - | - | - | 2,575,478 |
| Public safety | 10,104,076 | - | 278,936 | 317,357 | 10,700,369 |
| Public works | 3,121,322 | - | - | - | 3,121,322 |
| Public health and assistance | 5,992 | - | - | - | 5,992 |
| Libraries | 1,254,265 | - | - | - | 1,254,265 |
| Education | - | 35,444,820 | - | 1,062,030 | 36,506,850 |
| Recreation, Senior and Neighborhood Center | 743,924 | - | - | 785,856 | 1,529,780 |
| Benefits and other miscellaneous | 8,562,854 | - | - | 20,479 | 8,583,333 |
| Debt Service: | | | | | |
| Principal | 1,695,970 | - | - | - | 1,695,970 |
| Interest and other costs | 530,883 | - | - | - | 530,883 |
| Capital: | | | | | |
| Capital expenditures | 1,141,776 | 380,932 | - | 496,753 | 2,019,461 |
| TOTAL EXPENDITURES | 29,736,540 | 35,825,752 | 278,936 | 2,682,475 | 68,523,703 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES) | | | | | |
| | 27,663,446 | (28,893,219) | 902,682 | (357,226) | (684,317) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | 1,515,278 | 28,668,085 | - | 438,829 | 30,622,192 |
| Transfers out | (29,106,314) | - | (900,000) | (115,878) | (30,122,192) |
| TOTAL OTHER FINANCING SOURCES (USES) | (27,591,036) | 28,668,085 | (900,000) | 322,951 | 500,000 |
| NET CHANGE IN FUND BALANCES | 72,410 | (225,134) | 2,682 | (34,275) | (184,317) |
| FUND BALANCE BEGINNING OF YEAR | 15,685,469 | 1,346,388 | 1,489,917 | 5,133,192 | 23,654,966 |
| FUND BALANCE AT END OF YEAR | \$ 15,757,879 | \$ 1,121,254 | \$ 1,492,599 | \$ 5,098,917 | \$ 23,470,649 |

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

TOWN OF SMITHFIELD, RHODE ISLAND

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds (Exhibit B-2) to the Statement of Activities (Exhibit A-2)
Year Ended June 30, 2015**

| | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|
| Net Change in Fund Balances - Total Governmental Funds (Exhibit B-2): | \$ (184,317) |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital expenditures (which were capitalized as capital assets) in the current period. | (482,526) |
| Governmental funds report principal repayments on debt obligations as an expenditure. However, the repayment of principal has no effect on the net position. | 1,695,970 |
| Increase in the Net OPEB Obligation is reported as an expense for governmental activities but is not reported as an expenditure in the fund financial statements. This is the increase in the Net OPEB Obligation for fiscal 2015. | (890,950) |
| Changes in the Net Pension Asset, Deferred Outflows of Resources related to pension plans, Net Pension Liability, and Deferred Inflows of Resources related to pension plans results in an increase or decrease to the pension expense reported in the Statement of Activities. For fiscal 2015 the effect of these adjustments resulted in a decrease in the pension expense reported in the Statement of Activities. | 2,257,860 |
| Governmental funds report deferred outflows on refundings and premiums on debt financing when they occur. The Statement of Activities amortizes these costs over the life of the obligations. This is the net amount of the amortization of bond discounts, premiums, and deferred charges on refundings. | (8,224) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds. Net unavailable tax and EMS fee revenue increased from fiscal 2014. | 324,524 |
| Accrued interest on long-term debt obligations is reported in the governmental activities but is not reported in the government fund statements. This is the decrease in accrued interest expense in fiscal 2015. | 4,700 |
| Increase in compensated absences. The governmental fund reflects this activity when it will be paid with measurable and available resources. The change from prior year balances is reflected in the statement of activities and changes in net position. | <u>(316,810)</u> |
| Change in Net Position of Governmental Activities in the Statement of Activities (Exhibit A-2) | <u>\$ 2,400,227</u> |

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

TOWN OF SMITHFIELD, RHODE ISLAND

Statement of Net Position

Proprietary Funds

June 30, 2015

(With Comparative Totals at June 30, 2014)

| | Business-type Activities-Enterprise Funds | | | | | | | | Totals (current year) |
|--------------------------------------------------|-------------------------------------------|---------------------------------|-----------------------------------------|---------------------------------------|------------------------------------------|----------------------------------------|-------------------------------------------|-----------------------------------------|--------------------------|
| | Sewer Authority (current year) | Sewer Authority (prior year) | Water Supply Board (current year) | Water Supply Board (prior year) | Smithfield Ice Rink (current year) | Smithfield Ice Rink (prior year) | School Lunch Program (current year) | School Lunch Program (prior year) | |
| ASSETS: | | | | | | | | | |
| Current Assets: | | | | | | | | | |
| Cash and cash equivalents | \$ 4,870,166 | \$ 5,091,985 | \$ 936,407 | \$ 1,035,601 | \$ 725,618 | \$ 767,854 | \$ 101,122 | \$ 79,595 | \$ 6,633,313 |
| Restricted cash | 579,489 | 579,476 | - | - | - | - | - | - | 579,489 |
| Cash on deposit with funding agency | 132,743 | 479,507 | - | - | - | - | - | - | 132,743 |
| Water and sewer assessments and user fees - net | 235,309 | 196,231 | 461,371 | 370,439 | - | - | - | - | 696,680 |
| Other receivables, net | - | - | - | - | 31,053 | 17,537 | 16,553 | 17,691 | 47,606 |
| Inventory | - | - | 30,350 | 28,032 | - | - | - | - | 30,350 |
| Total Current Assets | 5,817,707 | 6,347,199 | 1,428,128 | 1,434,072 | 756,671 | 785,391 | 117,675 | 97,286 | 8,120,181 |
| Noncurrent Assets: | | | | | | | | | |
| Sewer Assessment fees | 502,177 | 563,185 | - | - | - | - | - | - | 502,177 |
| Capital assets not being depreciated | 6,959,014 | 6,892,179 | 1,197 | 1,197 | - | - | - | - | 6,960,211 |
| Capital assets, net of accumulated depreciation | 11,076,464 | 11,358,211 | 2,381,223 | 2,488,648 | 1,320,615 | 1,316,012 | 67,587 | 78,680 | 14,845,889 |
| Total Noncurrent Assets | 18,537,655 | 18,813,575 | 2,382,420 | 2,489,845 | 1,320,615 | 1,316,012 | 67,587 | 78,680 | 22,308,277 |
| TOTAL ASSETS | 24,355,362 | 25,160,774 | 3,810,548 | 3,923,917 | 2,077,286 | 2,101,403 | 185,262 | 175,966 | 30,428,458 |
| LIABILITIES: | | | | | | | | | |
| Current Liabilities: | | | | | | | | | |
| Accounts payable and accrued expenses | 108,694 | 350,973 | 75,791 | 90,449 | 5,730 | 75,031 | 50,836 | 57,151 | 241,051 |
| Due to other funds | 666,528 | 458,228 | 270,873 | 357,179 | 174,041 | 162,483 | - | - | 1,111,442 |
| Unearned assessments and user fees | 61,798 | 59,100 | - | - | 1,570 | 4,357 | 738 | 59 | 64,106 |
| Current portion of compensated absences | 10,000 | 10,000 | 10,000 | 10,000 | 15,000 | 15,000 | - | - | 35,000 |
| Current portion of bonds | 430,450 | 427,450 | 22,000 | 21,000 | - | - | - | - | 452,450 |
| Total Current Liabilities | 1,277,470 | 1,305,751 | 378,664 | 478,628 | 196,341 | 256,871 | 51,574 | 57,210 | 1,904,049 |
| Noncurrent Liabilities: | | | | | | | | | |
| General obligation bonds, net of current portion | 7,304,201 | 7,734,651 | 184,000 | 206,000 | - | - | - | - | 7,488,201 |
| Unearned assessments and user fees | 455,762 | 520,261 | - | - | - | - | - | - | 455,762 |
| Compensated absences | 13,353 | 14,527 | 20,735 | 22,235 | 38,239 | 35,902 | - | - | 72,327 |
| Total Noncurrent Liabilities | 7,773,316 | 8,269,439 | 204,735 | 228,235 | 38,239 | 35,902 | - | - | 8,016,290 |
| TOTAL LIABILITIES | 9,050,786 | 9,575,190 | 583,399 | 706,863 | 234,580 | 292,773 | 51,574 | 57,210 | 9,920,339 |
| NET POSITION: | | | | | | | | | |
| Net Investment in Capital Assets | 10,433,570 | 10,567,796 | 2,176,420 | 2,262,845 | 1,320,615 | 1,316,012 | 67,587 | 78,680 | 13,998,192 |
| Unrestricted | 4,871,006 | 5,017,788 | 1,050,729 | 954,209 | 522,091 | 492,618 | 66,101 | 40,076 | 6,509,927 |
| TOTAL NET POSITION | \$ 15,304,576 | \$ 15,585,584 | \$ 3,227,149 | \$ 3,217,054 | \$ 1,842,706 | \$ 1,808,630 | \$ 133,688 | \$ 118,756 | \$ 20,508,119 |

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

TOWN OF SMITHFIELD, RHODE ISLAND

Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2015
(With Comparative Totals For the Year Ended June 30, 2014)

| | Business-type Activities-Enterprise Funds | | | | | | | | Totals (current year) |
|-----------------------------------------------|-------------------------------------------|---------------------------------|-----------------------------------------|---------------------------------------|------------------------------------------|----------------------------------------|-------------------------------------------|-----------------------------------------|--------------------------|
| | Sewer Authority (current year) | Sewer Authority (prior year) | Water Supply Board (current year) | Water Supply Board (prior year) | Smithfield Ice Rink (current year) | Smithfield Ice Rink (prior year) | School Lunch Program (current year) | School Lunch Program (prior year) | |
| OPERATING REVENUES: | | | | | | | | | |
| Charges for usage and service | \$ 3,032,100 | \$ 3,130,454 | \$ 1,497,376 | \$ 1,540,384 | \$ 683,279 | \$ 615,219 | \$ - | \$ - | \$ 5,212,755 |
| Food sales | - | - | - | - | - | - | 355,156 | 376,020 | 355,156 |
| Intergovernmental | - | - | - | - | - | - | 208,807 | 215,512 | 208,807 |
| Other revenues | 36,510 | 37,912 | 48,400 | 76,810 | - | - | - | - | 84,910 |
| Total Operating Revenues | 3,068,610 | 3,168,366 | 1,545,776 | 1,617,194 | 683,279 | 615,219 | 563,963 | 591,532 | 5,861,628 |
| OPERATING EXPENSES: | | | | | | | | | |
| Salaries and benefits | 98,434 | 115,201 | 266,231 | 292,716 | 299,653 | 317,876 | - | - | 664,318 |
| Operations | 2,130,021 | 1,875,259 | 926,502 | 897,523 | 245,394 | 247,952 | - | - | 3,301,917 |
| Depreciation and amortization | 659,726 | 1,147,958 | 143,854 | 146,034 | 105,129 | 98,563 | 11,094 | 8,802 | 919,803 |
| School cafeteria operations | - | - | - | - | - | - | 537,937 | 545,974 | 537,937 |
| Total Operating Expenses | 2,888,181 | 3,138,418 | 1,336,587 | 1,336,273 | 650,176 | 664,391 | 549,031 | 554,776 | 5,423,975 |
| OPERATING INCOME (LOSS) | 180,429 | 29,948 | 209,189 | 280,921 | 33,103 | (49,172) | 14,932 | 36,756 | 437,653 |
| NONOPERATING REVENUES (EXPENSES): | | | | | | | | | |
| Interest income | 17,637 | 15,475 | 906 | 815 | 973 | 1,153 | - | - | 19,516 |
| Interest expense | (179,074) | (160,879) | - | - | - | - | - | - | (179,074) |
| Net Nonoperating Revenues | (161,437) | (145,404) | 906 | 815 | 973 | 27,153 | - | - | (159,558) |
| INCOME (LOSS) BEFORE CONTRIBUTIONS | 18,992 | (115,456) | 210,095 | 281,736 | 34,076 | (22,019) | 14,932 | 36,756 | 278,095 |
| Transfers (Out) | (300,000) | (300,000) | (200,000) | (200,000) | - | - | - | - | (500,000) |
| CHANGE IN NET ASSETS | (281,008) | (415,456) | 10,095 | 81,736 | 34,076 | (22,019) | 14,932 | 36,756 | (221,905) |
| TOTAL NET POSITION - BEGINNING OF YEAR | 15,585,584 | 16,001,040 | 3,217,054 | 3,135,318 | 1,808,630 | 1,830,649 | 118,756 | 82,000 | 20,730,024 |
| TOTAL NET POSITION - END OF YEAR | \$ 15,304,576 | \$ 15,585,584 | \$ 3,227,149 | \$ 3,217,054 | \$ 1,842,706 | \$ 1,808,630 | \$ 133,688 | \$ 118,756 | \$ 20,508,119 |

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

TOWN OF SMITHFIELD, RHODE ISLAND

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2015

| | Business-type Activities- Enterprise Funds | | | | |
|----------------------------------------------------------------------------|--------------------------------------------|-----------------------|------------------------|-------------------------|--------------------|
| | Sewer Authority | Water Supply Board | Smithfield Ice rink | School Lunch Program | Totals |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | | |
| Cash received from customers | \$ 3,028,739 | \$ 1,454,844 | \$ 666,976 | \$ 565,779 | \$ 5,716,338 |
| Cash paid to suppliers for goods and services and other operating payments | (2,372,300) | (943,478) | (314,695) | (544,252) | (4,174,725) |
| Cash paid for employees and benefits | (99,608) | (267,731) | (297,316) | - | (664,655) |
| Net cash provided by operating activities | 556,831 | 243,635 | 54,965 | 21,527 | 876,958 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | | | | |
| Transfers to (from) other funds | (300,000) | (200,000) | - | - | (500,000) |
| Increase (decrease) in due to other funds | 208,300 | (86,306) | 11,558 | - | 133,552 |
| Net cash provided (used) by noncapital financing activities | (91,700) | (286,306) | 11,558 | - | (366,448) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | | | |
| Acquisition of capital assets | (444,814) | (36,429) | (109,732) | - | (590,975) |
| Principal paid on bonds | (427,450) | (21,000) | - | - | (448,450) |
| Interest paid on bonds | (179,074) | - | - | - | (179,074) |
| Net cash used for capital and related financing activities | (1,051,338) | (57,429) | (109,732) | - | (1,218,499) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | | |
| Investment income | 17,637 | 906 | 973 | - | 19,516 |
| Net cash provided by investing activities | 17,637 | 906 | 973 | - | 19,516 |

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

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

**Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2015**

| | Business-type Activities- Enterprise Funds | | | | |
|--------------------------------------------------------------------------------------------------------|--------------------------------------------|-----------------------|------------------------|-------------------------|---------------------|
| | Sewer Authority | Water Supply Board | Smithfield Ice rink | School Lunch Program | Totals |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (568,570) | (99,194) | (42,236) | 21,527 | (688,473) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | 6,150,968 | 1,035,601 | 767,854 | 79,595 | 8,034,018 |
| CASH AND CASH EQUIVALENTS AT END OF YEAF | <u>\$ 5,582,398</u> | <u>\$ 936,407</u> | <u>\$ 725,618</u> | <u>\$ 101,122</u> | <u>\$ 7,345,545</u> |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | | | | |
| Operating income (loss) | \$ 180,429 | \$ 209,189 | \$ 33,103 | \$ 14,932 | \$ 437,653 |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: | | | | | |
| Depreciation and amortization expense | 659,726 | 143,854 | 105,129 | 11,094 | 919,803 |
| Decrease (increase) in water and sewer assessments and user fees | 21,930 | (90,932) | - | - | (69,002) |
| (Increase) decrease in other receivables | - | - | (13,516) | 1,138 | (12,378) |
| Decrease in inventory | - | (2,318) | - | - | (2,318) |
| Increase (decrease) in accounts payable and accrued expenses | (242,279) | (14,658) | (69,301) | (6,315) | (332,553) |
| Increase (decrease) in compensated absences | (1,174) | (1,500) | 2,337 | - | (337) |
| Increase (decrease) in unearned assessments and fees | (61,801) | - | (2,787) | 678 | (63,910) |
| Net cash provided by operating activities | <u>\$ 556,831</u> | <u>\$ 243,635</u> | <u>\$ 54,965</u> | <u>\$ 21,527</u> | <u>\$ 876,958</u> |

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

(CONCLUDED)

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

TOWN OF SMITHFIELD, RHODE ISLAND

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2015

| | <u>Police Pension Trust Fund</u> | <u>Fire Pension Trust Fund</u> | <u>OPEB Trust Fund</u> | <u>Agency Funds</u> |
|-------------------------------------|------------------------------------------|----------------------------------------|----------------------------|-------------------------|
| ASSETS | | | | |
| Cash and cash equivalents | | | \$ 134,523 | \$ 302,631 |
| Other receivables | \$ 101,774 | \$ 82,335 | 20,756 | 177,920 |
| Investments, at fair value: | | | | |
| Annuity contracts | 2,182,920 | 1,309,852 | | |
| Indexed stock fund | 2,318,366 | 9,805,156 | | |
| Diversified stock fund | 2,315,033 | 9,122,611 | | |
| Fixed income fund | | | 49,275 | |
| Mutual funds | | | 591,869 | |
| Common stock | | | 1,573,383 | |
| TOTAL ASSETS | <u>6,918,093</u> | <u>20,319,954</u> | <u>2,369,806</u> | <u>480,551</u> |
| LIABILITIES | | | | |
| Deposits held in custody for others | | | | 480,551 |
| TOTAL LIABILITIES | <u>-</u> | <u>-</u> | <u>-</u> | <u>480,551</u> |
| NET POSITION | | | | |
| Restricted for Pensions | 6,918,093 | 20,319,954 | | - |
| Restricted for OPEB | - | - | 2,369,806 | - |
| TOTAL NET POSITION | <u>\$ 6,918,093</u> | <u>\$ 20,319,954</u> | <u>\$ 2,369,806</u> | <u>\$ -</u> |

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

TOWN OF SMITHFIELD, RHODE ISLAND

**Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2015**

| | <u>Police Pension Trust Fund</u> | <u>Fire Pension Trust Fund</u> | <u>OPEB Trust Fund</u> |
|----------------------------------------|------------------------------------------|----------------------------------------|----------------------------|
| ADDITIONS: | | | |
| Contributions | | | |
| Employee contributions | | \$ 241,067 | \$ 28,076 |
| Employer contributions | \$ 2,277,340 | 551,629 | 128,454 |
| Total contributions | <u>2,277,340</u> | <u>792,696</u> | <u>156,530</u> |
| Investment earnings: | | | |
| Realized and unrealized gains (losses) | 82,091 | 69,419 | 98,111 |
| Interest and dividends | 441,338 | 1,569,907 | 49,071 |
| Total investment earnings | <u>523,429</u> | <u>1,639,326</u> | <u>147,182</u> |
| Total additions | <u>2,800,769</u> | <u>2,432,022</u> | <u>303,712</u> |
| DEDUCTIONS: | | | |
| Benefits paid | 1,785,098 | 1,275,432 | |
| Operating expenses | 40,332 | 89,686 | 21,645 |
| TOTAL DEDUCTIONS | <u>1,825,430</u> | <u>1,365,118</u> | <u>21,645</u> |
| CHANGE IN NET POSITION | 975,339 | 1,066,904 | 282,067 |
| NET POSITION - BEGINNING OF YEAR | 5,942,754 | 19,253,050 | 2,087,739 |
| NET POSITION - END OF YEAR | <u>\$ 6,918,093</u> | <u>\$ 20,319,954</u> | <u>\$ 2,369,806</u> |

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

TOWN OF SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Reporting Entity

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

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

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

The financial statements for the Town of Smithfield, Rhode Island do not include any component units.

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

Government-Wide Financial Statements

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

Fund Financial Statements

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

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

and

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

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

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

Special Revenue Funds

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

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds (Continued)

Capital Project Funds

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

Permanent Funds

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

Proprietary Funds

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

Fiduciary Funds (Not included in government wide statements)

Agency Funds

Agency funds account for assets held by the Town in a purely custodial capacity. The reporting entity includes four agency funds at June 30, 2015. 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:

- Student Activity Funds
- Probate Court Fund
- Street Lighting Fund
- Soil Erosion Fund

Pension and Other Post Employment Benefit Trust Funds (OPEB)

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

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Major and Non-Major Funds

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

| Major Funds: | <u>Description</u> |
|-----------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| General Fund: | See above for description |
| Special Revenue Fund | |
| School Unrestricted Fund | This fund is used to report all financial transactions of the Smithfield School Department, which are not legally required to be accounted for separately. The major revenue sources of this fund consist of Aid for Education provided by the State of Rhode Island and an appropriation from the Town's General Fund. |
| Smithfield Fire Rescue Fund | This fund is used to report the revenue received from third-party billing payments received for fire department rescue services. The funding is committed by the Town Council for purchase of equipment and apparatus necessary to maintain the Town's emergency medical services. |
| Proprietary Funds: | |
| Sewer Authority | Accounts for the overseeing of the sewer operations of the Town of Smithfield including the administration of the ten-year contract with Veolia Water, Inc. operations of the regional wastewater treatment facility. |
| Water Supply Board | Responsible for supplying water service for approximately one-third of the Town, and additionally a certain area in the Town of North Providence. |
| Smithfield Ice Rink | Accounts for the operations of the public ice rink which is owned and operated by the Town. This fund did not meet the criteria for reporting as a major fund however, management elected to present the fund as a major fund. |
| School Cafeteria | Accounts for the operation of the school breakfast and lunch program of the Smithfield School Department. This fund did not meet the criteria for reporting as a major fund however, management elected to present the fund as a major fund. |

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Major and Non-Major Funds (Continued)

| | <u>Description</u> |
|------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Non-Major: | |
| Special Revenue Funds: | School Restricted Funds, Animal Control Fund, Animal Control Spay/Neuter, Byrne Grant, Police Restricted Revenue, CDBG, Document Preservation & Tech Upgrades, EMA Radio, Planning Challenge Block Grant, Fire Prevention, Historical Records, Municipal Contingency Escrow, Operation Blue Riptide, Police Confiscated Funds, Retirement Escrow, Revaluation Escrow, RIDOT Children Passenger Safety, RIDOT Click it or Ticket, Scholarship Fund, Senior Center Grant, Substance Abuse Grant, Police Memorial Fund, General Public Assistance, and Senior Center Expansion. |
| Capital Project Funds: | Green Acres Acquisition Fund, Smithfield Historic Landmark, Impact Fees, Land Acquisition-Open Space Bond, Middle School Additions, Open Space & Recreation Area, Police Equipment, Water District Improvement Fee, Handicap Accessibility, Salt Barn Property, Special Projects Fund, Capital Reserve Fund, Land Trust, Bryant Capital Contributions, School Improvement Bond, and Police Improvement Bond. |
| Permanent Funds: | Cemetery Fund |

Measurement Focus

In the government-wide Statement of Net Position and the Statement of Activities both governmental and business-like activities are presented using the economic resources measurement focus as noted for proprietary funds below and the accrual basis of accounting.

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

All governmental funds utilize a "current financial resources" measurement focus and the modified accrual basis of accounting. Only current financial assets, deferred outflow of resources, liabilities, and deferred inflow of resources are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period. The Town considers property taxes as available if they are collected within 60 days after year end. Grant revenue (for expenditure reimbursement grants) of the governmental funds is generally recognized as revenue when earned as long as the payment is expected to be received within twelve months after year end. Substantially all other revenue of the governmental funds is recognized utilizing the modified accrual method of accounting and as such is recognized as revenue when received.

The proprietary funds and private purpose trust funds utilize "economic resources" measurement focus and the accrual basis of accounting. The accounting objectives of this measurement focus are the determination of net income, financial position and cash flows. All assets, deferred outflows of resources, liabilities (whether current or noncurrent), and deferred inflows of resources associated with their activities are reported. Fund equity is classified as net position.

Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Basis of Accounting

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

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

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

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

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

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

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

Cash and cash equivalents

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

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

Investments

The Town invests in various types of investments, which are stated at fair value based on quoted market prices.

Accounts Receivable

In the government-wide statements, receivables consist of revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include property taxes (67% of balance) and intergovernmental receivables. Business-type activities report uncollected service fees as its major receivables.

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

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Property Taxes

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

Prepays

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

Capital Assets

Government-Wide Statements

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

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

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

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

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund Financial Statements

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet can report deferred outflows of resources. Deferred outflow of resources represents a consumption of net position that applies to a future period which will not be recognized as an outflow of resources (expense/expenditure) until that later date. At June 30, 2015 the Town of Smithfield, Rhode Island had four items qualifying as deferred outflow of resources in the government-wide statement of net position. These deferred outflows of resources included: deferred charge on refunding, difference between projected and actual earnings for pension plans, changes in pension assumptions, and pension contributions after the measurement date.

In addition to liabilities, the statement of net position and/or balance sheet can report deferred inflows of resources. Deferred inflows of resources represent the acquisition of net position that applies to a future period and which will not be recognized as an inflow of resources (revenue) until a later date. At June 30, 2015 the Town of Smithfield, Rhode Island had one item qualifying as a deferred inflow of resources in the governmental funds balance sheet and three items reported in the government-wide statement of net position. Unavailable tax revenue and fee revenue reported in the fund statements represents property taxes receivables which are assessed on December 31, 2013 and prior and is not collected within 60 days of June 30, 2015 as well as fees for rescue services billed but deemed unavailable at year end. The deferred inflows of resources reported on the government-wide financial statements are related to pension plan reporting requirements in accordance with GASB Statement #68. These deferred inflows consisted of the difference between actual and expected experience; difference between projected & actual earnings; and changes in pension assumptions.

Interfund Transactions

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

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

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Interfund Transactions (Continued)

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

Fund Balance Transactions

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

Net Position

In the Government-wide and Proprietary Fund financial statements net position is classified in the following categories:

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

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund Balance

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

- Nonspendable Fund Balance – includes the amount of fund balance that cannot be spent because it is either (a) not in spendable form or (b) legally or contractually required to be maintained intact. “Not in spendable form” includes items that are not expected to be converted to cash within one year.
- Restricted Fund Balance – includes amounts that are restricted to specific purposes. Fund balance is reported as restricted when constraints placed in the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.
- Committed Fund Balance – includes amounts that can be used only for the specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. The Town Council is the highest level of decision-making authority and utilizes Town Ordinances as a formal procedure to commit fund balance. In addition, the passage of the budget by the taxpayers at the annual financial Town meeting is considered the commitment of funds for the line items included in the fiscal budget.
- Assigned Fund Balance – includes amounts that are constrained by the government’s intent to be used for specific purposes, but are neither restricted nor committed. The intent should be expressed by (a) the governing body itself or (b) a body (a budget or finance committee) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes. The Town Manager through the Town Council has the authority to assign fund balance. Fund balance assigned by the Town Manager is documented through issuance of a memorandum.
- Unassigned Fund Balance – is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The unassigned fund balance may also include negative balances for any governmental funds if the expenditures exceed amounts restricted, committed or assigned for specific purposes.

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund Balance (Continued)

Application of Funds

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

Minimum Fund Balance

Per the Town's Home Rule Charter: "After each fiscal year, to the extent that the undesignated fund balance exceeds five percent (5%) of the subsequent fiscal year appropriations, commencing with fiscal year 2001, sixty-six and two-thirds percent (66 2/3%) of the excess amount in the undesignated fund balance shall be transferred to the Capital Reserve Fund and thirty three and one-third percent (33 1/3%) of the excess amount in the undesignated fund balance shall be transferred to the Land Trust Fund." Due to the fact that this minimum fund balance policy is part of the Town's Home Rule Charter, the amount calculated at year-end is reported as restricted fund balance in the Town's General Fund and is transferred to the Capital Reserve and Land Trust Fund in the subsequent fiscal year. Beginning in fiscal year 2016 and ending in fiscal year 2020, the 5% undesignated fund balance shall be increased by 3/5ths of a percent of the subsequent year's appropriation. After each fiscal year commencing in 2016 to the extent that the undesignated fund balance exceeds 5 3/5% of the subsequent year's appropriation in fiscal 2016, 6 1/5% in fiscal 2017, 6 4/5% in fiscal 2018, 7 2/5% in fiscal 2019, and 8% in fiscal 2020, the excess shall be divided 80% for the Capital Reserve Fund and 20% for the Land Trust Reserve Fund. Undesignated fund balance as noted above is deemed to be equivalent to the unassigned fund balance as defined by GASB Statement #54.

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

Compensated Absences

It is the policy of the Town to permit employees to accumulate a limited amount of earned but unused vacation and sick leave benefits, which will be paid to the employee upon separation from Town service. Compensated absences that are expected to be liquidated with expendable available financial resources are reported as expenditure and a fund liability of the governmental fund that will pay it. Amounts not expected to be liquidated with expendable available resources are reported as long-term debt in the government-wide financial statements. Long-term debt and other obligations financed by the proprietary funds are reported as liabilities in the appropriate funds. A liability for compensated absences is recorded in the governmental funds only if the liability became due at June 30, 2015 as a result of employee resignation or retirements. At June 30, 2015 there is no amount reported in the liabilities of the governmental funds.

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

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

Reconciliation of Government-wide and Fund Financial Statements

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that "long-term liabilities are not due and payable in the current period and therefore are not reported in the funds." The details of this \$18,460,035 are as follows:

| | |
|-----------------------------------------------------------------------------------|----------------------------|
| Bonds and lease purchase obligations, excluding premium on bonds (\$90,326) | \$13,851,110 |
| Compensated absences | <u>4,608,925</u> |
| Total | <u>\$18,460,035</u> |

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that "net pension liability and related deferred inflows of resources for pension plans are reported in the Statement of Net Position of the Governmental Activities but are not reported on the Fund Statements." The details of this \$68,042,007 are as follows:

| | |
|---------------------------------------------------------|----------------------------|
| Net Pension Liability all plans | \$57,697,715 |
| Difference between actual and expected experience | 78,195 |
| Difference between actual and projected earnings | 4,764,120 |
| Changes in assumptions for pension plans | <u>5,501,977</u> |
| Total | <u>\$68,042,007</u> |

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense." The details of this \$482,526 difference are as follows:

| | |
|---------------------------------------------------------------------------------|----------------------------|
| Fund expenditures capitalized for reporting in Government-wide statements | \$2,087,745 |
| Depreciation expense | <u>(2,570,271)</u> |
| Net adjustment (decrease net position) | <u>(\$ 482,526)</u> |

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Another element of that reconciliation states that, "Changes in Net Pension Asset, Deferred Outflow of Resources related to pension plans, Net Pension Liabilities, and Deferred Inflows of Resources related to pension plans results in an increase or decrease in the pension expense reported in the Statement of Activities." The details of this \$2,257,860 difference are as follows:

| | |
|---------------------------------------------------------|----------------------------|
| Increase in Net Pension Asset for fiscal 2015..... | \$ 2,217,916 |
| Increase in Deferred Outflows for pension plans | 1,025,828 |
| Decrease in Net Pension Liability for fiscal 2015 | 9,358,408 |
| Increase in Deferred Inflows for pension plans | <u>(10,344,292)</u> |
| Net adjustment (increase net position)..... | <u>\$ 2,257,860</u> |

Recently Issued Accounting Standards

During the fiscal year ended June 30, 2015 the Town implemented the following new accounting pronouncements:

- GASB Statement No. 68 – Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27.
- GASB Statement No. 69 – Government Combinations and Disposals of Government Operations.
- GASB Statement No. 71 – Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68.

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

- GASB Statement No. 72 – Fair Value Measurement and Application, effective for the fiscal year ending June 30, 2016.
- GASB Statement No. 73 – Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, effective for fiscal year ending June 30, 2016 (except for the provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for fiscal year ending June 30, 2017).
- GASB Statement No. 74 – Financial Reporting for Postemployment Benefit Plans Other than Pension Plans, effective for the fiscal year ending June 30, 2017.
- GASB Statement No. 75 – Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pension Plans, effective for the fiscal year ending June 30, 2018.

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Standards (Continued)

- GASB Statement No. 76 – The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, effective for the fiscal year ending June 30, 2016.
- GASB Statement No. 77 – Tax Abatement Disclosures, effective for the fiscal year ending June 30, 2017.

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

Pensions

For purposes of measuring the net pension liability, net pension asset, deferred outflows of resources, and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Town of Smithfield, Rhode Island's various pension plans (described in more detail in Note 10) and additions to/deductions from the pension plans fiduciary net position have been determined on the same basis as they have been reported by the pension plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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 estimates that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Comparative Information

The financial statements include partial prior year comparative information. Such information does not include all of the information required to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Town of Smithfield, Rhode Island's financial statements for the year ended June 30, 2014 from which the partial information was derived.

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

2. BUDGETARY PROCESS

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

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

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

Town ordinances require an annual budget for the General Fund. The practices used in the preparation of budget differ in certain respects from the presentation of the actual results of operations prepared in accordance with GAAP. The actual results of operations, for purposes of the Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual on Budgetary Basis – General Fund has been adjusted to basis consistent with the Town's budget. Certain annual appropriations are carried over to next year's budget. There were \$4,211,592 of supplemental budgetary appropriations (RUBS) made during the fiscal year ended June 30, 2015. RUBS available at June 30, 2015 to be carried over to fiscal 2016 totaled \$4,336,122.

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

The adjustments necessary to reconcile actual revenues and expenditures reported on a budgetary basis of accounting to revenue and expenditures reported in accordance with generally accepted accounting principles can be found in the required supplementary information on Pages 89 and 90.

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

3. CASH AND INVESTMENTS

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

Deposits

The carrying amount of the Town's cash and cash equivalents at June 30, 2015 was \$29,079,186 (including Fiduciary Funds, and restricted cash but excluding cash on deposit with funding agency) while the bank balance was approximately \$28,931,393. Of the bank balance, approximately \$7,701,000 was covered by federal depository insurance while the remaining balance was 100% collateralized.

Investments

At June 30, 2015 the Town's investments totaled \$30,437,246 (including \$29,268,465 held in Fiduciary Funds and \$1,168,781 held in the General Fund) and consisted of the following:

| | <u>Fair</u> <u>Value</u> | <u>Interest</u> <u>Rate</u> | <u>Maturity</u> | <u>Rating</u> |
|---------------------------------------|-----------------------------|--------------------------------|-----------------|---------------|
| Index stock mutual fund | \$12,123,522 | n/a | n/a | not rated |
| Annuity contracts..... | 3,492,772 | n/a | n/a | not rated |
| Diversified stock mutual fund | 11,437,644 | n/a | n/a | not rated |
| Common Stocks | 1,514,150 | n/a | n/a | not rated |
| Foreign Stocks | 59,233 | n/a | n/a | not rated |
| Mutual Funds..... | 591,869 | n/a | n/a | not rated |
| Government securities | 620,844 | 1.14% | 10/3/2018 | AAA |
| Government securities | 243,747 | 1.34% | 10/9/2019 | AA- |
| Municipal tax exempt bonds..... | 49,275 | 4.92% | 5/1/2024 | Not Available |
| Municipal tax exempt bonds..... | 51,657 | 3.00% | 6/1/2016 | AAA |
| Municipal tax exempt bonds..... | 252,533 | 1.30% | 11/15/2016 | AAA |
| <i>Total investments</i> | <u>\$ 30,427,246</u> | | | |

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

3. CASH AND INVESTMENTS (Continued)

Investments (Continued)

Investments of all idle funds must be made through national banks or trust companies, provided that the financial conditions and integrity of said institution or institutions are verifiable and can be monitored. The investment of operating funds shall be in direct obligations of the United States Government and "money market instruments" rated "A" or better. Fiduciary fund investments are made in accordance with the plan documents. Investments in any one institution cannot exceed five percent of that institutions capital and surplus as set forth in the institutions most recent audited financial statements.

Interest Rate Risk

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

Concentration of Credit Risk

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

Custodial Credit Risk

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

Credit Risk

Generally credit risk is the risk that an issuer of a debt type investment will not fulfill its obligation and the Town will not be able to recover the value of its investment or collateral securities possessed by another party. This is measured by assignment of a rating by a nationally recognized rating organization. U.S. Government securities or obligations explicitly guaranteed by the U.S. Government are not considered to have credit risk exposure. At June 30, 2015 the Town's investments in tax exempt municipal obligations totaled \$507,692 and are subject to credit risk of the municipality.

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

4. PROPERTY TAXES AND ASSESSMENTS RECEIVABLE

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

During the year ended June 30, 2015, the Town received \$253,182 from the State of Rhode Island as payment in accordance with legislation regarding the phase-out of motor vehicle tax. Under the law, excise tax on motor vehicles and trailers were originally supposed to be phased out entirely over a seven-year period commencing with the 1999-2000 fiscal year. Based on fiscal problems with the State budget over the last several years the program has been reduced to a maximum exemption of \$6,000 as of June 30, 2007 in accordance with legislation passed as part of the State's budget for the fiscal year ended June 30, 2007. The phase-out program freezes the tax rate at \$39.00 which was the rate in fiscal year 1997-1998. The exemption remained at \$6,000 per vehicle for the 2007-2008 and 2008-2009 fiscal years. During fiscal 2010 the State reduced the reimbursement amount for the 3rd and 4th quarters of the fiscal year. Effective July 1, 2010 the State reduced the exemption amount to \$500 per vehicle however the Town was required to maintain the rate frozen at \$39.00.

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

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

Net property taxes levied for the fiscal year 2015 were based on a net assessed value of approximately \$2,574,913,000 at December 31, 2013 and amounted to approximately \$53,768,000. Collections through June 30, 2015 amounted to approximately \$51,574,000, which represents approximately 96% of the total tax levy. The collection percentage as of August 31, 2015 including the 60 day rule receipts was approximately 98%.

The Town recognizes property tax revenues in accordance with Section P70, "Property Taxes" of the Codification of Governmental Accounting and Financial Reporting Standards on the Fund statements. Unpaid property taxes as of June 30, 2015 (\$4,075,285) are recorded as a receivable, net of an allowance for uncollectible property taxes of \$1,763,837. Those net property taxes receivable which were not collected within the 60 days immediately following June 30, 2015 are recorded as unavailable tax revenue and amounted to \$1,239,296 at June 30, 2015. Property taxes recognized as revenue on the Fund statements for the fiscal year ended June 30, 2015 (due to their collection within the 60 days immediately following June 30, 2014) amounted to \$1,072,152.

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

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015 was as follows:

| | <u>Balances</u> <u>July 1, 2014</u> | <u>Additions</u> | <u>Retirements &</u> <u>Disposals</u> | <u>Balances</u> <u>June 30, 2015</u> |
|---------------------------------------|----------------------------------------|---------------------|----------------------------------------------|-----------------------------------------|
| Governmental Activity: | | | | |
| Nondepreciable Assets: | | | | |
| Land | \$ 14,557,927 | 671,725 | | \$ 15,229,652 |
| Construction in progress | 154,180 | 420,955 | 2,000 | 573,135 |
| Depreciable Assets: | | | | |
| Buildings and improvements | 28,030,504 | 283,381 | | 28,313,885 |
| Equipment | 4,659,409 | 105,789 | | 4,765,198 |
| Vehicles | 6,475,821 | 343,999 | 268,043 | 6,551,777 |
| Infrastructure | 77,993,871 | 263,896 | | 78,257,767 |
| Total cost | <u>131,871,712</u> | <u>2,089,745</u> | <u>270,043</u> | <u>133,691,414</u> |
| Accumulated Depreciation: | | | | |
| Building and improvements | (14,587,725) | (627,281) | | (15,215,006) |
| Equipment | (3,434,837) | (508,166) | | (3,943,003) |
| Vehicles | (5,043,185) | (538,884) | (268,043) | (5,314,026) |
| Infrastructure | (69,513,412) | (895,940) | | (70,409,352) |
| Total accumulated depreciation | <u>(92,579,159)</u> | <u>(2,570,271)</u> | <u>(268,043)</u> | <u>(94,881,387)</u> |
| Net capital assets | <u>\$ 39,292,553</u> | <u>\$ (480,526)</u> | <u>\$ 2,000</u> | <u>\$ 38,810,027</u> |

Depreciation expense for the year ended June 30, 2015 was charged to the following functions/programs of the Town:

| | |
|---------------------------------|---------------------|
| Governmental Activities: | |
| General government | \$ 656,843 |
| Education | 190,019 |
| Public safety | 577,278 |
| Public works | 1,113,895 |
| Recreation | 32,236 |
| Total | <u>\$ 2,570,271</u> |

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

5. CAPITAL ASSETS (Continued)

| | <u>Balances July 1, 2014</u> | <u>Additions</u> | <u>Retirements & Disposals</u> | <u>Balances June 30, 2015</u> |
|---------------------------------------|----------------------------------|--------------------|----------------------------------------|-----------------------------------|
| Business-Type Activities: | | | | |
| Nondepreciable Assets: | | | | |
| Land | \$ 270,688 | - | - | \$ 270,688 |
| Construction in progress | 6,622,689 | 363,686 | 296,852.00 | 6,689,523 |
| Depreciable Assets: | | | | |
| Land improvements | 87,129 | - | - | 87,129 |
| Plant and Buildings | 11,850,312 | 109,733 | - | 11,960,045 |
| Equipment | 10,262,180 | - | - | 10,262,180 |
| Infrastructure - mains, lines, etc. | 22,045,763 | 377,982 | - | 22,423,745 |
| Motor vehicles | 130,934 | 36,430 | - | 167,364 |
| Total cost | 51,269,695 | 887,831 | 296,852 | 51,860,674 |
| Accumulated Depreciation: | | | | |
| Land improvements | (82,236) | (2,036) | - | (84,272) |
| Plant and Buildings | (9,995,096) | (194,481) | - | (10,189,577) |
| Equipment | (4,307,989) | (315,003) | - | (4,622,992) |
| Infrastructure - mains, lines, etc. | (14,618,516) | (405,854) | - | (15,024,370) |
| Motor vehicles | (130,934) | (2,429) | - | (133,363) |
| Total accumulated depreciation | (29,134,771) | (919,803) | - | (30,054,574) |
| Net capital assets | \$ 22,134,924 | \$ (31,972) | \$ 296,852 | \$ 21,806,100 |

Depreciation expense for the year ended June 30, 2015 was charged to the following Business-type Activities:

| | |
|----------------------------------|-------------------|
| Business-Type Activities: | |
| Sewer Authority | \$ 659,726 |
| Water Supply Board | 143,854 |
| Smithfield Ice Rink | 105,129 |
| School Lunch Program | 11,094 |
| Total | \$ 919,803 |

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

6. DUE FROM FEDERAL AND STATE GOVERNMENTS

Due from federal and state governments represent balances on contracts and grants as well as for services provided and consisted of the following at June 30, 2015:

| | <u>Due From</u> |
|-------------------------------------------------------|--------------------------|
| School Unrestricted Fund: | |
| State of Rhode Island – Department of Education | \$ 19,006 |
| State of Rhode Island – EDS – Medicaid Funding | 70,044 |
| Other Non-Major Governmental Funds: | |
| State of Rhode Island – Department of Education | 498,204 |
| State of Rhode Island – various departments | <u>343,363</u> |
| Total all fund types..... | <u>\$ 930,617</u> |

7. LONG-TERM DEBT

(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 the State of Rhode Island or special acts of the State Legislature. Each special act provides for approval thereof by the electors of the Town. After referendum approval has been secured, the borrowing must be authorized by resolution of the Town Council and adopted by a vote of the majority.

The Rhode Island General Laws provide that no Town shall, without special statutory authority, incur any debt which would increase its aggregate indebtedness beyond three (3%) percent of the taxable property of the Town. Tax anticipation notes are not included in the computation of the legal debt limit. Debt may be incurred in excess of the three percent limit with the approval of the State Director of Administration. At June 30, 2015 all of the Town's bonds and notes outstanding or authorized but unissued are either specifically exempt from the three percent debt limit or are within such limit.

At June 30, 2015 the three (3%) debt limit of the Town was approximately \$77,247,000 based on the net assessed value of property at December 31, 2013 of \$2,574,913,000.

At June 30, 2015 the Town had a total of \$16,190,000 in authorized, unissued debt consisting of the following:

| | |
|---------------------------------------------------|----------------------------|
| • Schools – Chapter 233 PL 2014 | \$ 5,900,000 |
| • Police Station – Chapter 169 PL 2014 | 6,400,000 |
| • Town Hall Renovation – Chapter 27 PL 1987 | 240,000 |
| • Sewer – Chapter 519 PL 1986 | 650,000 |
| • Water – Chapter 32 PL 1989..... | <u>3,000,000</u> |
| Total Authorized, Unissued Debt..... | <u>\$16,190,000</u> |

On December 21, 2015 the Town issued bonds in the amount of \$5,900,000 to be used for School improvements in accordance with the authorized issuance noted above.

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

7. LONG-TERM DEBT (Continued)

(b) At June 30, 2015, the Town's long-term debt outstanding and activity consisted of the following:

| <u>Description</u> | <u>Date Issued</u> | <u>Original Principal</u> | <u>Maturity Date</u> | <u>Interest Rate</u> | (As Restated) <u>Outstanding June 30, 2014</u> | <u>Additions</u> | <u>Retirements</u> | <u>Outstanding June 30, 2015</u> | <u>Due Within One Year</u> |
|-----------------------------------------------------------|--------------------|----------------------------|----------------------|----------------------|----------------------------------------------------------|---------------------------|----------------------------|----------------------------------|----------------------------|
| Governmental Activities: | | | | | | | | | |
| General obligation bonds: | | | | | | | | | |
| School Improvement 2011 Series A.... | 01/15/11 | \$ 6,270,000 | 01/15/31 | 3.0% - 4.0% | \$ 5,945,000 | | \$ 110,000 | \$5,835,000 | \$ 110,000 |
| School Improvement 2011 Series B.... | 01/15/11 | 1,380,000 | 01/15/16 | 1.25% - 2.4% | 550,000 | | 275,000 | 275,000 | 275,000 |
| Refunding Bond 2012 Series A..... | 05/30/12 | 4,520,000 | 10/15/23 | 2.05% | 3,575,000 | | 720,000 | 2,855,000 | 705,000 |
| Premium on bond..... | | | | | 95,971 | | 5,645 | 90,326 | 0 |
| Capital Improvement Taxable Series B | 05/30/12 | <u>5,000,000</u> | 05/15/27 | 4.39% | <u>4,700,000</u> | | <u>275,000</u> | <u>4,425,000</u> | <u>290,000</u> |
| Total general obligations bonds | | <u>\$17,170,000</u> | | | <u>14,865,971</u> | \$ 0 | <u>1,385,645</u> | <u>13,480,326</u> | <u>1,380,000</u> |
| Lease Purchase obligations: | | | | | | | | | |
| Public works vehicles..... | 03/25/14 | \$ 264,671 | 03/25/16 | 3.03% | 264,671 | | 130,361 | 134,310 | 134,310 |
| Trash Carts lease..... | 10/17/13 | 490,000 | 04/17/17 | 1.43% | 490,000 | | 163,200 | 326,800 | 163,400 |
| Senior Center van lease..... | 09/10/12 | <u>67,268</u> | 09/10/14 | 6.00% | <u>22,409</u> | | <u>22,409</u> | <u>0</u> | <u>0</u> |
| Total lease purchase obligations..... | | <u>\$ 821,939</u> | | | <u>777,080</u> | 0 | <u>315,970</u> | <u>461,110</u> | <u>297,710</u> |
| Other long-term obligations | | | | | | | | | |
| Net Pension Liability..... | | | | | 67,056,123 | 0 | 9,358,408 | 57,697,715 | 0 |
| Net OPEB Obligation..... | | | | | 4,427,280 | 890,950 | 0 | 5,318,230 | 0 |
| Compensated absences..... | | | | | <u>4,292,115</u> | <u>1,997,788</u> | <u>1,680,978</u> | <u>4,608,925</u> | <u>750,000</u> |
| Total other long-term obligations..... | | | | | <u>75,775,518</u> | <u>2,888,738</u> | <u>11,039,386</u> | <u>67,624,870</u> | <u>750,000</u> |
| Governmental Activities Long-Term Obligations..... | | | | | <u>\$91,418,569</u> | <u>\$2,888,738</u> | <u>\$12,741,001</u> | <u>\$81,566,306</u> | <u>\$1,945,970</u> |

The Town's General Fund is used to record the activity of the net pension liability and net OPEB obligations as the general fund will absorb the costs.

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

7. LONG-TERM DEBT (Continued)

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

| <u>Description</u> | <u>Date Issued</u> | <u>Original Principal</u> | <u>Maturity Date</u> | <u>Interest Rate</u> | <u>Outstanding June 30, 2014</u> | <u>Additions</u> | <u>Retirements</u> | <u>Outstanding June 30, 2015</u> | <u>Due Within One Year</u> |
|--------------------------------------------------------------|--------------------|---------------------------|----------------------|----------------------|----------------------------------|------------------|--------------------|----------------------------------|----------------------------|
| Business Type Activities: | | | | | | | | | |
| <i>General revenue bonds/notes:</i> | | | | | | | | | |
| RI Clean Water Finance Agency | 12/12/07 | \$ 850,000 | 09/01/22 | 1.492% | \$ 541,000 | | \$ 55,000 | \$ 486,000 | \$ 56,000 |
| RI Clean Water Finance Agency | 10/06/09 | 560,000 | 09/01/24 | 2.89% | 420,101 | | 36,000 | 384,101 | 36,000 |
| RI Clean Water Finance Agency | 06/28/12 | 4,000,000 | 09/01/32 | .22% - 2.76% | 3,832,000 | | 168,000 | 3,664,000 | 170,000 |
| RI Clean Water Finance Agency | 06/16/13 | 3,370,000 | 09/01/33 | .19% - 2.53% | 3,369,000 | | 168,450 | 3,200,550 | 168,450 |
| General obligation bonds: | | | | | | | | | |
| RI Clean Water Finance Agency | 05/01/13 | <u>227,000</u> | 09/01/23 | .25% - 1.91% | <u>227,000</u> | | 21,000 | <u>206,000</u> | <u>22,000</u> |
| Total bonds obligations | | <u>\$9,007,000</u> | | | 8,389,101 | \$ 0 | 448,450 | 7,940,651 | 452,450 |
| Compensated absences..... | | | | | <u>107,664</u> | 40,000 | 40,337 | <u>107,327</u> | <u>35,000</u> |
| Business-type activities, long-term liabilities | | | | | <u>\$8,496,765</u> | <u>\$40,000</u> | <u>\$488,787</u> | <u>\$8,047,978</u> | <u>\$487,450</u> |

(c) Advanced and Current Refundings and Defeased Debt

During the fiscal year ended June 30, 2012 the Town issued \$4,520,000 of general obligation bonds for the refunding and advance refunding of the 1997 and 2003 Capital Improvement bonds. The proceeds of the refunding bonds were deposited into an irrevocable escrow trust. The trust is held by an independent trustee and is invested in obligations of the United States Government which mature and bear interest in such amounts and at such times as will be sufficient to pay the principal and interest of the defeased bonds upon maturity. Accordingly, the escrow trust fund, as well as the defeased bonds, are not reflected in the financial statements of the Town of Smithfield, Rhode Island at June 30, 2015.

During the year ended June 30, 2015 the in-substance defeased bonds outstanding were paid in full and therefore at June 30, 2015 there were no amounts outstanding related to the advance refunding of the 2003 Capital Improvement Bond.

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

7. LONG-TERM DEBT (Continued)

(d) Debt Service Requirements

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

| | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | | <u>Total</u> |
|-----------------------------|--------------------------------|---------------------|---------------------------------|---------------------|----------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> | |
| Year ending June 30: | | | | | |
| 2016..... | \$ 1,677,710 | \$ 482,041 | \$ 452,450 | \$ 138,071 | \$ 2,750,273 |
| 2017..... | 1,138,400 | 443,345 | 456,450 | 134,993 | 2,173,188 |
| 2018..... | 985,000 | 410,428 | 460,450 | 131,253 | 1,987,131 |
| 2019..... | 990,000 | 379,310 | 465,450 | 126,702 | 1,961,462 |
| 2020..... | 995,000 | 346,725 | 470,450 | 121,282 | 1,933,457 |
| 2021 - 2025..... | 4,885,000 | 1,187,748 | 2,287,351 | 2,788,006 | 11,148,105 |
| 2026 - 2030..... | 2,800,000 | 363,704 | 1,937,250 | 293,494 | 5,394,448 |
| 2031 - 2034..... | 380,000 | 15,200 | 1,410,800 | 62,848 | 1,868,848 |
| Total | \$ 13,851,110 | \$ 3,628,501 | \$ 7,940,651 | \$ 3,796,649 | \$ 29,216,911 |

8. FUND BALANCES

(a) Fund Balances

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

At June 30, 2015 **Nonspendable Fund Balance** consisted of the following:

MAJOR GOVERNMENTAL FUNDS:

General Fund:

| | |
|---------------------------------------------------------------------------------------------|-------------------------|
| Long-term portion of note receivable from the Greenville Public Library | \$ 227,193 |
| Receivable from the Salt Barn Property which is not expected to be paid within 1 year | <u>1,010,496</u> |
| Total General Fund | <u>1,237,689</u> |

School Unrestricted Fund:

| | |
|---------------------------|---------------|
| Prepaid expenditures..... | <u>55,404</u> |
|---------------------------|---------------|

Total Nonspendable Fund Balance **\$1,293,093**

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

8. FUND BALANCES (Continued)

(a) Fund Balances (Continued)

At June 30, 2015 **Restricted Fund Balance** consisted of the following:

MAJOR GOVERNMENTAL FUNDS:

General Fund:

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

| | |
|--------------------------------|-------------------------|
| Land Trust Fund | \$ 8,133 |
| Capital Reserve Fund..... | <u>16,265</u> |
| Total General Fund..... | <u>\$ 24,398</u> |

NONMAJOR GOVERNMENTAL FUNDS:

Special Revenue Funds:

| | |
|------------------------------------------------|-----------|
| Document Preservation & Technology Upgrades... | \$ 59,582 |
| Public Safety Communications | 9,826 |
| Fire Prevention..... | 13,250 |
| Historical Records | 41,605 |
| Police Confiscated Funds | 17,205 |
| Scholarships..... | 4,492 |
| Senior Center Programs and Expansion | 69,464 |
| Police Memorials..... | 758 |
| Educations Programs – School restricted..... | 94,200 |

Permanent Funds:

| | |
|-----------------------------------------------|-------------------------|
| Cemetery Maintenance | <u>63,664</u> |
| Total Nonmajor Governmental Funds..... | <u>\$374,046</u> |

At June 30, 2015 **Committed Fund Balance** consisted of the following:

MAJOR GOVERNMENTAL FUNDS:

General Fund:

| | |
|-------------------------------------------------------|----------------------------|
| Capital expenditures carryover..... | \$ 3,006,762 |
| Re-appropriation of balances to 2016 expenditures ... | 4,336,122 |
| To supplement fiscal 2016 budget appropriation | <u>600,000</u> |
| Total General Fund..... | <u>\$ 7,942,884</u> |

School Unrestricted Fund:

| | |
|---------------------------|---------------------|
| Educational programs..... | <u>\$ 1,065,850</u> |
|---------------------------|---------------------|

Smithfield Fire Rescue Fund:

| | |
|------------------------------------|---------------------|
| Fire equipment and apparatus | <u>\$ 1,492,599</u> |
|------------------------------------|---------------------|

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

8. FUND BALANCES (Continued)

(a) Fund Balances (Continued)

At June 30, 2015 **Committed Fund Balance** consisted of the following (Continued):

NONMAJOR GOVERNMENTAL FUNDS:

Special Revenue Funds:

| | |
|------------------------------------------------|-----------|
| Animal Control..... | \$ 31,230 |
| Public Safety – Police | 197,938 |
| Municipal Contingencies | 1,410,622 |
| Retirement Payouts (compensated absences)..... | 699,764 |
| Property Revaluation | 307,968 |
| General Public Assistance | 56,143 |

Capital Project Funds:

| | |
|-----------------------------------------------|---------------------------|
| Green Acres Land Acquisition | 109,794 |
| Open Space – Land Acquisition..... | 318,325 |
| Impact Fees – Capital Expenditures | 945,598 |
| Smithfield Historic Landmark | 882 |
| Middle School Improvements..... | 5,124 |
| Open Space and Recreation..... | 4,540 |
| Police Equipment | 81,436 |
| Water District Improvements..... | 18,743 |
| Handicap Accessibility | 10,793 |
| Special Capital Projects | 129,339 |
| Capital outlays..... | 1,076,025 |
| Bryant Capital Contributions | 234,073 |
| Land Trust | 518,166 |
| Total Nonmajor Governmental Funds..... | <u>\$6,156,503</u> |

At June 30, 2015 **Assigned Fund Balance** consisted of the following:

MAJOR GOVERNMENTAL FUNDS:

General Fund:

| | |
|-------------------------------------------|--------------------|
| Supplement future tax appropriations..... | <u>\$3,180,000</u> |
|-------------------------------------------|--------------------|

The Town Council has adopted a spending policy as part of the approval of the implementation of GASB Statement 54. The Town's spending policy specifies the use of restricted resources first when both restricted and unrestricted fund balances are available unless there are legal documents/contracts that prohibit it. Additionally, the Town uses committed fund balance followed by assigned and then unassigned when expenditures are incurred for purposes for which amounts are available in each category.

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

8. FUND BALANCES (Continued)

(b) Fund Deficits:

The following funds had deficit fund balances (negative unassigned fund balance) at June 30, 2015:

Nonmajor Governmental Funds:

| | |
|----------------------------------------------------|---------------------------|
| Salt Barn Property | \$1,010,496 |
| Planning Challenge Block Grant | 3,381 |
| School Improvement Bond | 282,755 |
| Police Improvement Bond | <u>135,000</u> |
| Total Aggregate Deficit Fund Balances | <u>\$1,431,632</u> |

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

The following individual funds had operating deficits for the year ending June 30, 2015:

Major Governmental Funds:

| | |
|--------------------------------|-------------------|
| School Unrestricted Fund | <u>\$ 225,134</u> |
|--------------------------------|-------------------|

Business-Type Activities:

| | |
|-----------------------|-------------------|
| Sewer Authority | <u>\$ 281,008</u> |
|-----------------------|-------------------|

Non-major Governmental Funds:

Special Revenue Funds:

| | |
|-----------------------------------------|--------------|
| EMA Radio | \$ 215 |
| Planning Challenge Block Grant | 2,781 |
| Fire Prevention | 16,747 |
| General Public Assistance..... | 2,849 |
| Senior Center Expansion Donations | 495 |
| School Restricted Funds | <u>2,575</u> |

Capital Project Funds:

| | |
|-------------------------------|----------------|
| Police Equipment..... | 23,049 |
| Salt Barn Property | 17,600 |
| School Improvement Bond | 282,755 |
| Police Improvement Bond | 135,000 |
| Land Trust | <u>686,193</u> |

| | |
|------------------------------------------------------|---------------------------|
| Total non-major governmental activities | <u>\$1,170,259</u> |
|------------------------------------------------------|---------------------------|

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

9. INTERFUND BALANCES AND TRANSFERS

Interfund balances represent short-term advances from one fund (primarily the General Fund) to another fund. The advances may represent balances resulting from operating advances, reimbursement for expenditures paid by one fund on behalf of another fund, or may simply be the result of pooling financial resources to maximize investment return. The composition of interfund balances at June 30, 2015 is as follows. Interfund balances are eliminated for presentation in the Government-wide financial statements.

| | <u>Due From Other Funds</u> | <u>Due to Other Funds</u> |
|--------------------------------------------------------|---------------------------------|-------------------------------|
| <u>Governmental Funds:</u> | | |
| <i>Major Governmental Funds:</i> | | |
| General Fund..... | \$ 4,246,311 | \$ 3,829,059 |
| School Unrestricted Fund..... | 1,597,049 | - |
| Fire Rescue Fund..... | - | 898,499 |
| <i>Total Major Governmental Funds</i> | <u>5,843,360</u> | <u>4,727,558</u> |
| <i>Non-major Governmental Funds:</i> | | |
| Special Revenue Funds..... | 799,632 | 571,676 |
| Capital Project Funds..... | 1,935,043 | 2,167,359 |
| <i>Total Non-major Governmental Funds</i> | <u>2,734,675</u> | <u>2,739,035</u> |
| <i>Total governmental funds</i> | <u>8,578,035</u> | <u>7,466,593</u> |
| <i>Proprietary Funds:</i> | | |
| Sewer Authority..... | - | 666,528 |
| Wastewater Fund..... | - | 270,873 |
| Smithfield Ice Rink..... | - | 174,041 |
| <i>Total proprietary funds</i> | <u>-</u> | <u>1,111,442</u> |
| TOTAL ALL FUNDS | <u>\$ 8,578,035</u> | <u>\$ 8,578,035</u> |

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

9. INTERFUND BALANCES AND TRANSFERS (Continued)

The principal purpose of interfund transfers is to provide a financing source to various funds that may not have the ability to cover all operating costs or capital expenditures with revenue generated by the fund. The composition of interfund transfers for the year ended June 30, 2015 is as follows:

| <u>Transfer Out</u> | <u>General Fund</u> | <u>School Unrestricted Fund</u> | <u>Non-major Governmental Funds</u> | <u>Total Transfer Out</u> |
|---------------------------------|---------------------------|---------------------------------|-------------------------------------|----------------------------|
| General Fund | | \$28,668,085 | \$438,229 | \$29,106,314 |
| Smithfield Fire Rescue Fund.... | \$ 900,000 | | | 900,000 |
| Enterprise Funds..... | 500,000 | | | 500,000 |
| Nonmajor Governmental Funds | 115,278 | | 600 | 115,878 |
| Total transfer in..... | <u>\$1,515,278</u> | <u>\$28,668,085</u> | <u>\$438,829</u> | <u>\$30,622,192</u> |

10. DEFINED BENEFIT PENSION PLANS

(a) Agent Multiple Plans Administered by the State of Rhode Island Retirement Board

General Information about the Pension Plan

Plan Description - The Municipal Employees' Retirement System (MERS) – an agent multiple-employer defined benefit pension plan - provides certain retirement, disability and death benefits to plan members and beneficiaries. MERS was established under Rhode Island General Law and placed under the management of the Employee's Retirement System of Rhode Island's (ERSRI) Board to provide retirement allowances to employees of municipalities, housing authorities, water and sewer districts, and municipal police and fire persons that have elected to participate. Benefit provisions are subject to amendment by the General Assembly.

MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the ERSRI website at www.ersri.org.

Benefits provided – For general employees prior to June 30, 2012 the plan provided retirement benefits equal to 2% of a member's final average salary multiplied by the number of years of total service up to a maximum of 75%. Such benefits are available to members at least age 58 with 10 years of service or after 30 years of service at any age. Benefits accrued at June 30, 2012 are protected under the Rhode Island Retirement Security Act until it is exceeded by the member's full years of service credit, including service after June 30, 2012, multiplied by the average of five consecutive years of compensation. Effective July 1, 2012 the retirement age will mirror the Social Security Normal Retirement Age not to exceed age 67. Members will receive a benefit accrual of 1.0% per year based on the five-year average compensation.

Joint and survivor options are available as well as the Service Retirement Allowance (SRA) Plus option that provides for the payment of a larger benefit before the attainment of age sixty-two (62) and a reduced amount thereafter. The reduced amount is equal to the benefit before age sixty-two (62), including cost-of-living increases, minus the member's estimated social security benefit payable at age sixty-two (62).

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

10. DEFINED BENEFIT PENSION PLANS (Continued)

(a) Agent Multiple Plans Administered by the State of Rhode Island Retirement Board (Continued)

Benefits provided (Continued) – Prior to June 30, 2012 police and fire personnel may retire at age 55 if they have 10 years of service or after 25 years of service at any age. An option may be elected to provide a 20 year service pension with a benefit equal to 2.5% for each year of service up to a maximum of 75% for police and fire personnel. Benefits are based on the average of the highest three consecutive years' earnings, exclusive of overtime.

The new retirement age will be 55 years old with 25 years of total service or for members with five years of service but less than 25 years of service the new retirement age will mirror the Social Security Normal Retirement Age not to exceed 67. Police officers or firefighters, that are at least 45 years old, have 10 or more years of contributing service and are eligible to retire prior to age 52 under the law in effect on June 30, 2012, may retire at age 52.

As of June 30, 2012 members will continue to have a frozen benefit accrual of 2.0% per year for a standard 25 year with any age and out plan; 2.5% for a standard 20 year with any age and out plan. Effective July 1, 2012 the optional 20 and 25 year with retirement at any age plans have been eliminated. The benefit accrual for all plans will be 2.0% per year based on the five-year average compensation, exclusive of overtime. Police and fire employees may retire with a reduced pension benefit if they have 20 years of service and are within five years of their retirement eligibility. The actuarially reduced benefit will be calculated based on how close the member is to the eligibility date that is prescribed in the Rhode Island Retirement Security Act.

The plan also provides survivor's benefits; and certain lump sum death benefits.

Plan members are vested after five years of service.

An optional cost-of-living provision may be elected for police and fire personnel and general employees. The Cost of Living Adjustment (COLA) has been suspended for any unit whose funding level is less than 80%. The COLA provision can be reviewed in a five-year interval. When the funding level of a plan exceeds 80% funded eligible retirees may receive a COLA annually effective on their date of retirement plus one month.

The COLA will be calculated as the five (5) year smoothed investment rate of return less 5.50%, with a 0.00% floor and a 4.00% cap. For police and fire units, COLA will be delayed until the later of age 55 or three years after retirement. For general employee units, COLA will be delayed until the later of the Social Security Normal Retirement Age or three years after retirement. The COLA will be applied to the first \$25,000 of benefits indexed annually.

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

The Town of Smithfield's Police Plan under MERS adopted the 20-year option described above. The Town of Smithfield's Police and Fire Plans under MERS include the COLA option described above.

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

10. DEFINED BENEFIT PENSION PLANS (Continued)

(a) Agent Multiple Plans Administered by the State of Rhode Island Retirement Board (Continued)

Employees covered by benefit terms.

At the June 30, 2013 valuation date, the following employees were covered by the benefit terms:

| | General Employees (COLA) MERS Plan | General Employees MERS Plan | Police Employees MERS Plan | Fire Employees MERS Plan |
|------------------------------|---------------------------------------------------|--------------------------------------------|-------------------------------------------|-----------------------------------------|
| Retirees and Beneficiaries | 33 | 79 | 5 | 0 |
| Inactive, Nonretired Members | 15 | 24 | 3 | 0 |
| Active Members | 70 | 87 | 41 | 9 |
| Total | 118 | 190 | 49 | 9 |

Contributions - The amount of employee and employer contributions have been established under Rhode Island General Law Chapter 45-21. General employees under the COLA plan are required to contribute 2% while General employees under the non COLA plan contribute 1% of their salaries. Public safety employees are required to contribute 8% of their salaries. The Town of Smithfield, Rhode Island contributes at a rate of covered employee payroll as determined by an independent actuary on an annual basis. The General Assembly can amend the amount of these contribution requirements. The contribution rates for fiscal 2015 were determined by the actuarial valuation dated June 30, 2012.

The contribution information for the fiscal year ended June 30, 2015 for the MERS Plans is as follows:

| | General Employees (COLA) MERS Plan | General Employees MERS Plan | Police Employees MERS Plan | Fire Employees MERS Plan |
|--------------------------------------|---------------------------------------------------|--------------------------------------------|-------------------------------------------|-----------------------------------------|
| Employer Contributions (rounded) | \$ 373,000 | \$ 267,000 | \$ 205,000 | \$ 52,700 |
| Covered Payroll (rounded) | \$ 3,725,000 | \$ 3,140,000 | \$ 2,887,000 | \$ 544,000 |
| Percentage of annual covered payroll | 10.05% | 8.53% | 7.09% | 9.67% |

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

10. DEFINED BENEFIT PENSION PLANS (Continued)

(a) Agent Multiple Plans Administered by the State of Rhode Island Retirement Board (Continued)

Net Pension Liability (Asset) - The total pension liability was determined by actuarial valuations performed as of June 30, 2013 and rolled forward to June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement.

| Summary of Actuarial Assumptions Used in the Valuations to determine the Net Pension Liability (Asset) at the June 30, 2014 measurement date (June 30, 2013 valuation rolled forward to June 30, 2014) | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Actuarial Cost Method | Entry Age Normal - the Individual Entry Age Actuarial Cost methodology is used. |
| Amortization Method | Level Percent of Payroll – Closed |
| Equivalent Single Remaining Amortization Period | 21 years at June 30, 2014 |
| Asset Valuation Method | 5 Year Smoothed Market |
| Actuarial Assumptions: | |
| Investment Rate of Return | 7.50% |
| Projected Salary Increases | <u>General Employees</u> 3.5% to 7.5% |
| | <u>Police & Fire Employees</u> 4% to 14% |
| Inflation | 2.75% |
| Mortality | <ul style="list-style-type: none">• Male Employees, MERS General and MERS Police & Fire: 115% of RP-2000 Combined Healthy for Males with White Collar adjustments, projected with Scale AA from 2000.• Female Employees, MERS General and MERS Police & Fire: 95% of RP-2000 Combined Healthy for Females with White Collar adjustments, projected with Scale AA from 2000. |
| Cost of Living Adjustments (COLA) | COLA is equal to the average five-year fund asset performance (percent) greater than 5.5% up to a maximum of 4% - the COLA is to be applied to the first \$25,000 of benefits, indexed over time. COLA is delayed until the later of Social Security eligibility age or 3 years after retirement except for MERS Police and Fire for which the COLA is delayed until the later of age 55 or 3 years after retirement. A 2% COLA is assumed after January 1, 2014. |

The actuarial assumptions used in the June 30, 2013 valuation rolled forward to June 30, 2014 and the calculation of the total pension liability at June 30, 2014 were consistent with the results of an actuarial experience study performed as of June 30, 2013.

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

10. DEFINED BENEFIT PENSION PLANS (Continued)

(a) Agent Multiple Plans Administered by the State of Rhode Island Retirement Board (Continued)

The long-term expected rate of return best-estimate on pension plan investments was determined by the actuary using a building-block method. The actuary started by calculating best-estimate future expected real rates of return (expected returns net of pension plan investment expense and inflation) for each major asset class, based on forward-looking medium-term (10 year) capital market return assumptions developed by eight investment consulting firms. The June 30, 2014 expected arithmetic returns over the medium term by asset class as developed by the State Investment Commission's investment consultant, which are generally consistent with the averages utilized by the actuary, are summarized in the following table:

| Asset Class | Target Allocation | Medium-Term Expected Real Rate of Return |
|------------------------|--------------------------|-------------------------------------------------|
| Global Equity | 38% | 6.05% |
| Private Equity | 7% | 9.05% |
| Equity Hedge Funds | 8% | 4.75% |
| Asbsolute Return Hedge | 7% | 2.95% |
| Real Return | 14% | 3.85% |
| Real Estate | 8% | 4.45% |
| Core Fixed | 15% | 0.25% |
| Cash | 3% | -0.50% |
| Total | 100% | |

These return assumptions are then weighted by the target asset allocation percentage, factoring in correlation effects, to develop the overall medium-term expected rate of return best-estimate on an arithmetic basis. To arrive at the long-term expected return estimate, the actuary adjusts the medium-term number to reflect the longer 30-year time frame required for actuarial calculations. This process produces the actuarial expected return, which is based on a 30-year horizon, and can differ from the medium-term, 10-year-horizon return expectations.

Discount rate - The discount rate used to measure the total pension liability of the plans was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from the employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

10. DEFINED BENEFIT PENSION PLANS (Continued)

**(a) Agent Multiple Plans Administered by the State of Rhode Island Retirement Board
(Continued)**

| General Employees MERS COLA Plan: | Changes in the Net Pension Liability (Asset) | | |
|---------------------------------------------------|----------------------------------------------|-------------------------------------------------|-------------------------------|
| | Total Pension Liability | Increase (Decrease) Plan Fiduciary Net Position | Net Pension Liability (Asset) |
| Balances as of June 30, 2013 | \$ 14,156,970 | \$ 12,563,484 | \$ 1,593,486 |
| Changes for the Year: | | | |
| Service Cost | 332,297 | - | 332,297 |
| Interest on the total pension liability | 1,048,556 | - | 1,048,556 |
| Changes in benefits | - | - | - |
| Difference between expected and actual experience | - | - | - |
| Changes in assumptions | (133,298) | - | (133,298) |
| Employer contributions | - | 289,607 | (289,607) |
| Employee contributions | - | 66,806 | (66,806) |
| Net investment income | - | 1,878,173 | (1,878,173) |
| Benefit payments, including employee refunds | (684,734) | (684,734) | - |
| Administrative expense | - | (11,761) | 11,761 |
| Other changes | - | - | - |
| Net Changes | 562,821 | 1,538,091 | (975,270) |
| Balances as of June 30, 2014 | \$ 14,719,791 | \$ 14,101,575 | \$ 618,216 |

| General Employees MERS Plan: | Changes in the Net Pension Liability (Asset) | | |
|---------------------------------------------------|----------------------------------------------|-------------------------------------------------|-------------------------------|
| | Total Pension Liability | Increase (Decrease) Plan Fiduciary Net Position | Net Pension Liability (Asset) |
| Balances as of June 30, 2013 | \$ 11,958,720 | \$ 11,469,041 | \$ 489,679 |
| Changes for the Year: | | | |
| Service Cost | 315,326 | - | 315,326 |
| Interest on the total pension liability | 877,404 | - | 877,404 |
| Changes in benefits | - | - | - |
| Difference between expected and actual experience | - | - | - |
| Changes in assumptions | 21,275 | - | 21,275 |
| Employer contributions | - | 239,838 | (239,838) |
| Employee contributions | - | 63,703 | (63,703) |
| Net investment income | - | 1,669,363 | (1,669,363) |
| Benefit payments, including employee refunds | (835,313) | (835,313) | - |
| Administrative expense | - | (10,454) | 10,454 |
| Other changes | - | (62,377) | 62,377 |
| Net Changes | 378,692 | 1,064,760 | (686,068) |
| Balances as of June 30, 2014 | \$ 12,337,412 | \$ 12,533,801 | \$ (196,389) |

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

10. DEFINED BENEFIT PENSION PLANS (Continued)

(b) Agent Multiple Plans Administered by the State of Rhode Island Retirement Board (Continued)

| Police Employees MERS Plan: | Changes in the Net Pension Liability (Asset) | | |
|---------------------------------------------------|----------------------------------------------|-------------------------------------------------|-------------------------------|
| | Total Pension Liability | Increase (Decrease) Plan Fiduciary Net Position | Net Pension Liability (Asset) |
| Balances as of June 30, 2013 | \$ 10,367,401 | \$ 10,806,475 | \$ (439,074) |
| Changes for the Year: | | | |
| Service Cost | 451,642 | - | 451,642 |
| Interest on the total pension liability | 786,421 | - | 786,421 |
| Changes in benefits | - | - | - |
| Difference between expected and actual experience | - | - | - |
| Changes in assumptions | (183,362) | - | (183,362) |
| Employer contributions | - | 133,929 | (133,929) |
| Employee contributions | - | 227,478 | (227,478) |
| Net investment income | - | 1,681,302 | (1,681,302) |
| Benefit payments, including employee refunds | (215,212) | (215,212) | - |
| Administrative expense | - | (10,528) | 10,528 |
| Other changes | - | - | - |
| Net Changes | 839,489 | 1,816,969 | (977,480) |
| Balances as of June 30, 2014 | \$ 11,206,890 | \$ 12,623,444 | \$ (1,416,554) |

| Fire Employees MERS Plan: | Changes in the Net Pension Liability (Asset) | | |
|---------------------------------------------------|----------------------------------------------|-------------------------------------------------|-------------------------------|
| | Total Pension Liability | Increase (Decrease) Plan Fiduciary Net Position | Net Pension Liability (Asset) |
| Balances as of June 30, 2013 | \$ 590,287 | \$ 545,834 | \$ 44,453 |
| Changes for the Year: | | | |
| Service Cost | 81,253 | - | 81,253 |
| Interest on the total pension liability | 47,318 | - | 47,318 |
| Changes in benefits | - | - | - |
| Difference between expected and actual experience | - | - | - |
| Changes in assumptions | (2,446) | - | (2,446) |
| Employer contributions | - | 37,684 | (37,684) |
| Employee contributions | - | 37,684 | (37,684) |
| Net investment income | - | 98,832 | (98,832) |
| Benefit payments, including employee refunds | (24) | (24) | - |
| Administrative expense | - | (619) | 619 |
| Other changes | - | 22,655 | (22,655) |
| Net Changes | 126,101 | 196,212 | (70,111) |
| Balances as of June 30, 2014 | \$ 716,388 | \$ 742,046 | \$ (25,658) |

Sensitivity of the Net Pension Liability to changes in the discount rate. The following presents the net pension liability (asset) of the employers calculated using the discount rate of 7.5%, as well as what the employers' net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

| | Ending Net Pension Liability (Asset) | | |
|----------------------------------|--------------------------------------|------------------------------|--------------------|
| | 1% Decrease (6.5%) | Current Discount Rate (7.5%) | 1% Increase (8.5%) |
| General Employees MERS COLA Plan | \$ 2,161,236 | \$ 618,216 | \$ (924,805) |
| General Employees MERS Plan | \$ 1,124,016 | \$ (196,389) | \$ (1,516,794) |
| Police Employees MERS Plan | \$ (273,537) | \$ (1,416,554) | \$ (2,559,572) |
| Fire Employees MERS Plan | \$ 45,982 | \$ (2,558) | \$ (97,300) |

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

10. DEFINED BENEFIT PENSION PLANS (Continued)

(a) Agent Multiple Plans Administered by the State of Rhode Island Retirement Board (Continued)

MERS pension plan fiduciary net position - detailed information about the MERS pension plan's fiduciary net position is available in the separately issued ERSRI financial report.

Pension Expense

For the year ended June 30, 2015 the Town of Smithfield recognized pension expense of:

| | | |
|----------------------------------|----|---------|
| General Employees MERS COLA Plan | \$ | 190,719 |
| General Employees MERS Plan | \$ | 203,037 |
| Police Employees MERS Plan | \$ | 19,599 |
| Fire Employees MERS Plan | \$ | 13,269 |

(b) Teachers' Pension Plan – Employees' Retirement System (ERS)

General Information about the Pension Plan

Plan description - Certain employees of the Town of Smithfield's School Department participate in a cost-sharing multiple-employer defined benefit pension plan - the Employees' Retirement System plan - administered by the Employees' Retirement System of the State of Rhode Island (System). Under a cost-sharing plan, pension obligations for employees of all employers are pooled and plan assets are available to pay the benefits of the employees of any participating employer providing pension benefits through the plan, regardless of the status of the employers' payment of its pension obligation to the plan. The plan provides retirement and disability benefits and death benefits to plan members and beneficiaries.

The System issues a publicly available financial report that includes financial statements and required supplementary information for the plans. The report may be obtained at <http://www.ersri.org>.

Benefit provisions – The level of benefits provided to participants is established by Chapter 36-10 of the General Laws, which is subject to amendment by the General Assembly. Member benefit provisions vary based on service credits accumulated at dates specified in various amendments to the General Laws outlining minimum retirement age, benefit accrual rates and maximum benefit provisions. In general, members accumulate service credits for each year of service subject to maximum benefit accruals of 80% or 75%. For those hired after June 30, 2012, the benefit accrual rate is 1% per year with a maximum benefit accrual of 40%. Members eligible to retire at September 30, 2009 may retire with 10 years of service at age 60 or after 28 years of service at any age. The retirement eligibility age increases proportionately for other members reflecting years of service and other factors until it aligns with the Social Security Normal Retirement Age, which applies to any member with less than 5 years of service as of July 1, 2012. Members are vested after 5 years of service.

The plan provides for survivor's benefits for service connected death and certain lump sum death benefits. Joint and survivor benefit provision options are available to members.

Cost of living adjustments are provided but are currently suspended until the collective plans covering state employees and teachers reach a funded status of 80%. Until the plans reach an 80% funded status, interim cost of living adjustments are provided at five-year intervals.

The plan also provides nonservice-connected disability benefits after five years of service and service-connected disability benefits with no minimum service requirement.

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

10. DEFINED BENEFIT PENSION PLANS (Continued)

(b) Teachers' Pension Plan – Employees' Retirement System (ERS) (Continued)

Contributions - The funding policy, as set forth in the General Laws, Section 16-16-22, provides for actuarially determined periodic contributions to the plan. For fiscal 2015, the Town of Smithfield's School Department teachers were required to contribute 3.75% of their annual covered salary. The state and the Town of Smithfield are required to contribute at an actuarially determined rate, 40% of which is to be paid by the state and the remaining 60% is to be paid by Town of Smithfield; the rates were 9.19% and 13.41% of annual covered payroll for the fiscal year ended June 30, 2015 for the State and Town of Smithfield, respectively. The Town of Smithfield's School Department contributed approximately \$2,376,000, \$1,858,000, and \$1,946,000 for the fiscal years ended June 30, 2015, 2014 and 2013, respectively, equal to 100% of the required contributions for each year. The on-behalf contribution made by the State of Rhode Island for the defined benefit plan for the fiscal year ended June 30, 2015 was approximately \$1,550,400. This amount has been included in the Fund Statements as revenue and educational expenditures for fiscal 2015.

Pension Liabilities and Pension Expense

At June 30, 2015, the Town of Smithfield reported a liability of \$22,965,558 for its proportionate share of the net pension liability that reflected a reduction for contributions made by the State. The amount recognized by the Town of Smithfield as its proportionate share of the net pension liability, the related State support and the total portion of the net pension liability that was associated with the Town of Smithfield were as follows:

| | |
|-----------------------------------------------------------------------------------------------------------------------|----------------------------|
| Town of Smithfield's proportionate share of the net pension liability..... | \$22,965,558 |
| State of Rhode Island's proportionate share of the net pension liability associated with the Town of Smithfield | <u>15,748,541</u> |
| Total net pension liability..... | <u>\$38,714,099</u> |

The net pension liability was measured as of June 30, 2014, the measurement date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014. The Town of Smithfield's proportion of the net pension liability was based on a projection of the Town of Smithfield's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers and the State, actuarially determined. At June 30, 2014 the Town of Smithfield's proportion was .94353141%.

Subsequent to June 30, 2014 (the measurement date), litigation challenging the various pension reform measures enacted in previous years by the General Assembly (2009, 2010, and 2011) was settled. The final settlement approved by the Court on July 8, 2015 also included enactment of the pension settlement provisions by the General Assembly.

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

10. DEFINED BENEFIT PENSION PLANS (Continued)

(b) Teachers' Pension Plan – Employees' Retirement System (ERS) (Continued)

The amended benefit provisions in the newly enacted legislation and settlement agreement have not been reflected in the determination of the net pension liability at June 30, 2014 (the measurement date). These amended benefit provisions are summarized below:

- Employees with more than 20 years of service at July 1, 2012 will increase their employee contribution rate from 3.75% to 11% and participate solely in the defined benefit plan going forward – service credit accruals will increase from 1% to 2% per year.
- Employees with more than 10 but less than 20 years of service at July 1, 2012 will receive an increased employer contribution to the defined contribution plan.
- Retirees as of June 30, 2015 will receive two \$500 stipends; the interim cost of living increases will occur at 4 year rather 5 year intervals.
- Minor adjustments were made to the actuarial reduction for employees choosing to retire early.

These amendments are not considered to have a material effect on the net pension liability had they been retroactively applied to the calculation of the total pension liability at June 30, 2013 rolled forward to June 30, 2014. An actuarial analysis of the pension settlement provisions enacted by the General Assembly and approved by the Court indicated that the funded ratio at June 30, 2014 for teachers (determined on a funding basis) decreased from 59.6% to 58.2%.

For the year ended June 30, 2015 the Town of Smithfield recognized gross pension expense in the Government-wide financial statements of \$2,691,252 and operating grants and contributions for education of \$1,094,777 for support provided by the State.

Actuarial Assumptions - the total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|----------------|
| Inflation | 2.75% |
| Salary increases | 3.50% to 6.50% |
| Investment rate of return | 7.50% |

Mortality – male and female teachers: 97% and 92%, respectively of rates in a GRS table based on male and female teacher experience, projected with Scale AA from 2000.

The actuarial assumptions used in the June 30, 2013 valuation rolled forward to June 30, 2014 and the calculation of the total pension liability at June 30, 2014 were consistent with the results of an actuarial experience study performed as of June 30, 2013.

Pension plan fiduciary net position - detailed information about the pension plan's fiduciary net position is available in the separately issued ERSRI financial report.

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

10. DEFINED BENEFIT PENSION PLANS (Continued)

(c) Teacher's Survivors Benefit Plan (TSB) – Employees' Retirement System (ERS)

General Information about the Pension Plan

Plan description - Certain employees of the Town of Smithfield's School Department participate in a cost-sharing multiple-employer defined benefit pension plan - the Teachers' Survivors Benefit plan - administered by the Employees' Retirement System of the State of Rhode Island (System). Under a cost-sharing plan, pension obligations for employees of all employers are pooled and plan assets are available to pay the benefits of the employees of any participating employer providing pension benefits through the plan, regardless of the status of the employers' payment of its pension obligation to the plan. The plan provides a survivor benefit to public school teachers in lieu of Social Security since not all school districts participate in Social Security.

The System issues a publicly available financial report that includes financial statements and required supplementary information for the plans. The report may be obtained at <http://www.ersri.org>.

Eligibility and plan benefits - the plan provides a survivor benefit to public school teachers in lieu of Social Security since not all school districts participate in the plan. Specific eligibility criteria and the amount of the benefit is subject to the provisions of Chapter 16-16 of the Rhode Island General Laws which are subject to amendment by the General Assembly. Spouse, parents, family and children's benefits are payable following the death of a member. A spouse shall be entitled to benefits upon attaining the age of sixty (60) years. Children's benefits are payable to the child, including a stepchild or adopted child of a deceased member if the child is unmarried and under the age of eighteen (18) years or twenty-three (23) years and a full time student, and was dependent upon the member at the time of the member's death. Family benefits are provided if at the time of the member's death the surviving spouse has in his or her care a child of the deceased member entitled to child benefits. Parents benefits are payable to the parent or parents of a deceased member if the member did not leave a widow, widower, or child who could ever qualify for monthly benefits on the member's wages and the parent has reached the age of 60 years, has not remarried, and received support from the member.

In January, a yearly cost-of-living adjustment for spouse's benefits is paid and based on the annual social security adjustment.

Survivors are eligible for benefits if the member has made contributions for at least six months prior to death or retirement.

The TSB plan provides benefits based on the highest salary at the time of retirement of the teacher. Benefits are payable in accordance with the following table:

| Highest Annual Salary | Basic Monthly Spouses's Benefit |
|-----------------------|---------------------------------|
| \$17,000 or less | \$ 750 |
| \$17,001 to \$25,000 | \$ 875 |
| \$25,001 to \$33,000 | \$ 1,000 |
| \$33,001 to \$40,000 | \$ 1,125 |
| \$40,001 and over | \$ 1,250 |

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

10. DEFINED BENEFIT PENSION PLANS (Continued)

**(c) Teacher's Survivors Benefit Plan (TSB) – Employees' Retirement System (ERS)
(Continued)**

Benefits payable to children and families are equal to the spousal benefit multiplied by the percentage below:

| Parent and 1 Child | Parent and 2 or more Children | One Child Alone | Two Children Alone | Three or more Children Alone | Dependent Parent |
|--------------------|-------------------------------|-----------------|--------------------|------------------------------|------------------|
| 150% | 175% | 75% | 150% | 175% | 100% |

Contributions - The contribution requirements of active employees and the participating school districts were established under Chapter 16-16 of the Rhode Island General Laws, which may be amended by the General Assembly. The cost of the benefits provided by the plan are two percent (2%) of the member's annual salary up to but not exceeding an annual salary of \$9,600; one-half (1/2) of the cost is contributed by the member by deductions from his or her salary, and the other half (1/2) is contributed and paid by the respective school district by which the member is employed. These contributions are in addition to the contributions required for regular pension benefits.

The Town of Smithfield's School Department contributed approximately \$21,800, \$23,400, and \$22,500 for the fiscal years ended June 30, 2015, 2014 and 2013, respectively, equal to 100% of the required contributions for each year.

Pension Liabilities/Assets and Pension Expense

At June 30, 2015 the Town of Smithfield reported an asset of \$4,784,426 for its proportionate share of the net pension asset related to its participation in TSB plan. The net pension asset was measured as of June 30, 2014, the measurement date, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014. The Town of Smithfield's proportion of the net pension asset was based on its share of contributions to the TSB for fiscal year 2014 relative to the total contributions of all participating employers for that fiscal year. At June 30, 2014 the Town of Smithfield's proportion was 3.85%.

For the year ended June 30, 2015 the Town of Smithfield recognized pension expense in the Government-wide financial statements of (\$368,799) – an increase in the net pension asset.

Actuarial Assumptions - the total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|-----------------|
| Inflation | 2.75% |
| Salary increases | 3.50% to 13.50% |
| Investment rate of return | 7.50% |

Mortality rates for male and female teachers were based on 97% (males) and 92% (females) of rates in a GRS table based on male and female teacher experience, projected with scale AA from 2000.

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

10. DEFINED BENEFIT PENSION PLANS (Continued)

**(c) Teacher's Survivors Benefit Plan (TSB) – Employees' Retirement System (ERS)
(Continued)**

Cost of living adjustment – eligible survivors receive a yearly cost of living adjustment based on the annual social security adjustment – for valuation purposes, a 2.75% cost of living adjustment is assumed.

The actuarial assumptions used in the June 30, 2013 valuation rolled forward to June 30, 2014 and the calculation of the total pension liability at June 30, 2014 were consistent with the results of an actuarial experience study performed as of June 30, 2013.

Pension plan fiduciary net position - detailed information about the pension plan's fiduciary net position is available in the separately issued ERSRI financial report.

The following applies to the Teacher's Survivors Benefit Plan and the Teachers' Pension Plan described above:

The long-term expected rate of return best-estimate on pension plan investments was determined by the actuary using a building-block method. The actuary started by calculating best-estimate future expected real rates of return (expected returns net of pension plan investment expense and inflation) for each major asset class, based on forward-looking medium-term (10 year) capital market return assumptions developed by eight investment consulting firms. The June 30, 2014 expected arithmetic returns over the medium term by asset class as developed by the State Investment Commission's investment consultant, which are generally consistent with the averages utilized by the actuary, are summarized in the following table:

| Asset Class | Target Allocation | Medium-Term Expected Real Rate of Return |
|------------------------|--------------------------|-------------------------------------------------|
| Global Equity | 38% | 6.05% |
| Private Equity | 7% | 9.05% |
| Equity Hedge Funds | 8% | 4.75% |
| Asbsolute Return Hedge | 7% | 2.95% |
| Real Return | 14% | 3.85% |
| Real Estate | 8% | 4.45% |
| Core Fixed | 15% | 0.25% |
| Cash | 3% | -0.50% |
| Total | 100% | |

These return assumptions are then weighted by the target asset allocation percentage, factoring in correlation effects, to develop the overall medium-term expected rate of return best-estimate on an arithmetic basis. To arrive at the long-term expected return estimate, the actuary adjusts the medium-term number to reflect the longer 30-year time frame required for actuarial calculations. This process produces the actuarial expected return, which is based on a 30-year horizon, and can differ from the medium-term, 10-year-horizon return expectations.

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

10. DEFINED BENEFIT PENSION PLANS (Continued)

**(c) Teacher's Survivors Benefit Plan (TSB) – Employees' Retirement System (ERS)
(Continued)**

The following applies to the Teacher's Survivors Benefit Plan and the Teachers' Pension Plan described above (Continued):

Discount rate - the discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from the employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability (asset) to changes in the discount rate - the following presents the net pension liability (asset) calculated using the discount rate of 7.5 percent as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

| | Ending Net Pension Liability (Asset) | | |
|----------------------------------------|---------------------------------------------|-----------------------------------------|-------------------------------|
| | 1% Decrease (6.5%) | Current Discount Rate (7.5%) | 1% Increase (8.5%) |
| Teacher's Pension Plan - ERS | \$ 28,761,523 | \$ 22,965,558 | \$ 17,050,665 |
| Teachers' Survivors Benefit Plan - ERS | \$ (4,100,184) | \$ (4,784,426) | \$ (5,468,568) |

(d) Police and Fire Pension Trust (Fiduciary Funds)

Police Pension Trust

The Town of Smithfield currently maintains a Police Pension Trust Fund which is administered by a private insurer and operates on a pay-as-you go basis. The plan is closed to new participants and currently includes 45 participants which include 5 disabled and 40 retirees and beneficiaries. All active members of the Town's police department were transferred into the State Municipal Plan effective July 1, 2006.

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

Former police employees retiring or becoming disabled on or after July 1, 1992 under this plan shall receive a COLA increase of 3% in their benefit on each anniversary date of retirement.

For the fiscal year ended June 30, 2015 the Town contributed \$2,277,340 to this plan. As noted above this plan is closed to new active employees and new participants and as a result there were no employee contributions or covered payroll for the fiscal year ended June 30, 2015.

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

10. DEFINED BENEFIT PENSION PLANS (Continued)

(d) Police and Fire Pension Trust (Fiduciary Funds) (Continued)

Police Pension Trust (Continued)

The net pension liability was determined using the actuarial methods and assumptions for the valuation of the Police Pension Fund as of a valuation date of June 30, 2015 as follows:

| | |
|------------------------------------|--------------------------------------------------------------------------------|
| Investment Rate of Return | 7.75% (based on average inflation rate of 3% and real rate of return of 4.75%) |
| Inflation rate | 3.0% |
| Plan Administrative Expenses | 4% increase from prior year |
| Actuarial Cost Method..... | Projected Unit Credit Method |
| Asset Valuation Method | IPG assets at book value all other at market |
| Amortization period | Level dollar amount over 20-year closed period starting July 1, 2010 |

Mortality – For male annuitants, 115% of RP-2000 Combined Healthy for Males with White Collar adjustments, projected generationally with Scale AA from 2000, and for female annuitants, 95% of RP-2000 Combined Healthy for Females with White Collar adjustments, projected generationally with Scale AA from 2000.

The mortality assumptions were changed for the June 30, 2015 valuation in accordance with an experience study performed in 2015 and published in May 2015. The previous valuation utilized the RP-2000 mortality table.

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

Fire Pension Trust

Fire Department employees hired prior to July 1, 2011 are covered under a single employer defined benefit pension plan which is administered by a private insurer. Plan participation commences on the first day of the month following the date the employee is hired. Retirement benefits are determined based in the average annual salary for the three consecutive years producing the highest such average in the last ten years preceding normal retirement date and includes base compensation only. Employees are eligible for retirement on the first day of the month coincident with or next following the earlier of the attainment of age 65 or completion of 20 years of service. Benefits are calculated at 2.5% of the final average salary as determined above multiplied by service up to 20 years plus 2% of final average salary multiplied by service in excess of 20 years but not more than 75% of final average salary. Employees become 100% vested in the plan upon completion of ten years of service.

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

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

10. DEFINED BENEFIT PENSION PLANS (Continued)

(d) Police and Fire Pension Trust (Fiduciary Funds) (Continued)

Fire Pension Trust (Continued)

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

Employees retiring or becoming disabled after July 1, 1998 shall receive a COLA increase of 3% in their benefit on each anniversary date of retirement. Pre-retirement survivor beneficiaries are also eligible for these increases.

The payroll for employees covered under this Town administered fire pension plan for the year ended June 30, 2015 was approximately \$2,668,000. At June 30, 2015 the plan included 82 participants which were comprised of the following: 44 active participants; 30 retirees and beneficiaries, 3 terminated vested employees not yet receiving benefit, and 5 disabled employees receiving benefits.

Fire personnel are required by the plan document and contractual obligations to contribute 9% of their base earnings, not including overtime pay. The current collective bargaining agreement between the Town and fire department personnel provides that the Town contributes 20.6% for fiscal 2015. During the year ended June 30, 2015 the Town contributed approximately \$551,700 to the plan.

The net pension liability was determined using the actuarial methods and assumptions for the valuation of the Fire Pension Fund as of a valuation date of June 30, 2015 as follows:

| | |
|------------------------------------|-----------------------------------------------------------------------------------------------------|
| Investment rate of return | 8.5%, net of investment expenses (based on average inflation of 3% and real rate of return of 5.5%) |
| Inflation rate | 3.0% |
| Compensation increase rate | 4.0% per annum |
| Retirement age..... | 25% assumed to retire at 20 years of service the remainder 25 years. |
| Plan Administrative Expenses | 4% increase from prior year |
| Actuarial Cost Method..... | Frozen Initial Liability |
| Amortization period | 16 years closed period (20 years beginning 2011) |
| Asset Valuation Method | IPG assets at book value all others at market |

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

10. DEFINED BENEFIT PENSION PLANS (Continued)

(d) Police and Fire Pension Trust (Fiduciary Funds) (Continued)

Fire Pension Trust (Continued)

Mortality – For male annuitants and non-annuitants, 115% of RP-2000 Combined Healthy for Males with White Collar adjustments, projected generationally with Scale AA from 2000, and for female annuitants and non-annuitants, 95% of RP-2000 Combined Healthy for Females with White Collar adjustments, projected generationally with Scale AA from 2000.

Significant assumption changes were as follows for the June 30, 2015 valuation. These changes in assumption were made in accordance with the experience study published in May 2015.

- The mortality assumptions used for the prior year were based on RP-2000 Mortality Table with projections specified by IRS Regulation 1.430(h)(3)-1, as applicable to the valuation year using a combined static table for both annuitants and non-annuitants.
- Salary scale assumption changed from 5.5% to 4.0%.
- The discount rate assumption changed from 5.98% to 6.88%.

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

Investment Policy

The Police and Fire Plan assets are invested at the sole discretion of John Hancock consistent with the investment policy established by John Hancock for the applicable investment classes.

Rate of Return

For the year ended June 30, 2015 the annual money-weighted weighted rate of return on pension plan investments, net of pension plan expense was 7.42% and 6.73% for the Police and Fire Pension Plans, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for changing amounts actually invested.

The long-term expected rate of return on the Police and Fire Pension Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015 are summarized in the following table (rates shown include the inflation component).

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

10. DEFINED BENEFIT PENSION PLANS (Continued)

(d) Police and Fire Pension Trust (Fiduciary Funds) (Continued)

Rate of Return (Continued)

These rates are applicable for both the Police and Fire Pension Plan trust funds.

| Asset Class: | Long-Term Expected Rate of Return |
|----------------------|------------------------------------------|
| Domestic equity | 12.2% |
| International equity | 10.5% |
| Fixed income | 5.7% |
| Real Estate | 9.9% |
| Cash | 4.1% |

Concentrations

The police and fire pension plan trust funds held investments in the following which represented 5% or more of the pension plan's fiduciary net position as of June 30, 2015.

| Investment: | Fire Pension Trust Fair Market Value | % of Fiduciary Net Position | Police Pension Trust Fair Market Value | % of Fiduciary Net Position |
|-----------------------------------------------------|---------------------------------------------|------------------------------------|-----------------------------------------------|------------------------------------|
| John Hancock S&P 500 Index Stock Fund | \$9,805,156 | 48.44% | \$2,318,366 | 34.01% |
| John Hancock Diversified Stock Fund | \$9,122,611 | 45.08% | \$2,315,033 | 33.96% |
| John Hancock Immediate Participation Guarantee Fund | \$1,309,852 | 6.48% | \$2,182,920 | 32.03% |

Net Pension Liability

The net pension liability consisted of the following components at June 30, 2015:

| Component: | Fire Pension Trust | Police Pension Trust |
|----------------------------------------------------------------------------|---------------------------|-----------------------------|
| Total pension liability | \$35,615,775 | \$25,730,134 |
| Plan fiduciary net position | (\$20,313,875) | (\$ 6,918,093) |
| Net pension liability | \$15,301,900 | \$18,812,041 |
| Plan fiduciary net position as a percentage of the total pension liability | 57.04% | 26.89% |

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

10. DEFINED BENEFIT PENSION PLANS (Continued)

(d) Police and Fire Pension Trust (Fiduciary Funds) (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.88% and 7.75% for the Fire and Police Pension Trust Fund Plans, respectively. The projection of cash flows used to determine the discount rate assumed that Town contributions will continue to follow the pattern of contributions observed over the past five years. During that period, the Town contributed 36% and 102.2% of the cumulative recommended contribution level for the Fire and Police Pension Trust Funds, respectively. Accordingly, the fiduciary net position was projected assuming that 36% of future recommended contribution levels will be contributed for the Fire Pension Trust Fund (100% for the Police Pension Trust Fund). Based on those assumptions, the Police Pension Trust Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. However, based on the assumptions for the Fire Pension Trust Plan, the fiduciary net position was projected to be available to make all projected benefit payments of current plan members until the year 2058.

Due to the fact that the fiduciary net position of the Fire Pension Trust Plan is projected to be depleted by the year 2057, a municipal bond rate of 3.73% was used in the development of the blended GASB discount rate after that point. The 3.73% rate is based on the S&P Municipal Bond 20 Year High Grade Rate Index. Based on the long-term rate of return of 8.5% and the municipal bond rate of 3.73%, the blended GASB discount rate is 6.88%.

Changes in the Net Pension Liability (Asset)

| Police Pension Plan - Trust Fund | Increase (Decrease) | | |
|---------------------------------------------------|----------------------------|--------------------------------|----------------------------------|
| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability (Asset) |
| Balances as of June 30, 2014 | \$ 25,174,686 | \$ 5,952,209 | \$ 19,222,477 |
| Changes for the Year: | | | |
| Service Cost | - | - | - |
| Interest on the total pension liability | 1,883,156 | - | 1,883,156 |
| Changes in benefits | - | - | - |
| Difference between expected and actual experience | 117,690 | - | 117,690 |
| Changes in assumptions | 339,700 | - | 339,700 |
| Employer contributions | - | 2,277,340 | (2,277,340) |
| Employee contributions | - | - | - |
| Net investment income | - | 488,660 | (488,660) |
| Benefit payments, including employee refunds | (1,785,098) | (1,785,098) | - |
| Administrative expense | - | (15,018) | 15,018 |
| Other changes | - | - | - |
| Net Changes | <u>555,448</u> | <u>965,884</u> | <u>(410,436)</u> |
| Balances as of June 30, 2014 | <u>\$ 25,730,134</u> | <u>\$ 6,918,093</u> | <u>\$ 18,812,041</u> |

For the year ended June 30, 2015 the Town of Smithfield recognized pension expense of \$1,848,957 in the Government-wide financial statements for the Police Pension Plan administered by the Town.

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

10. DEFINED BENEFIT PENSION PLANS (Continued)

(d) Police and Fire Pension Trust (Fiduciary Funds) (Continued)

| Fire Pension Plan - Trust Fund | Changes in the Net Pension Liability (Asset) | | |
|---------------------------------------------------|----------------------------------------------|-------------------------------------------------|-------------------------------|
| | Total Pension Liability | Increase (Decrease) Plan Fiduciary Net Position | Net Pension Liability (Asset) |
| Balances as of June 30, 2014 | \$ 39,211,819 | \$ 19,523,856 | \$ 19,687,963 |
| Changes for the Year: | | | |
| Service Cost | 824,891 | - | 824,891 |
| Interest on the total pension liability | 2,348,730 | - | 2,348,730 |
| Changes in benefits | - | - | - |
| Difference between expected and actual experience | (95,975) | - | (95,975) |
| Changes in assumptions | (5,398,258) | - | (5,398,258) |
| Employer contributions | - | 551,629 | (551,629) |
| Employee contributions | - | 241,067 | (241,067) |
| Net investment income | - | 1,293,356 | (1,293,356) |
| Benefit payments, including employee refunds | (1,275,432) | (1,275,432) | - |
| Administrative expense | - | (14,522) | 14,522 |
| Other changes | - | - | - |
| Net Changes | <u>(3,596,044)</u> | <u>796,098</u> | <u>(4,392,142)</u> |
| Balances as of June 30, 2014 | <u>\$ 35,615,775</u> | <u>\$ 20,319,954</u> | <u>\$ 15,295,821</u> |

For the year ended June 30, 2015 the Town of Smithfield recognized pension expense of \$359,485 in the Government-wide financial statements for the Fire Pension Plan administered by the Town.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following represents the net pension liability, calculated using the applicable discount rates as noted above, as well as what the plans net pension liability would be if it were calculated using a discount rate that was 1% point lower or 1% point higher than the current rate

| | Ending Net Pension Liability (Asset) | | |
|----------------------------------|--------------------------------------|-------------------------------|---------------------|
| | 1% Decrease (6.75%) | Current Discount Rate (7.75%) | 1% Increase (8.75%) |
| Police Pension Plan - Trust Fund | \$ 21,791,732 | \$ 18,812,041 | \$ 16,335,898 |

| | Ending Net Pension Liability (Asset) | | |
|--------------------------------|--------------------------------------|-------------------------------|---------------------|
| | 1% Decrease (5.88%) | Current Discount Rate (6.88%) | 1% Increase (7.88%) |
| Fire Pension Plan - Trust Fund | \$ 20,818,610 | \$ 15,301,900 | \$ 10,886,390 |

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

10. DEFINED BENEFIT PENSION PLANS (Continued)

(e) Deferred Outflows of Resources and Deferred Inflows of Resources Related to all Pension Plans

The Town of Smithfield, Rhode Island reported deferred outflows of resources and deferred inflows of resources related to its' various pension plans from the following sources:

| | General Employees MERS COLA Plan | General Employees MERS Plan | Police Employees MERS Plan | Fire Employees MERS Plan | Teacher's ERS Plan | Teachers' TSB Plan | Police Pension Plan | Fire Pension Plan | Total All Plan |
|---------------------------------------------------|-------------------------------------------|--------------------------------------|----------------------------------|--------------------------------|--------------------------|--------------------------|---------------------------|-------------------------|-----------------------|
| Deferred Outflows of Resources: | | | | | | | | | |
| Contributions subsequent to measurement date | \$ 374,564 | \$ 267,170 | \$ 205,885 | \$ 52,926 | \$ 2,364,900 | \$ 21,755 | \$ - | \$ - | \$ 3,287,200 |
| Difference between projected and actual earnings | - | - | - | - | - | - | 17,947 | 286,883 | 304,830 |
| Changes in assumptions | - | 16,219 | - | - | - | - | - | - | 16,219 |
| Deferred Inflows of Resources: | | | | | | | | | |
| Difference between actual and expected experience | - | - | - | - | - | - | - | 78,195 | 78,195 |
| Difference between projected and actual earnings | 758,932 | 665,486 | 692,583 | 43,394 | 1,977,580 | 626,145 | - | - | 4,764,120 |
| Changes in assumptions | 117,450 | - | 170,567 | 2,302 | 813,484 | - | - | 4,398,174 | 5,501,977 |
| Net Deferred Outflows (Inflows) | \$ (501,818) | \$ (382,097) | \$ (657,265) | \$ 7,230 | \$ (426,164) | \$ (604,390) | \$ 17,947 | \$ (4,189,486) | \$ (6,736,043) |

Deferred outflows of resources related to 2015 contributions to pension plans subsequent to the measurement date (June 30, 2014 where applicable) will be recognized as a reduction of the net pension liability for the year ended June 30, 2016.

Other amounts noted above and reported as deferred outflows or inflows of resources at June 30, 2015 will be recognized as a component of pension expense over the following periods of time:

- Closed 5 year period beginning in the current period for the deferred outflows or inflows of resources related to projected and actual earnings on pension plan investments.
- All other deferred outflows and inflows of resources related to pension plans as described above are amortized over a closed period of time equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan (includes active and inactive employees) determined as of the beginning of the measurement period.

Based on the above, the other amounts of deferred outflows and inflows of resources related to the Town of Smithfield, Rhode Island's pension plans will be recognized as a component of pension expense as follows for the years ended June 30:

| | Net Deferred Outflows (Inflows) of Resources |
|-------------------|-------------------------------------------------------------|
| 2016..... | \$ (2,271,593) |
| 2017..... | (2,271,593) |
| 2018..... | (2,271,593) |
| 2019..... | (2,275,596) |
| 2020..... | (548,875) |
| Thereafter..... | (383,993) |
| Total..... | \$ (10,023,243) |

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

11. DEFINED CONTRIBUTION PLAN

Plan Description:

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

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

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

Plan Funding Policy:

The funding policy is outlined in RIGL chapter 36-10.3 (which can be amended by the Rhode Island General Assembly). Active plan members must contribute 5% (7% for certified teachers) of his/her compensation and the Town is required to contribute 1% (3% for certified teachers). The plan members and Town contributed approximately \$1,560,600 and \$590,600, respectively, during the fiscal year ended June 30, 2015. The employer contribution of \$590,600 consisted of approximately \$37,000 for general municipal employees, \$31,400 for noncertified school employees, and \$522,200 for certified teachers.

Although the Town (School Department) is required to contribute 3% towards the plan for certified teachers, the School Department receives reimbursement from the State of Rhode Island for .4% of 1% of the required contributions. For financial reporting purposes, the State's share of the contribution is reflected as on-behalf payments and is included as both revenue and expenditures in the accompanying financial statements. The on-behalf contributions for the defined contribution plan for the fiscal year ended June 30, 2015 amounted to approximately \$75,300.

The Town of Smithfield recognized pension expense of approximately \$590,600 for the deferred contribution plan for the fiscal year ended June 30, 2015.

As previously indicated above, in recently-enacted pension legislation, the employer contribution for certain qualifying employees will increase slightly beginning in fiscal 2016.

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

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

12. OTHER POST EMPLOYMENT BENEFITS – OPEB TRUST

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

The benefits, by employee group are described below:

Town Employees (all departments)

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

School Employees

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

Number of Participants

At June 30, 2014 (most recent available) there were approximately 546 participants included in the valuation analysis completed by the Town's actuary. The participants consisted of the following: 193 Town employees including Smithfield Ice Rink and Water Fund (152 active and 41 retirees and spouses); 353 School employees (313 active and 40 retirees and spouses).

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TOWN OF SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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

Funding Policy

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

The ARC for the fiscal year ended June 30, 2015 was calculated as follows:

| | |
|------------------------------------------------------|---------------------------|
| Past service cost | \$ 1,548,973 |
| Normal cost | 738,218 |
| Interest..... | <u>68,727</u> |
| ARC for fiscal year ended June 30, 2015 | <u>\$2,355,918</u> |

The ARC was allocated as follows: \$1,925,374 to the Town Departments and \$430,544 to the School Department.

The Town and School Department currently pay for other post-employment benefits in a pay-as-you-go basis. For the fiscal year ended June 30, 2015 these pay-as-you-go benefits were estimated to be approximately \$1,253,300 which consisted of approximately \$756,300 for Town personnel and \$497,000 for School personnel. The estimated pay-as-you-go benefits represented 53% of the ARC for fiscal 2015. In addition, during the fiscal year ended June 30, 2015 the Town and employees contributed \$128,500 and \$28,100, respectively, to the OPEB Trust Fund. As a result, the total amount deemed contributions towards the ARC for fiscal 2015 was approximately \$1,409,900 which represented approximately 60% of the annual required contribution for fiscal 2015.

The Town's annual OPEB cost and net OPEB obligation (NOO) as of and for the year ended June 30, 2015 was as follows:

| | |
|-------------------------------------------------|---------------------------|
| Annual Required Contribution (ARC) | \$2,355,918 |
| Interest on NOO | 270,064 |
| Adjustment to ARC | <u>(325,086)</u> |
| Annual OPEB Cost | 2,300,896 |
| Actual contributions made | <u>1,409,946</u> |
| Increase in NOO | 890,950 |
| NOO at beginning of year | <u>4,427,280</u> |
| Net OPEB Obligation, June 30, 2015 | <u>\$5,318,230</u> |

The net OPEB obligation noted above is reported as a long-term obligation in the Government-Wide Statement of Net Position at June 30, 2015.

As of June 30, 2015 the Town intends to fund the future OPEB obligations through the Town's General Fund and School's General Unrestricted Fund. Therefore the Net OPEB Obligation attributable to the Smithfield Ice Rink and Water Fund (Proprietary Funds) is reported in the governmental activities of the Government-Wide Statement of Net Position rather than in the Business Activities and the Fund Statements of the Proprietary Funds.

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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

Trend Information

| <u>Fiscal year</u> | <u>Annual OPEB Cost</u> | <u>% of OPEB Cost Contributed</u> | <u>Net OPEB Obligation</u> | <u>Covered Payroll</u> |
|--------------------|-------------------------|-----------------------------------|----------------------------|------------------------|
| 2013 | \$2,208,483 | 118.1% | \$4,429,119 | \$34,537,775 |
| 2014 | \$2,284,507 | 100.1% | \$4,427,280 | \$34,258,672 |
| 2015 | \$2,300,896 | 56.2% | \$5,318,230 | \$34,940,336 |

Funded Status of Plan

The required supplementary information which follows the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Listed below are the details of the funding progress of the OPEB Plan with a valuation date of June 30, 2015 which is the most recent report available from the Town of Smithfield's Actuary.

- Actuarial value of assets - \$2,369,807
- Actuarial Accrued liability - \$26,445,425
- Unfunded Actuarial Accrued liability (UAL) - \$24,075,618
- Funded Ratio – 8.96%
- Annual covered payroll – \$34,940,336
- UAL as percentage of payroll – 68.90%

Actuarial Assumptions

The following actuarial assumptions were utilized in completing the actuarial valuation as of June 30, 2015:

- a. **Actuarial Method:** Projected Unit Credit attributed to benefit eligibility.
- b. **Interest Rate:** 5.75%
- c. **2015 Medical Trend Rate:** 7.50%
- d. **Ultimate Medical Trend Rate:** 4.50%
- e. **Year Ultimate Medical Trend Rate Reached:** 2021
- f. **Mortality Rates:** The RP-2014 projecting monthly improvements generationally using MP-2014, to reflect the Society of Actuaries' new mortality rate study.
- g. **Amortization Period:** 30 year level dollar, open basis.
- h. **Participation:** 100% for future retirees of all non-school employees. 50% for all future retirees hired after December 31, 1988. For School employees, 100% for future retirees expecting to receive full coverage and 85% for future retirees without full coverage.
- i. **Medical Care Inflation:** Ranges from 7.5% in 2015 to 4.5% in 2021 and after.
 - Inflation rate represents the premium increases from July 1st annually.
 - For School retirees hired before June 20, 1989 who did not meet the age or length of service requirements their benefits are frozen at the time of retirement and the employee is required to cover all rate increases. Accordingly, there is no post-retirement inflation adjustment for these personnel.

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

13. DEFERRED COMPENSATION PLAN

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

14. RISK MANAGEMENT

Health Care

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

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

Unemployment

The Town is self-insured for unemployment benefits. As of June 30, 2015 management does not believe that there are any incurred but not reported claims that are required to be accrued in the Government-Wide Statement of Net Position.

Other Insurance

The Town receives coverage for its property and liability expenses and for its workers' compensation expenses through The Trust. During the fiscal year ended June 30, 2015, the Town paid premiums of approximately \$153,000 and \$287,000, for its workers' compensation and property and liability coverage, respectively. At June 30, 2015 The Trust held reserves for future payments of open cases. The Trust is obligated to make payments on the Town's behalf without any further obligation of the Town, unless the Town's applicable limit of liability were exhausted by the size of the loss or the nature of the loss would fall outside the parameter of the policy maintained by The Trust.

At June 30, 2015 management of the Town is unable to estimate the potential exposure, if any, for outstanding claims which may fall outside the parameter of the insurance policies. Accordingly no liability for claims or judgments has been reported in the Government-Wide Statement of Net Position.

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

15. COMMITMENTS AND CONTINGENCIES

Liabilities for legal cases and other claims against the Town are recorded in the governmental funds when the ultimate liability can be estimated and such cases are expected to be settled with available expendable financial resources. At June 30, 2015 the Town (including the School Department) has a number of legal cases and claims in process. These cases include claims made by former employees, zoning matters brought about by taxpayers of the Town, matters pertaining to planning and development posed by property developers, and personal injury and property damage claims. Management and legal counsel have reviewed these outstanding claims and determined that the estimated liability, if any, that may result from these claims would not materially affect the basic financial statements of the Town. As such, the Statement of Net Position at June 30, 2015 does not include any liability for claims, judgments, or unasserted claims.

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

As of June 30, 2015 the Town has entered into two construction contracts for improvements of school facilities and the police department. The total commitment under these contracts was approximately \$4.4 million and as of June 30, 2015 the Town had incurred and recorded expenditures totaling approximately \$418,000. As a result, the balance of these contracts to be incurred in future periods is approximately \$4 million.

16. RESTATEMENT

Net position at June 30, 2014 has been restated to reflect the cumulative effect resulting from the implementation of GASB Statement #68 – *Accounting and Financial Reporting For Pensions*. The following reflects the effect of implementation of the new standard.

| | |
|--------------------------------------------------------------------------------|-----------------------|
| Net Position, Governmental Activities June 30, 2014 | |
| as originally reported | \$33,362,785 |
| Increase in Deferred Outflows of Resources: | |
| Pension contributions after the measurement date | 2,582,421 |
| Record Net Pension Asset at beginning of year..... | 4,205,111 |
| Record Net Pension Liability at beginning of year..... | (67,056,123) |
| Decrease (remove) Net Pension Obligation at the beginning of the year | <u>6,389,884</u> |
| Net Position, Governmental Activities, June 30, 2014 | |
| As restated | <u>(\$20,515,922)</u> |
| | |
| Total Net Position June 30, 2014 as originally stated. | \$54,092,809 |
| Net decrease in net position as noted above | <u>(53,878,707)</u> |
| Net Position, June 30, 2014, as restated | <u>\$ 214,102</u> |

(CONCLUDED)

TOWN OF SMITHFIELD

REQUIRED SUPPLEMENTARY INFORMATION



TOWN OF SMITHFIELD, RHODE ISLAND
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund - Budgetary Basis
For the Fiscal Year Ended June 30, 2015

| | Original Budget | Revised Budget | Carryover of Prior Year Balance | Final Budget | Actual Revenues | Positive (Negative) Variance |
|------------------------------------------------------|--------------------|-------------------|---------------------------------------|-------------------|--------------------|------------------------------------|
| General property taxes | | | | | | |
| Property taxes | \$ 53,690,862 | \$ 53,690,862 | \$ - | \$ 53,690,862 | \$ 53,704,073 | \$ 13,211 |
| Total general property taxes | <u>53,690,862</u> | <u>53,690,862</u> | <u>-</u> | <u>53,690,862</u> | <u>53,704,073</u> | <u>13,211</u> |
| Intergovernmental revenues | | | | | | |
| State aid for education | 4,979,721 | 4,979,721 | - | 4,979,721 | 5,058,392 | 78,671 |
| School housing aid | 200,000 | 200,000 | - | 200,000 | 410,842 | 210,842 |
| Payment-in-Lieu of taxes | 537,747 | 537,747 | - | 537,747 | 671,892 | 134,145 |
| State hotel and meals tax | 760,941 | 760,941 | - | 760,941 | 815,070 | 54,129 |
| Motor vehicle phase-out | 275,736 | 275,736 | - | 275,736 | 253,182 | (22,554) |
| Municipal Incentive Aid | - | - | - | - | 101,774 | 101,774 |
| Other federal and state grants | 2,000 | 2,000 | - | 2,000 | - | (2,000) |
| Public utilities tax | 268,724 | 268,724 | - | 268,724 | 291,036 | 22,312 |
| Total intergovernmental revenues | <u>7,024,869</u> | <u>7,024,869</u> | <u>-</u> | <u>7,024,869</u> | <u>7,602,188</u> | <u>577,319</u> |
| Licenses, fees and permits | <u>560,000</u> | <u>560,000</u> | <u>-</u> | <u>560,000</u> | <u>751,763</u> | <u>191,763</u> |
| Interest income: | | | | | | |
| Interest - short-term investments | 50,000 | 50,000 | - | 50,000 | 88,831 | 38,831 |
| Interest on taxes | 240,000 | 240,000 | - | 240,000 | 333,327 | 93,327 |
| Total interest income | <u>290,000</u> | <u>290,000</u> | <u>-</u> | <u>290,000</u> | <u>422,158</u> | <u>132,158</u> |
| Departmental revenue: | | | | | | |
| School department | 350,000 | 350,000 | - | 350,000 | 248,441 | (101,559) |
| Miscellaneous | 90,000 | 90,000 | - | 90,000 | 293,189 | 203,189 |
| Total departmental revenues | <u>440,000</u> | <u>440,000</u> | <u>-</u> | <u>440,000</u> | <u>541,630</u> | <u>101,630</u> |
| Total revenues before other financing sources | <u>62,005,731</u> | <u>62,005,731</u> | <u>-</u> | <u>62,005,731</u> | <u>63,021,812</u> | <u>1,016,081</u> |
| Other financing sources | | | | | | |
| Appropriated fund balance | 550,000 | 550,000 | 4,211,592 | 4,761,592 | 4,761,592 | - |
| Transfer from other funds | 2,230,000 | 2,230,000 | - | 2,230,000 | 1,515,278 | (714,722) |
| Total other financing sources | <u>2,780,000</u> | <u>2,780,000</u> | <u>4,211,592</u> | <u>6,991,592</u> | <u>6,276,870</u> | <u>(714,722)</u> |
| Total revenue and other financing sources | <u>64,785,731</u> | <u>64,785,731</u> | <u>4,211,592</u> | <u>68,997,323</u> | <u>69,298,682</u> | <u>301,359</u> |

(Continued)

TOWN OF SMITHFIELD, RHODE ISLAND
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund - Budgetary Basis
For the Fiscal Year Ended June 30, 2015

| | Original Budgeted Expenditures | Carryover of Prior Year Balance | Revised Budgeted Expenditures | Actual Expenditures | GAAP Reclass Budgetary Entries RUBS | Budget Basis Actual Expenditures | Positive (Negative) Variance |
|-------------------------------------------|--------------------------------------|---------------------------------------|-------------------------------------|------------------------|----------------------------------------------|-------------------------------------------|------------------------------------|
| General Government: | | | | | | | |
| Town Administration and Solicitor | 725,308 | 90,311 | 815,619 | 900,442 | 81,293 | 981,735 | (166,116) |
| Building Inspectors Office | 300,038 | - | 300,038 | 246,728 | - | 246,728 | 53,310 |
| Tax Assessor's Office | 183,666 | - | 183,666 | 187,170 | - | 187,170 | (3,504) |
| Treasurer / Tax Collectors Office | 450,400 | - | 450,400 | 510,499 | - | 510,499 | (60,099) |
| Town Clerks Office | 253,583 | - | 253,583 | 226,008 | - | 226,008 | 27,575 |
| Town Hall expense | 205,000 | 78,916 | 283,916 | 141,862 | 95,380 | 237,242 | 46,674 |
| Municipal Planners Office & Town Engineer | 340,419 | 302,301 | 642,720 | 285,494 | 339,206 | 624,700 | 18,020 |
| Board of Canvassers/Elections | 54,100 | - | 54,100 | 43,101 | - | 43,101 | 10,999 |
| Conservation Commission/Green Acre | 17,000 | - | 17,000 | 14,641 | - | 14,641 | 2,359 |
| Town Boards and Commissions | 28,820 | - | 28,820 | 19,533 | - | 19,533 | 9,287 |
| Total General Government | 2,558,334 | 471,528 | 3,029,862 | 2,575,478 | 515,879 | 3,091,357 | (61,495) |
| Public Safety: | | | | | | | |
| Police Department | 4,804,239 | - | 4,804,239 | 4,864,129 | - | 4,864,129 | (59,890) |
| Fire Department | 4,917,812 | - | 4,917,812 | 5,111,341 | - | 5,111,341 | (193,529) |
| Animal Control | 120,258 | - | 120,258 | 121,145 | - | 121,145 | (887) |
| Emergency Management Agency | 40,377 | 6,062 | 46,439 | 7,461 | 7,479 | 14,940 | 31,499 |
| Total Public Safety | 9,882,686 | 6,062 | 9,888,748 | 10,104,076 | 7,479 | 10,111,555 | (222,807) |
| Public Works: | | | | | | | |
| Payroll and operating expense | 1,431,090 | 2,936 | 1,434,026 | 1,407,888 | - | 1,407,888 | 26,138 |
| Rubbish and garbage collection | 960,000 | - | 960,000 | 940,643 | - | 940,643 | 19,357 |
| Street lights | 272,000 | - | 272,000 | 313,029 | - | 313,029 | (41,029) |
| Hydrant service | 196,835 | 75,226 | 272,061 | 230,585 | 41,476 | 272,061 | - |
| Highway resurfacing | 300,000 | 45,826 | 345,826 | 37,863 | 307,963 | 345,826 | - |
| Highway drainage | 70,000 | 193,461 | 263,461 | 21,445 | 209,756 | 231,201 | 32,260 |
| Landfill program | 150,000 | 492,591 | 642,591 | 169,869 | 472,722 | 642,591 | - |
| Total Public Works | 3,379,925 | 810,040 | 4,189,965 | 3,121,322 | 1,031,917 | 4,153,239 | 36,726 |
| Public Health and Assistance: | | | | | | | |
| General Public Assistance | 8,575 | - | 8,575 | 5,992 | - | 5,992 | 2,583 |
| Total Public Health and Assistance | 8,575 | - | 8,575 | 5,992 | - | 5,992 | 2,583 |

(Continued)

TOWN OF SMITHFIELD, RHODE ISLAND
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund - Budgetary Basis
For the Fiscal Year Ended June 30, 2015

| | Original Budgeted Expenditures | Carryover of Prior Year Balance | Revised Budgeted Expenditures | Actual Expenditures | GAAP Reclass of Budgetary Entries RUBS | Budget Basis Actual Expenditures | Positive (Negative) Variance |
|-------------------------------------------------------|--------------------------------------|---------------------------------------|-------------------------------------|------------------------|----------------------------------------------------|-------------------------------------------|------------------------------------|
| Recreation: | | | | | | | |
| Parks and Recreation Department | 447,172 | 30,199 | 477,371 | 425,984 | 25,928 | 451,912 | 25,459 |
| Debt Service: | | | | | | | |
| Redemption of Bonds and Notes | 1,380,000 | 1,021,432 | 2,401,432 | 1,380,000 | 1,021,432 | 2,401,432 | - |
| Financing cost and other use | - | 247,242 | 247,242 | 129,366 | 117,876 | 247,242 | - |
| Interest on Bonds and Notes | 509,350 | 1,229,725 | 1,739,075 | 509,350 | 1,229,725 | 1,739,075 | - |
| Total Debt Service | <u>1,889,350</u> | <u>2,498,399</u> | <u>4,387,749</u> | <u>2,018,716</u> | <u>2,369,033</u> | <u>4,387,749</u> | <u>-</u> |
| Miscellaneous - Town: | | | | | | | |
| Retirement Fund | 3,419,541 | - | 3,419,541 | 3,535,332 | - | 3,535,332 | (115,791) |
| Computer services | 70,000 | 24,649 | 94,649 | 76,436 | 18,213 | 94,649 | - |
| Technology coordinator | 48,000 | 113,772 | 161,772 | 48,000 | 113,772 | 161,772 | - |
| Computer operations | 25,000 | 149,681 | 174,681 | 13,016 | 161,665 | 174,681 | - |
| Social Security Taxes | 975,000 | - | 975,000 | 939,462 | - | 939,462 | 35,538 |
| Audit services | 62,000 | - | 62,000 | 52,005 | - | 52,005 | 9,995 |
| Unemployment Compensation | 30,000 | - | 30,000 | 23,937 | - | 23,937 | 6,063 |
| Post employment escrow | 100,000 | - | 100,000 | 128,454 | - | 128,454 | (28,454) |
| Insurance | 570,278 | - | 570,278 | 537,931 | - | 537,931 | 32,347 |
| Blue Cross/Delta Dental | 3,500,000 | - | 3,500,000 | 3,087,276 | - | 3,087,276 | 412,724 |
| Postage | 42,000 | - | 42,000 | 42,916 | - | 42,916 | (916) |
| Town aided programs | 59,923 | - | 59,923 | 59,923 | - | 59,923 | - |
| Sewer Assessments and Handicapped Access | 2,000 | 91,956 | 93,956 | 17,066 | 76,890 | 93,956 | - |
| Senior Activities Center | 313,897 | 15,306 | 329,203 | 297,961 | 15,346 | 313,307 | 15,896 |
| Reserve for Unpaid Taxes and Abatements | 100,000 | - | 100,000 | - | - | - | 100,000 |
| Capital Expenditures - use of prior year fund balance | - | - | - | 371,079 | - | 371,079 | (371,079) |
| Total Miscellaneous - Town | <u>9,317,639</u> | <u>395,364</u> | <u>9,713,003</u> | <u>9,230,794</u> | <u>385,886</u> | <u>9,616,680</u> | <u>96,323</u> |
| Municipal Capital Improvements | <u>1,270,000</u> | <u>-</u> | <u>1,270,000</u> | <u>978,834</u> | <u>-</u> | <u>978,834</u> | <u>291,166</u> |

(Continued)

TOWN OF SMITHFIELD, RHODE ISLAND
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund - Budgetary Basis
For the Fiscal Year Ended June 30, 2015

| | Original Budgeted Expenditures | Carryover of Prior Year Balance | Revised Budgeted Expenditures | Actual Expenditures | GAAP Reclass Budgetary Entries RUBS | Budget Basis Actual Expenditures | Positive (Negative) Variance |
|---------------------------------------------------------------------------------------------------------------------------|--------------------------------------|---------------------------------------|-------------------------------------|------------------------|----------------------------------------------|-------------------------------------------|------------------------------------|
| Transfers to other funds: | | | | | | | |
| School unrestricted fund -appropriation | 28,668,085 | - | 28,668,085 | 28,668,085 | - | 28,668,085 | - |
| School miscellaneous revenue | 350,000 | - | 350,000 | 248,441 | - | 248,441 | 101,559 |
| State aid for education | 4,979,721 | - | 4,979,721 | 5,058,392 | - | 5,058,392 | (78,671) |
| East Smithfield Neighborhood Center | 19,979 | - | 19,979 | 19,979 | - | 19,979 | - |
| East Smithfield Neighborhood Public Library | 487,071 | - | 487,071 | 487,071 | - | 487,071 | - |
| Greenville Public Library | 767,194 | - | 767,194 | 767,194 | - | 767,194 | - |
| Municipal Escrow | 240,000 | - | 240,000 | 241,100 | - | 241,100 | (1,100) |
| Revaluation Escrow | 25,000 | - | 25,000 | 25,000 | - | 25,000 | - |
| Merit Escrow | 125,000 | - | 125,000 | - | - | - | 125,000 |
| Retirement Escrow | 50,000 | - | 50,000 | 50,000 | - | 50,000 | - |
| Capital Reserve Fund | 320,000 | - | 320,000 | 251,000 | - | 251,000 | 69,000 |
| Transfer to Other Funds | - | - | - | 187,229 | - | 187,229 | (187,229) |
| Total transfers | <u>36,032,050</u> | <u>-</u> | <u>36,032,050</u> | <u>36,003,491</u> | <u>-</u> | <u>36,003,491</u> | <u>28,559</u> |
| Total Expenditures and other financing uses | <u>64,785,731</u> | <u>4,211,592</u> | <u>68,997,323</u> | <u>64,464,687</u> | <u>4,336,122</u> | <u>68,800,809</u> | <u>196,514</u> |
| Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 4,833,995</u> | <u>\$ (4,336,122)</u> | <u>\$ 497,873</u> | <u>\$ 497,873</u> |

(Concluded)

TOWN OF SMITHFIELD, RHODE ISLAND

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

For the Year Ended June 30, 2015

| | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|
| Excess of revenues and other financing sources over expenditures and other financing uses, budgetary basis (Exhibit RSI-1) | \$ 497,873 |
| Less reappropriation of fund balance and prior year RUBS which are reported as revenue for budget purposes but not reported in accordance with GAAP. | (4,761,592) |
| Add amounts reported as expenditures for budget purposes but which represent RUBS for carryover to future years. These are not GAAP expenditures. | 4,336,122 |
| Add net increase in fund balance for the fiscal year ended June 30, 2015 for the Inspection Fees Fund which is not considered part of the General Fund for budgetary purposes but which is consolidated into the General Fund in accordance with GAAP and Governmental Accounting Standards Board Statement #54. | 7 |
| Excess of revenues and other financing sources over expenditures and other financing uses, GAAP basis (Exhibit B-2) | <u><u>\$ 72,410</u></u> |

TOWN OF SMITHFIELD, RHODE ISLAND**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
School Unrestricted Fund - Budgetary Basis**

For the Year Ended June 30, 2015

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|------------------------------------------------------------------------------------------------------|----------------------------|-------------------------|---------------------|-------------------------------------------------------------------|
| Revenues: | | | | |
| State aid - Intergovernmental | \$ 5,058,392 | \$ 5,058,392 | \$ 5,058,392 | \$ - |
| Medicaid, Tuition, and Miscellaneous | 350,000 | 350,000 | 248,441 | (101,559) |
| Total revenues | <u>5,408,392</u> | <u>5,408,392</u> | <u>5,306,833</u> | <u>(101,559)</u> |
| Expenditures: | | | | |
| Salaries | 21,165,234 | 21,062,324 | 20,863,179 | 199,145 |
| Employee benefits | 7,563,721 | 7,599,488 | 7,511,816 | 87,672 |
| Purchased services | 4,478,484 | 4,629,790 | 4,248,911 | 380,879 |
| Supplies and materials | 1,111,509 | 1,194,764 | 1,154,182 | 40,582 |
| Other | 40,784 | 44,298 | 41,032 | 3,266 |
| Capital outlay | 266,745 | 273,074 | 380,932 | (107,858) |
| Total expenditures | <u>34,626,477</u> | <u>34,803,738</u> | <u>34,200,052</u> | <u>603,686</u> |
| Excess of revenues over (under) expenditures before other financing sources (uses) | <u>(29,218,085)</u> | <u>(29,395,346)</u> | <u>(28,893,219)</u> | <u>502,127</u> |
| Other financing sources (uses): | | | | |
| Operating transfer from Town appropriation | 28,218,085 | 28,218,085 | 28,218,085 | - |
| Operating transfer from Town for capital | 450,000 | 450,000 | 450,000 | - |
| Use of June 30, 2014 fund balance | 550,000 | 727,261 | 727,261 | - |
| Total other financing sources (uses) | <u>29,218,085</u> | <u>29,395,346</u> | <u>29,395,346</u> | <u>-</u> |
| Excess of revenues and other financing sources over expenditures and other financing uses | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 502,127</u> | <u>\$ 502,127</u> |

Reconciliation of Budgetary Basis to GAAP Basis:

| | |
|--------------------------------------------------------------------------------------------------------------------------------|---------------------|
| Excess of revenues and other financing sources over expenditures and other financing uses - Budgetary Basis (RSI-2) | \$ 502,127 |
| Less use of June 30, 2014 fund balance | (727,261) |
| Revenues and other financing sources under expenditures and other financing uses - GAAP Basis (Exhibit B-2) | <u>\$ (225,134)</u> |

TOWN OF SMITHFIELD, RHODE ISLAND

Required Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios
General Employees MERS - COLA Plan
Last 10 Fiscal Years
UNAUDITED

| | June 30, 2014 |
|----------------------------------------------------------------------------|--------------------------|
| Total pension liability: | |
| Service cost | \$ 332,297 |
| Interest | 1,048,556 |
| Changes of benefit terms | - |
| Differences between expected and actual experience | - |
| Changes in assumptions | (133,298) |
| Benefit payments | (684,734) |
| Net change in total pension liability | 562,821 |
| Total pension liability - beginning of year | 14,156,970 |
| Total pension liability - ending of year (a) | <u>\$ 14,719,791</u> |
| Plan fiduciary net position: | |
| Contribution - employer | \$ 289,607 |
| Contribution - employee | 66,806 |
| Net investment income | 1,878,173 |
| Benefit payments, including refunds of employee contributions | (684,734) |
| Administrative expenses | (11,761) |
| Other | - |
| Net change in plan fiduciary net position | 1,538,091 |
| Plan fiduciary net position - beginning of year | 12,563,484 |
| Plan fiduciary net position - ending of year (b) | <u>\$ 14,101,575</u> |
| Plan's net pension liability - ending (a)-(b) | <u>\$ 618,216</u> |
| Plan fiduciary net position as a percentage of the total pension liability | 95.80% |
| Covered-employee payroll | \$ 3,584,647 |
| Net pension liability as a percentage of covered-employee payroll | 17.25% |

Notes:

Employers participating in the Municipal Employee's Retirement System are required by Rhode Island General Laws, Section 45-21-42, to contribute an actuarially determined contribution rate each year.

The information in this schedule is intended to show 10 years. However as of June 30, 2015 only one year is available.

TOWN OF SMITHFIELD, RHODE ISLAND

***Required Supplementary Information
Schedule of Contributions
General Employees MERS - COLA Plan
Last 10 Fiscal Years
UNAUDITED***

| <u>Fiscal Year Ending</u> | <u>Actuarially Determined Contribution</u> | <u>Actual Employer Contribution</u> | <u>Contribution Deficiency (Excess)</u> | <u>Covered Employee Payroll</u> | <u>Contributions as % of Covered Payroll</u> |
|--------------------------------------|-----------------------------------------------------------|----------------------------------------------------|--------------------------------------------------------|------------------------------------------------|-------------------------------------------------------------|
| 6/30/2014 | \$ 289,607 | \$ 289,607 | \$ - | \$ 3,584,647 | 8.08% |
| 6/30/2015 | \$ 374,564 | \$ 374,564 | \$ - | \$ 3,725,071 | 10.05% |

Notes:

Employers participating in the Municipal Employee's Retirement System are required by Rhode Island General Laws, Section 45-21-42, to contribute an actuarially determined contribution rate each year.

The information in this schedule is intended to show 10 years. However as of June 30, 2015 only two years is available.

TOWN OF SMITHFIELD, RHODE ISLAND

**Required Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios
General Employees MERS Plan
Last 10 Fiscal Years
UNAUDITED**

| | June 30, 2014 |
|----------------------------------------------------------------------------|-----------------------------|
| Total pension liability: | |
| Service cost | \$ 315,326 |
| Interest | 877,404 |
| Changes of benefit terms | - |
| Differences between expected and actual experience | - |
| Changes in assumptions | 21,275 |
| Benefit payments | <u>(835,313)</u> |
| Net change in total pension liability | 378,692 |
| Total pension liability - beginning of year | 11,958,720 |
| Total pension liability - ending of year (a) | <u><u>\$ 12,337,412</u></u> |
| Plan fiduciary net position: | |
| Contribution - employer | \$ 239,838 |
| Contribution - employee | 63,703 |
| Net investment income | 1,669,363 |
| Benefit payments, including refunds of employee contributions | (835,313) |
| Administrative expenses | (10,454) |
| Other | <u>(62,377)</u> |
| Net change in plan fiduciary net position | 1,064,760 |
| Plan fiduciary net position - beginning of year | 11,469,041 |
| Plan fiduciary net position - ending of year (b) | <u><u>\$ 12,533,801</u></u> |
| Plan's net pension liability - ending (a)-(b) | <u><u>\$ (196,389)</u></u> |
| Plan fiduciary net position as a percentage of the total pension liability | 101.59% |
| Covered-employee payroll | \$ 3,185,110 |
| Net pension liability as a percentage of covered-employee payroll | -6.17% |

Notes:

Employers participating in the Municipal Employee's Retirement System are required by Rhode Island General Laws, Section 45-21-42, to contribute an actuarially determined contribution rate each year.

The information in this schedule is intended to show 10 years. However as of June 30, 2015 only one year is available.

TOWN OF SMITHFIELD, RHODE ISLAND

***Required Supplementary Information
Schedule of Contributions
General Employees MERS Plan
Last 10 Fiscal Years
UNAUDITED***

| <u>Fiscal Year Ending</u> | <u>Actuarially Determined Contribution</u> | <u>Actual Employer Contribution</u> | <u>Contribution Deficiency (Excess)</u> | <u>Covered Employee Payroll</u> | <u>Contributions as % of Covered Payroll</u> |
|--------------------------------------|-----------------------------------------------------------|----------------------------------------------------|--------------------------------------------------------|------------------------------------------------|-------------------------------------------------------------|
| 6/30/2014 | \$ 239,838 | \$ 239,838 | \$ - | \$ 3,185,110 | 7.53% |
| 6/30/2015 | \$ 267,170 | \$ 267,170 | \$ - | \$ 3,132,122 | 8.53% |

Notes:

Employers participating in the Municipal Employee's Retirement System are required by Rhode Island General Laws, Section 45-21-42, to contribute an actuarially determined contribution rate each year.

The information in this schedule is intended to show 10 years. However as of June 30, 2015 only two years is available.

TOWN OF SMITHFIELD, RHODE ISLAND

Required Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios
Police Employees MERS Plan
Last 10 Fiscal Years
UNAUDITED

| | June 30, 2014 |
|----------------------------------------------------------------------------|--------------------------|
| Total pension liability: | |
| Service cost | \$ 451,642 |
| Interest | 786,421 |
| Changes of benefit terms | - |
| Differences between expected and actual experience | - |
| Changes in assumptions | (183,362) |
| Benefit payments | (215,212) |
| Net change in total pension liability | 839,489 |
| Total pension liability - beginning of year | 10,367,401 |
| Total pension liability - ending of year (a) | <u>\$ 11,206,890</u> |
| Plan fiduciary net position: | |
| Contribution - employer | \$ 133,929 |
| Contribution - employee | 227,478 |
| Net investment income | 1,681,302 |
| Benefit payments, including refunds of employee contributions | (215,212) |
| Administrative expenses | (10,528) |
| Other | - |
| Net change in plan fiduciary net position | 1,816,969 |
| Plan fiduciary net position - beginning of year | 10,806,475 |
| Plan fiduciary net position - ending of year (b) | <u>\$ 12,623,444</u> |
| Plan's net pension liability - ending (a)-(b) | <u>\$ (1,416,554)</u> |
| Plan fiduciary net position as a percentage of the total pension liability | 112.64% |
| Covered-employee payroll | \$ 2,753,917 |
| Net pension liability as a percentage of covered-employee payroll | -51.44% |

Notes:

Employers participating in the Municipal Employee's Retirement System are required by Rhode Island General Laws, Section 45-21-42, to contribute an actuarially determined contribution rate each year.

The information in this schedule is intended to show 10 years. However as of June 30, 2015 only one year is available.

TOWN OF SMITHFIELD, RHODE ISLAND

***Required Supplementary Information
Schedule of Contributions
Police Employees MERS Plan
Last 10 Fiscal Years
UNAUDITED***

| <u>Fiscal Year Ending</u> | <u>Actuarially Determined Contribution</u> | <u>Actual Employer Contribution</u> | <u>Contribution Deficiency (Excess)</u> | <u>Covered Employee Payroll</u> | <u>Contributions as % of Covered Payroll</u> |
|--------------------------------------|-----------------------------------------------------------|----------------------------------------------------|--------------------------------------------------------|------------------------------------------------|-------------------------------------------------------------|
| 6/30/2014 | \$ 133,929 | \$ 133,929 | \$ - | \$ 2,753,917 | 4.86% |
| 6/30/2015 | \$ 205,885 | \$ 205,885 | \$ - | \$ 2,903,878 | 7.09% |

Notes:

Employers participating in the Municipal Employee's Retirement System are required by Rhode Island General Laws, Section 45-21-42, to contribute an actuarially determined contribution rate each year.

The information in this schedule is intended to show 10 years. However as of June 30, 2015 only two years is available.

TOWN OF SMITHFIELD, RHODE ISLAND

Required Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios
Fire Employees MERS Plan
Last 10 Fiscal Years
UNAUDITED

| | <u>June 30,</u> <u>2014</u> |
|----------------------------------------------------------------------------|--------------------------------|
| Total pension liability: | |
| Service cost | \$ 81,253 |
| Interest | 47,318 |
| Changes of benefit terms | - |
| Differences between expected and actual experience | - |
| Changes in assumptions | (2,446) |
| Benefit payments | (24) |
| Net change in total pension liability | <u>126,101</u> |
| Total pension liability - beginning of year | <u>590,287</u> |
| Total pension liability - ending of year (a) | <u><u>\$ 716,388</u></u> |
| Plan fiduciary net position: | |
| Contribution - employer | \$ 37,684 |
| Contribution - employee | 37,684 |
| Net investment income | 98,832 |
| Benefit payments, including refunds of employee contributions | (24) |
| Administrative expenses | (619) |
| Other | 22,655 |
| Net change in plan fiduciary net position | <u>196,212</u> |
| Plan fiduciary net position - beginning of year | <u>545,834</u> |
| Plan fiduciary net position - ending of year (b) | <u><u>\$ 742,046</u></u> |
| Plan's net pension liability - ending (a)-(b) | <u><u>\$ (25,658)</u></u> |
| Plan fiduciary net position as a percentage of the total pension liability | 103.58% |
| Covered-employee payroll | \$ 471,033 |
| Net pension liability as a percentage of covered-employee payroll | -5.45% |

Notes:

Employers participating in the Municipal Employee's Retirement System are required by Rhode Island General Laws, Section 45-21-42, to contribute an actuarially determined contribution rate each year.

The information in this schedule is intended to show 10 years. However as of June 30, 2015 only one year is available.

TOWN OF SMITHFIELD, RHODE ISLAND

***Required Supplementary Information
Schedule of Contributions
Fire Employees MERS Plan
Last 10 Fiscal Years
UNAUDITED***

| <u>Fiscal Year Ending</u> | <u>Actuarially Determined Contribution</u> | <u>Actual Employer Contribution</u> | <u>Contribution Deficiency (Excess)</u> | <u>Covered Employee Payroll</u> | <u>Contributions as % of Covered Payroll</u> |
|--------------------------------------|-----------------------------------------------------------|----------------------------------------------------|--------------------------------------------------------|------------------------------------------------|-------------------------------------------------------------|
| 6/30/2014 | \$ 37,684 | \$ 37,684 | \$ - | \$ 471,033 | 8.00% |
| 6/30/2015 | \$ 52,926 | \$ 52,926 | \$ - | \$ 547,322 | 9.67% |

Notes:

Employers participating in the Municipal Employee's Retirement System are required by Rhode Island General Laws, Section 45-21-42, to contribute an actuarially determined contribution rate each year.

The information in this schedule is intended to show 10 years. However as of June 30, 2015 only two years is available.

TOWN OF SMITHFIELD, RHODE ISLAND

**Required Supplementary Information
Notes to Schedules
MERS Pension Plans Administered by ERSRI
UNAUDITED**

The following reflects the actuarial assumptions related to the pension plans which are administered by the Employee Retirement System of Rhode Island (ERSRI).

| | |
|--------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Actuarial Cost Method: | Entry Age Normal |
| Amortization Method: | Level percentage of payroll, closed |
| Remaining Amortization Period: | 21 years as of June 30, 2014 |
| Asset Valuation Method: | 5 year smoothed market |
| Investment rate of return: | 7.50% |
| Projected salary increases: | 3.5% - 7.5% for general employees 4% to 14% for police and fire employees |
| Inflation: | 2.75% |
| Mortality: | Male employees, MERS General and MERS Police and Fire: 115% of RP-2000 Combined Healthy for Males with White Collar adjustments, projected with Scale AA from 2000. Female employees, MERS General and MERS Police and Fire: 95% of RP-2000 Combined Healthy for Females with White Collar adjustments, projected with Scale AA from 2000. |
| Cost of Living Adjustments: | COLA is equal to the average five-year fund asset performance percent greater than 5.5% up to maximum of 4% - the COLA is to be applied to the first \$25,000 of benefits, indexed over time. COLA is delayed until the later of Social Security eligibility age or 3 years after retirement except for MERS Police and Fire for which the COLA is delayed until the later of age 55 or 3 years after retirement. A 2 % COLA is assumed after January 1, 2014. |

TOWN OF SMITHFIELD, RHODE ISLAND

***Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability
Teacher's Retirement Plan - Employees' Retirement System
Last 10 Fiscal Years
UNAUDITED***

| | <u>June 30, 2015</u> |
|-----------------------------------------------------------------------------------------------------------------|--------------------------|
| Employer's proportion of the net pension liability | 0.94353141% |
| Employer's proportionate share of the net pension liability | \$ 22,965,558 |
| State of Rhode Island's proportionate share of the net pension liability associated with the Town of Smithfield | \$ 15,748,541 |
| Total net pension liability | <u>\$ 38,714,099</u> |
| | |
| Employer's covered payroll | \$ 17,399,316 |
| | |
| Employer's proportionate share of the net pension liability as a percentage of its covered employee payroll | 131.99% |
| | |
| Plan fiduciary net position as a percentage of the total pension liability | 61.4% |

Notes:

The amounts presented for each fiscal year were determined as of a 6/30 measurement date prior to the fiscal year end.

The information in this schedule is intended to show 10 years. However as of June 30, 2015 only one year is available.

TOWN OF SMITHFIELD, RHODE ISLAND

***Required Supplementary Information
Schedule of Contributions
Teacher's Retirement Plan - Employees' Retirement System
Last 10 Fiscal Years
UNAUDITED***

| <u>Fiscal Year Ending</u> | <u>Actuarially Determined Contribution</u> | <u>Actual Employer Contribution</u> | <u>Contribution Deficiency (Excess)</u> | <u>Covered Employee Payroll</u> | <u>Contributions as % of Covered Payroll</u> |
|--------------------------------------|-----------------------------------------------------------|----------------------------------------------------|--------------------------------------------------------|------------------------------------------------|-------------------------------------------------------------|
| 6/30/2015 | \$ 2,364,900 | \$ 2,364,900 | \$ - | \$ 17,399,316 | 13.59% |

Notes:

Employers participating in the State Employee's Retirement System are required by Rhode Island General Laws, Section 36-10-2, to contribute an actuarially determined contribution rate each year.

The information in this schedule is intended to show 10 years. However as of June 30, 2015 only one year is available.

TOWN OF SMITHFIELD, RHODE ISLAND

Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability (Asset)
Teacher's Survivors Benefit Plan - Employees' Retirement System
Last 10 Fiscal Years
UNAUDITED

| | June 30, 2015 |
|---------------------------------------------------------------------------------------------------------------------|--------------------------|
| Employer's proportion of the net pension liability | 3.84845352% |
| Employer's proportionate share of the net pension liability (asset) | \$ (3,766,037) |
| Employer's covered payroll | \$ 17,399,316 |
| Employer's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll | -21.64% |
| Plan fiduciary net position as a percentage of the total pension asset | 173.3% |

Notes:

The amounts presented for each fiscal year were determined as of a 6/30 measurement date prior to the fiscal year end.

The information in this schedule is intended to show 10 years. However as of June 30, 2015 only one year is available

TOWN OF SMITHFIELD, RHODE ISLAND

***Required Supplementary Information
Schedule of Contributions
Teachers' Survivors Benefit Plan - Employees' Retirement System
Last 10 Fiscal Years
UNAUDITED***

| <u>Fiscal Year Ending</u> | <u>Actuarially Determined Contribution</u> | <u>Actual Employer Contribution</u> | <u>Contribution Deficiency (Excess)</u> | <u>Covered Employee Payroll</u> | <u>Contributions as % of Covered Payroll</u> |
|-------------------------------|----------------------------------------------------|---------------------------------------------|-------------------------------------------------|-----------------------------------------|------------------------------------------------------|
| 6/30/2015 | \$ 21,755 | \$ 21,755 | \$ - | \$ 17,399,316 | 0.13% |

Notes:

Employers participating in the Teachers' Survivor's Benefit Plan are required to contribute at a rate established by Rhode Island General Laws, Section 16-16-35.

The information in this schedule is intended to show 10 years. However as of June 30, 2015 only one year is available

TOWN OF SMITHFIELD, RHODE ISLAND

Required Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios
Fire Pension Trust Fund
Last 10 Fiscal Years
UNAUDITED

| | June 30, 2015 | June 30, 2014 |
|----------------------------------------------------------------------------|-----------------------------|-----------------------------|
| Total pension liability: | | |
| Service cost | \$ 824,891 | \$ 388,599 |
| Interest | 2,348,730 | 2,206,063 |
| Changes of benefit terms | - | - |
| Differences between expected and actual experience | (95,975) | 80,736 |
| Changes in assumptions | (5,398,258) | 11,244,567 |
| Benefit payments | <u>(1,275,432)</u> | <u>(1,297,202)</u> |
| Net change in total pension liability | (3,596,044) | 12,622,763 |
| Total pension liability - beginning of year | 39,211,819 | 26,589,056 |
| Total pension liability - ending of year (a) | <u><u>\$ 35,615,775</u></u> | <u><u>\$ 39,211,819</u></u> |
| Plan fiduciary net position: | | |
| Contribution - employer | \$ 551,629 | \$ 499,542 |
| Contribution - employee | 241,067 | 203,242 |
| Net investment income | 1,293,356 | 3,566,181 |
| Benefit payments, including refunds of employee contributions | (1,275,432) | (1,297,202) |
| Administrative expenses | (14,522) | (18,008) |
| Other | - | - |
| Net change in plan fiduciary net position | <u>796,098</u> | <u>2,953,755</u> |
| Plan fiduciary net position - beginning of year | <u>19,523,856</u> | <u>16,570,101</u> |
| Plan fiduciary net position - ending of year (b) | <u><u>\$ 20,319,954</u></u> | <u><u>\$ 19,523,856</u></u> |
| Plan's net pension liability - ending (a)-(b) | <u><u>\$ 15,295,821</u></u> | <u><u>\$ 19,687,963</u></u> |
| Plan fiduciary net position as a percentage of the total pension liability | 57.05% | 49.79% |
| Covered-employee payroll | \$ 2,266,764 | \$ 2,192,989 |
| Net pension liability as a percentage of covered-employee payroll | 674.79% | 897.77% |

Notes:

In 2015, amounts reported as change in assumptions resulted from 1) the change in discount rate from 5.96% to 6.88%, 2) the change in the salary increase assumption from 5.5% to 4.0%, and 3) the change in the mortality assumption. The mortality rates used for the prior year were based on RP-2000 Mortality Table with projections specified by IRS Regulation 1.430(h)(3)-1, as applicable to the valuation year using a combined static table for both annuitants and non-annuitants. The mortality assumption was changed to: for male annuitants, 115% of RP-2000 Combined Healthy for Males and White Collar adjustments, projected generationally with Scale AA from 2000, and for female annuitants, 95% of RP-2000 Combined Healthy for Females and White Collar adjustments, projected generationally with Scale AA from 2000. This change was made in accordance with the experience study performed in 2015 and published in May, 2015.

The information in this schedule is intended to show 10 years. However as of June 30, 2015 only two years are available.

TOWN OF SMITHFIELD, RHODE ISLAND

Required Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios
Police Pension Trust Fund
Last 10 Fiscal Years
UNAUDITED

| | <u>June 30,</u> <u>2015</u> | <u>June 30,</u> <u>2014</u> |
|----------------------------------------------------------------------------|--------------------------------|--------------------------------|
| Total pension liability: | | |
| Service cost | \$ - | \$ - |
| Interest | 1,883,156 | 1,864,562 |
| Changes of benefit terms | - | - |
| Differences between expected and actual experience | 117,690 | 104,611 |
| Changes in assumptions | 339,700 | 35,156 |
| Benefit payments | <u>(1,785,098)</u> | <u>(1,744,471)</u> |
| Net change in total pension liability | 555,448 | 259,858 |
| Total pension liability - beginning of year | <u>25,174,686</u> | <u>24,914,828</u> |
| Total pension liability - ending of year (a) | <u>\$ 25,730,134</u> | <u>\$ 25,174,686</u> |
| Plan fiduciary net position: | | |
| Contribution - employer | \$ 2,277,340 | \$ 2,079,373 |
| Contribution - employee | - | - |
| Net investment income | 488,660 | 915,560 |
| Benefit payments, including refunds of employee contributions | (1,785,098) | (1,744,471) |
| Administrative expenses | (15,018) | (18,008) |
| Other | <u>-</u> | <u>-</u> |
| Net change in plan fiduciary net position | 965,884 | 1,232,454 |
| Plan fiduciary net position - beginning of year | <u>5,952,209</u> | <u>4,719,755</u> |
| Plan fiduciary net position - ending of year (b) | <u>\$ 6,918,093</u> | <u>\$ 5,952,209</u> |
| Plan's net pension liability - ending (a)-(b) | <u>\$ 18,812,041</u> | <u>\$ 19,222,477</u> |
| Plan fiduciary net position as a percentage of the total pension liability | 26.89% | 23.64% |
| Covered-employee payroll | n/a | n/a |
| Net pension liability as a percentage of covered-employee payroll | n/a | n/a |

Notes:

The covered-employee payroll for the Police Pension Trust Fund is not applicable as the plan is closed.

Changes in assumptions: The mortality rates used for years prior to 2015 were based on RP-2000 Mortality Table with projections specified by IRS Regulation 1.430(h)(3)-1, as applicable to the valuation year using a combined static table for both annuitants and non-annuitants. The mortality assumption was changed to: for male annuitants, 115% of RP-2000 Combined Healthy for Males and White Collar adjustments, projected generationally with Scale AA from 2000, and for female annuitants, 95% of RP-2000 Combined Healthy for Females and White Collar adjustments, projected generationally with Scale AA from 2000. This change was made in accordance with the experience study performed in 2015 and published in May, 2015.

The information in this schedule is intended to show 10 years. However as of June 30, 2015 only two years are available.

TOWN OF SMITHFIELD, RHODE ISLAND

Required Supplementary Information
Schedules of Employer Contributions, Investment Returns, and Employer's Net Pension Liability
Police and Fire Pension Plans - Fiduciary Trust Funds
June 30, 2015
UNAUDITED

Schedule of Employer Contributions

| | Year Ended June 30 | Actuarially Determined Contribution | Actual Contribution | Contribution (Deficiency) Excess | Covered Payroll | Actual Contribution as a % of Covered Payroll |
|----------------------------------|--------------------|-------------------------------------|---------------------|----------------------------------|-----------------|-----------------------------------------------|
| Police Pension Trust Fund | 2015 | \$2,079,553 | \$2,277,340 | \$197,787 | N/A | N/A |
| | 2014 | \$2,114,309 | \$2,079,373 | (\$34,936) | N/A | N/A |
| Fire Pension Trust Fund | 2015 | \$1,336,605 | \$551,629 | (\$784,976) | \$2,266,764 | 24.34% |
| | 2014 | \$1,455,376 | \$499,542 | (\$955,834) | \$2,192,989 | 22.78% |

Schedule of Investment Returns

| | Year Ended June 30 | Actual Money Weighted Rate of Return, Net of Investment Expenses |
|----------------------------------|--------------------|------------------------------------------------------------------|
| Police Pension Trust Fund | 2015 | 7.42% |
| | 2014 | 15.55% |
| Fire Pension Trust Fund | 2015 | 6.73% |
| | 2014 | 22.35% |

Schedule of Employer's Net Pension Liability

| | Year Ended June 30 | Total Pension Liability | Plan Net Position | Net Pension Liability | Plan Net Position as a % of Total Pension Liability | Covered Payroll | Net Pension Liability as a % of Covered Payroll |
|----------------------------------|--------------------|-------------------------|-------------------|-----------------------|-----------------------------------------------------|-----------------|-------------------------------------------------|
| Police Pension Trust Fund | 2015 | \$25,730,134 | \$6,918,083 | (\$18,812,051) | 26.89% | N/A | N/A |
| | 2014 | \$25,174,686 | \$5,942,754 | (\$19,231,932) | 23.61% | N/A | N/A |
| Fire Pension Trust Fund | 2015 | \$35,615,775 | \$20,319,954 | (\$15,295,821) | 57.05% | \$2,266,764 | 674.79% |
| | 2014 | \$39,211,819 | \$19,253,050 | (\$19,958,769) | 49.10% | \$2,192,989 | 910.12% |

The information in these schedules is intended to show 10 years. However as of June 30, 2015 only two years are available.

The covered-employee payroll for the Police Pension Trust Fund is not applicable as the plan is closed.

TOWN OF SMITHFIELD, RHODE ISLAND

Required Supplementary Information
Schedule of Funding Progress OPEB Plan
June 30, 2015
UNAUDITED

| | Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) | Unfunded Accrued Liability (UAL) | Funded Ratio | Covered Payroll | UAL as a Percentage of Covered Payroll |
|----------------------------------------------|--------------------------------|---------------------------------|-----------------------------------------|----------------------------------------|-----------------|--------------------|----------------------------------------------|
| Town of Smithfield - | | | | | | | |
| Other Post-Employment Benefit Program | | | | | | | |
| | 6/30/2010 | \$ - | \$ 26,748,967 | \$ (26,748,967) | 0% | \$ 32,276,437 | 82.9% |
| | 6/30/2011 | \$ - | \$ 31,168,449 | \$ (31,168,449) | 0% | \$ 32,311,568 | 96.5% |
| | 6/30/2012 ** | \$ - | \$ 33,727,292 | \$ (33,727,292) | 0% | \$ 33,209,399 | 101.6% |
| | 6/30/2013 | \$ 977,467 | \$ 24,768,046 | \$ (23,790,579) | 4% | \$ 34,537,775 | 68.9% |
| | 6/30/2014 | \$ 2,085,228 | \$ 24,467,167 | \$ (22,381,939) | 9% | \$ 34,258,672 | 65.33% |
| | 6/30/2015 | \$ 2,369,807 | \$ 26,445,425 | \$ (24,075,618) | 9% | \$ 34,940,336 | 68.90% |

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

The actuarial accrued liability (AAL) at June 30, 2015 is attributable to the following departments of the Town of Smithfield, Rhode Island:

| | |
|---------------------------|----------------------|
| General Government - Town | \$ 19,633,163 |
| School Department | 4,659,196 |
| Water Department | 168,550 |
| Ice Rink | 6,258 |
| Total UAAL | \$ 24,467,167 |

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

| | General Fund Employees | Water Department | Smithfield Ice Rink | School Department | Total ARC |
|---------------------------------|---------------------------|---------------------|------------------------|----------------------|--------------|
| Fiscal year ended June 30, 2015 | \$ 1,906,826 | \$ 17,574 | \$ 974 | \$ 430,544 | \$ 2,355,918 |
| Fiscal year ended June 30, 2014 | \$ 1,873,355 | \$ 16,736 | \$ 909 | \$ 448,552 | \$ 2,339,552 |
| Fiscal year ended June 30, 2013 | \$ 1,884,762 | \$ 15,041 | \$ 10,064 | \$ 368,560 | \$ 2,278,427 |

The information included in this schedule of funding progress was obtained from the actuarial valuation report dated October 22, 2015 prepared by Buck Consultants.

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TOWN OF SMITHFIELD

OTHER SUPPLEMENTARY INFORMATION



TOWN OF SMITHFIELD

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

- Animal Control Fund
- Animal Control Spay & Neuter
- Byrne Grant
- Police Restricted Revenue
- CDBG
- Document Preservation & Tech Upgrades
- EMA Radio
- Planning Challenge Block Grant
- Fire Prevention
- Historical Records
- Municipal Contingency Escrow
- Operation Blue Riptide
- Police Confiscated Funds
- Retirement Escrow
- Revaluation Escrow
- RI DOT Children Passenger Safety
- RI DOT Click it or Ticket
- Scholarship Fund
- Senior Center Grant
- Substance Abuse Grant
- Police Memorial Fund
- General Public Assistance
- Senior Center Expansion Donations
- School Restricted Grant Funds

(CONTINUED)

TOWN OF SMITHFIELD

NONMAJOR GOVERNMENTAL FUNDS (Continued)

CAPITAL PROJECTS FUNDS

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

- **Green Acres Acquisition Fund**
- **Smithfield Historic Landmark**
- **Impact Fees**
- **Land Acq. Open Space Bond**
- **Middle School Additions**
- **Open Space & Rec. Area**
- **Police Equipment**
- **Water District Improvement Fee**
- **Handicap Accessibility**
- **Salt Barn Property**
- **Special Projects Fund**
- **Capital Reserve Fund**
- **Land Trust Fund**
- **Bryant Capital Contributions**
- **School Improvement Bond**
- **Police Improvement Bond**

(CONTINUED)

TOWN OF SMITHFIELD

NONMAJOR GOVERNMENTAL FUNDS (Continued)

PERMANENT FUNDS

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

- Cemetery Fund

(CONCLUDED)

TOWN OF SMITHFIELD, RHODE ISLAND

**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2015**

| | SPECIAL REVENUE FUNDS | | | | | | |
|------------------------------------------------------------------------------|------------------------------|---------------------------------|----------------|---------------------------------|------------------|---------------------------------------------|------------------|
| | Animal Control Fund | Animal Control Spay & Neuter | Byrne Grant | Police Restricted Revenue | CDBG | Document Preservation & Tech Upgrades | EMA Radio |
| ASSETS: | | | | | | | |
| Cash and cash equivalents | \$ 32,166 | \$ - | \$ - | \$ - | \$ - | \$ 53,725 | \$ 9,797 |
| Accounts and other receivable | - | - | - | - | - | - | - |
| Due from federal & state governments | - | - | 944 | - | 28,719 | - | 9,226 |
| Due from other funds | - | 3,671 | - | 233,812 | - | 6,488 | - |
| TOTAL ASSETS | \$ 32,166 | \$ 3,671 | \$ 944 | \$ 233,812 | \$ 28,719 | \$ 60,213 | \$ 19,023 |
| LIABILITIES: | | | | | | | |
| Accounts payable | \$ 78 | \$ - | \$ - | \$ 35,874 | \$ 1,293 | \$ 631 | \$ - |
| Accrued liabilities | - | - | - | - | - | - | - |
| Due to other funds | 4,529 | - | 944 | - | 27,426 | - | 9,197 |
| TOTAL LIABILITIES | 4,607 | - | 944 | 35,874 | 28,719 | 631 | 9,197 |
| DEFERRED INFLOW OF RESOURCES: | | | | | | | |
| Unavailable fee revenue | - | - | - | - | - | - | - |
| FUND BALANCE: | | | | | | | |
| Restricted | - | - | - | - | - | 59,582 | 9,826 |
| Committed | 27,559 | 3,671 | - | 197,938 | - | - | - |
| Unassigned | - | - | - | - | - | - | - |
| TOTAL FUND BALANCE | 27,559 | 3,671 | - | 197,938 | - | 59,582 | 9,826 |
| TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCE | \$ 32,166 | \$ 3,671 | \$ 944 | \$ 233,812 | \$ 28,719 | \$ 60,213 | \$ 19,023 |

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2015**

| SPECIAL REVENUE FUNDS | | | | | | | |
|------------------------------------------------------------------------------|--------------------------------------|--------------------|-----------------------|------------------------------------|---------------------------|--------------------------------|----------------------|
| | Planning Challenge Block Grant | Fire Prevention | Historical Records | Municipal Contingency Escrow | Operation Blue Riptide | Police Confiscated Funds | Retirement Escrow |
| ASSETS: | | | | | | | |
| Cash and cash equivalents | \$ - | \$ 21,535 | \$ 40,245 | \$ 1,170,622 | \$ - | \$ 28,727 | \$ 649,764 |
| Accounts and other receivable | - | - | - | - | - | - | - |
| Due from federal & state governments | 16,160 | - | - | - | 1,120 | - | - |
| Due from other funds | - | - | 1,360 | 240,000 | - | - | 50,000 |
| TOTAL ASSETS | \$ 16,160 | \$ 21,535 | \$ 41,605 | \$ 1,410,622 | \$ 1,120 | \$ 28,727 | \$ 699,764 |
| LIABILITIES: | | | | | | | |
| Accounts payable | \$ 1,638 | \$ 576 | \$ - | \$ - | \$ - | \$ - | \$ - |
| Accrued liabilities | - | - | - | - | - | 9,497 | - |
| Due to other funds | 17,903 | 7,709 | - | - | 1,120 | 2,025 | - |
| TOTAL LIABILITIES | 19,541 | 8,285 | - | - | 1,120 | 11,522 | - |
| DEFERRED INFLOW OF RESOURCES: | | | | | | | |
| Unavailable fee revenue | - | - | - | - | - | - | - |
| FUND BALANCE: | | | | | | | |
| Restricted | - | 13,250 | 41,605 | - | - | 17,205 | - |
| Committed | - | - | - | 1,410,622 | - | - | 699,764 |
| Unassigned | (3,381) | - | - | - | - | - | - |
| TOTAL FUND BALANCE | (3,381) | 13,250 | 41,605 | 1,410,622 | - | 17,205 | 699,764 |
| TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCE | \$ 16,160 | \$ 21,535 | \$ 41,605 | \$ 1,410,622 | \$ 1,120 | \$ 28,727 | \$ 699,764 |

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

*Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2015*

| | SPECIAL REVENUE FUNDS | | | | | |
|------------------------------------------------------------------------------|------------------------------|--------------------------------------------------|---------------------------------|----------------------------|------------------------|------------------------------------|
| | Revaluation <u>Escrow</u> | RI DOT Children Passenger <u>Safety</u> | RI DOT Click it or Ticket | Scholarship <u>Fund</u> | Senior Center Grant | Substance Abuse <u>Grant</u> |
| ASSETS: | | | | | | |
| Cash and cash equivalents | \$ 274,564 | \$ - | \$ - | \$ 4,492 | \$ - | \$ - |
| Accounts and other receivable | - | - | - | - | - | - |
| Due from federal & state governments | - | 1,175 | 2,044 | - | - | 2,150 |
| Due from other funds | 33,404 | - | - | - | 80,066 | 488 |
| TOTAL ASSETS | \$ 307,968 | \$ 1,175 | \$ 2,044 | \$ 4,492 | \$ 80,066 | \$ 2,638 |
| LIABILITIES: | | | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - | \$ 464 | \$ 2,638 |
| Accrued liabilities | - | - | - | - | 10,138 | - |
| Due to other funds | - | 1,175 | 2,044 | - | - | - |
| TOTAL LIABILITIES | - | 1,175 | 2,044 | - | 10,602 | 2,638 |
| DEFERRED INFLOW OF RESOURCES: | | | | | | |
| Unavailable fee revenue | - | - | - | - | - | - |
| FUND BALANCE: | | | | | | |
| Restricted | - | - | - | 4,492 | 69,464 | - |
| Committed | 307,968 | - | - | - | - | - |
| Unassigned | - | - | - | - | - | - |
| TOTAL FUND BALANCE | 307,968 | - | - | 4,492 | 69,464 | - |
| TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCE | \$ 307,968 | \$ 1,175 | \$ 2,044 | \$ 4,492 | \$ 80,066 | \$ 2,638 |

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

*Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2015*

| | SPECIAL REVENUE FUNDS | | | | |
|------------------------------------------------------------------------------|------------------------------|---------------------------------|-----------------------------------------|-------------------------------|-----------------------------------|
| | Police Memorial Fund | General Public Assistance | Senior Center Expansion Donations | School Restricted Funds | Total Special Revenue Funds |
| ASSETS: | | | | | |
| Cash and cash equivalents | \$ 758 | \$ - | \$ - | \$ - | \$ 2,286,395 |
| Accounts and other receivable | - | - | - | - | - |
| Due from federal & state governments | - | - | - | 498,204 | 559,742 |
| Due from other funds | - | 56,143 | - | 94,200 | 799,632 |
| TOTAL ASSETS | \$ 758 | \$ 56,143 | \$ - | \$ 592,404 | \$ 3,645,769 |
| LIABILITIES: | | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ 600 | \$ 43,792 |
| Accrued liabilities | - | - | - | - | 19,635 |
| Due to other funds | - | - | - | 497,604 | 571,676 |
| TOTAL LIABILITIES | - | - | - | 498,204 | 635,103 |
| DEFERRED INFLOW OF RESOURCES: | | | | | |
| Unavailable fee revenue | - | - | - | - | - |
| FUND BALANCE: | | | | | |
| Restricted | 758 | - | - | 94,200 | 310,382 |
| Committed | - | 56,143 | - | - | 2,703,665 |
| Unassigned | - | - | - | - | (3,381) |
| TOTAL FUND BALANCE | 758 | 56,143 | - | 94,200 | 3,010,666 |
| TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCE | \$ 758 | \$ 56,143 | \$ - | \$ 592,404 | \$ 3,645,769 |

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2015

| | CAPITAL PROJECT FUNDS | | | | | |
|------------------------------------------------------------------------------|------------------------------------|------------------------------------|-------------------|---------------------------------|-------------------------------|------------------------------|
| | Green Acres Acquisition Fund | Smithfield Historic Landmark | Impact Fees | Land Acq. Open Space Bond | Middle School Additions | Open Space & Rec. Area |
| ASSETS: | | | | | | |
| Cash and cash equivalents | \$ 106,825 | \$ 882 | \$ 597,396 | \$ - | \$ - | \$ 4,540 |
| Accounts and other receivable | - | - | - | - | - | - |
| Due from federal & state governments | - | - | - | - | - | - |
| Due from other funds | 2,969 | - | 348,202 | 318,325 | 5,124 | - |
| TOTAL ASSETS | \$ 109,794 | \$ 882 | \$ 945,598 | \$ 318,325 | \$ 5,124 | \$ 4,540 |
| LIABILITIES: | | | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Accrued liabilities | - | - | - | - | - | - |
| Due to other funds | - | - | - | - | - | - |
| TOTAL LIABILITIES | - | - | - | - | - | - |
| DEFERRED INFLOW OF RESOURCES: | | | | | | |
| Unavailable fee revenue | - | - | - | - | - | - |
| FUND BALANCE: | | | | | | |
| Restricted | - | - | - | - | - | - |
| Committed | 109,794 | 882 | 945,598 | 318,325 | 5,124 | 4,540 |
| Unassigned | - | - | - | - | - | - |
| TOTAL FUND BALANCE | 109,794 | 882 | 945,598 | 318,325 | 5,124 | 4,540 |
| TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCE | \$ 109,794 | \$ 882 | \$ 945,598 | \$ 318,325 | \$ 5,124 | \$ 4,540 |

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2015**

| | CAPITAL PROJECT FUNDS | | | | | |
|------------------------------------------------------------------------------|------------------------------|-----------------------------------|---------------------------|--------------------------|-----------------------------|----------------------------|
| | Police Equipment | Water District Improvement Fee | Handicap Accessibility | Salt Barn Property | Special Projects Fund | Capital Reserve Fund |
| ASSETS: | | | | | | |
| Cash and cash equivalents | \$ 162,812 | \$ 18,743 | \$ 10,793 | \$ - | \$ 198,704 | \$ - |
| Accounts and other receivable | | - | - | - | - | - |
| Due from federal & state governments | 9,325 | - | - | - | - | - |
| Due from other funds | | - | - | - | | 1,076,025 |
| TOTAL ASSETS | \$ 172,137 | \$ 18,743 | \$ 10,793 | \$ - | \$ 198,704 | \$ 1,076,025 |
| LIABILITIES: | | | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ 17,600 | \$ 15,884 | \$ - |
| Accrued liabilities | - | - | - | - | - | - |
| Due to other funds | 90,701 | - | - | 992,896 | 53,481 | - |
| TOTAL LIABILITIES | 90,701 | - | - | 1,010,496 | 69,365 | - |
| DEFERRED INFLOW OF RESOURCES: | | | | | | |
| Unavailable fee revenue | - | - | - | - | - | - |
| FUND BALANCE: | | | | | | |
| Restricted | - | - | - | - | - | - |
| Committed | 81,436 | 18,743 | 10,793 | - | 129,339 | 1,076,025 |
| Unassigned | - | - | - | (1,010,496) | - | - |
| TOTAL FUND BALANCE | 81,436 | 18,743 | 10,793 | (1,010,496) | 129,339 | 1,076,025 |
| TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCE | \$ 172,137 | \$ 18,743 | \$ 10,793 | \$ - | \$ 198,704 | \$ 1,076,025 |

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2015

| | <u>CAPITAL PROJECT FUNDS</u> | | | | | <u>PERMANENT FUND</u> | Total Nonmajor Governmental Funds |
|------------------------------------------------------------------------------|------------------------------|---------------------------------------------|----------------------------------------|----------------------------------------|--------------------------------------------|--------------------------|--------------------------------------------|
| | <u>Land Trust</u> | <u>Bryant Capital Contributions</u> | <u>School Improvement Bond</u> | <u>Police Improvement Bond</u> | <u>Total Capital Project Funds</u> | <u>Cemetery Fund</u> | |
| ASSETS: | | | | | | | |
| Cash and cash equivalents | \$ 925,767 | \$ - | \$ - | \$ - | \$ 2,026,462 | \$ 63,664 | \$ 4,376,521 |
| Accounts and other receivable | - | 49,675 | - | - | 49,675 | - | 49,675 |
| Due from federal & state governments | 272,500 | - | - | - | 281,825 | - | 841,567 |
| Due from other funds | - | 184,398 | - | - | 1,935,043 | - | 2,734,675 |
| TOTAL ASSETS | \$ 1,198,267 | \$ 234,073 | \$ - | \$ - | \$ 4,293,005 | \$ 63,664 | \$ 8,002,438 |
| LIABILITIES: | | | | | | | |
| Accounts payable | \$ 75 | \$ - | \$ - | \$ 67,500 | \$ 101,059 | \$ - | \$ 144,851 |
| Accrued liabilities | - | - | - | - | - | - | 19,635 |
| Due to other funds | 680,026 | - | 282,755 | 67,500 | 2,167,359 | - | 2,739,035 |
| TOTAL LIABILITIES | 680,101 | - | 282,755 | 135,000 | 2,268,418 | - | 2,903,521 |
| DEFERRED INFLOW OF RESOURCES: | | | | | | | |
| Unavailable fee revenue | - | - | - | - | - | - | - |
| FUND BALANCE: | | | | | | | |
| Restricted | - | - | - | - | - | 63,664 | 374,046 |
| Committed | 518,166 | 234,073 | - | - | 3,452,838 | - | 6,156,503 |
| Unassigned | - | - | (282,755) | (135,000) | (1,428,251) | - | (1,431,632) |
| TOTAL FUND BALANCE | 518,166 | 234,073 | (282,755) | (135,000) | 2,024,587 | 63,664 | 5,098,917 |
| TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCE | \$ 1,198,267 | \$ 234,073 | \$ - | \$ - | \$ 4,293,005 | \$ 63,664 | \$ 8,002,438 |

(CONCLUDED)

TOWN OF SMITHFIELD, RHODE ISLAND

*Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2015*

| | SPECIAL REVENUE FUNDS | | | | | | | |
|----------------------------------------------------------------------|------------------------------|---------------------------------|----------------|---------------------------------|---------------|---------------------------------------------|-----------------|--|
| | Animal Control Fund | Animal Control Spay & Neuter | Byrne Grant | Police Restricted Revenue | CDBG | Document Preservation & Tech Upgrades | EMA Radio | |
| REVENUES: | | | | | | | | |
| Intergovernmental | \$ - | \$ - | \$ 14,631 | \$ - | \$ 51,034 | \$ - | \$ 10,227 | |
| Fees, Fines, Charges and Assessments | 952 | 342 | - | 83,982 | 2,622 | 18,273 | - | |
| Interest and investment income | - | - | - | - | - | - | - | |
| Contributions and grants | 4,445 | - | - | 1,050 | - | - | - | |
| Other | - | - | - | - | - | - | - | |
| Total revenues | 5,397 | 342 | 14,631 | 85,032 | 53,656 | 18,273 | 10,227 | |
| EXPENDITURES: | | | | | | | | |
| Current: | | | | | | | | |
| Recreation and Community Development | - | - | - | - | 53,656 | - | - | |
| Education | - | - | - | - | - | - | - | |
| Public Safety | - | - | 14,631 | 73,724 | - | - | 10,442 | |
| Other expenses | 4,420 | 130 | - | - | - | 1,953 | - | |
| Capital outlays | - | - | - | - | - | - | - | |
| Total expenditures | 4,420 | 130 | 14,631 | 73,724 | 53,656 | 1,953 | 10,442 | |
| Excess (deficiency) of revenues over (under) expenditures | 977 | 212 | - | 11,308 | - | 16,320 | (215) | |
| OTHER FINANCING SOURCES (USES) | | | | | | | | |
| Transfers in | - | - | - | - | - | - | - | |
| Transfers out | - | - | - | - | - | - | - | |
| Total other financing sources (uses) | - | - | - | - | - | - | - | |
| Net change in fund balances | 977 | 212 | - | 11,308 | - | 16,320 | (215) | |
| Fund balances, beginning of year | 26,582 | 3,459 | - | 186,630 | - | 43,262 | 10,041 | |
| Fund balances, end of year | \$ 27,559 | \$ 3,671 | \$ - | \$ 197,938 | \$ - | \$ 59,582 | \$ 9,826 | |

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2015**

| | <u>SPECIAL REVENUE FUNDS</u> | | | | | | |
|----------------------------------------------------------------------|-----------------------------------------------|----------------------------|-------------------------------|---------------------------------------------|-----------------------------------|-----------------------------------------|------------------------------|
| | <u>Planning Challenge Block Grant</u> | <u>Fire Prevention</u> | <u>Historical Records</u> | <u>Municipal Contingency Escrow</u> | <u>Operation Blue Riptide</u> | <u>Police Confiscated Funds</u> | <u>Retirement Escrow</u> |
| REVENUES: | | | | | | | |
| Intergovernmental | \$ - | \$ - | \$ - | \$ 240,000 | \$ 13,157 | \$ 6,948 | \$ 50,000 |
| Fees, Fines, Charges and Assessments | - | 13,213 | 3,173 | | | - | - |
| Interest and investment income | - | - | - | 117 | | - | 2,505 |
| Contributions and grants | - | - | - | | | - | - |
| Other | - | - | - | | | - | - |
| Total revenues | - | 13,213 | 3,173 | 240,117 | 13,157 | 6,948 | 52,505 |
| EXPENDITURES: | | | | | | | |
| Current: | | | | | | | |
| Recreation and Community Development | 2,781 | - | - | - | - | - | - |
| Education | - | - | - | - | - | - | - |
| Public Safety | - | 29,960 | - | - | 13,157 | - | - |
| Other expenses | - | - | 130 | - | - | - | - |
| Capital outlays | - | - | - | - | - | - | - |
| Total expenditures | 2,781 | 29,960 | 130 | - | 13,157 | - | - |
| Excess (deficiency) of revenues over (under) expenditures | (2,781) | (16,747) | 3,043 | 240,117 | - | 6,948 | 52,505 |
| OTHER FINANCING SOURCES (USES) | | | | | | | |
| Transfers in | - | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - | - | - | - |
| Net change in fund balances | (2,781) | (16,747) | 3,043 | 240,117 | - | 6,948 | 52,505 |
| Fund balances, beginning of year | (600) | 29,997 | 38,562 | 1,170,505 | - | 10,257 | 647,259 |
| Fund balances, end of year | \$ (3,381) | \$ 13,250 | \$ 41,605 | \$ 1,410,622 | \$ - | \$ 17,205 | \$ 699,764 |

(CONTINUED)

EXHIBIT 2 (Continued)

TOWN OF SMITHFIELD, RHODE ISLAND

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2015**

| | SPECIAL REVENUE FUNDS | | | | | |
|----------------------------------------------------------------------|------------------------------|--------------------------------------------------|---------------------------------|----------------------------|----------------------------------|------------------------------------|
| | Revaluation <u>Escrow</u> | RI DOT Children Passenger <u>Safety</u> | RI DOT Click it or Ticket | Scholarship <u>Fund</u> | Senior Center <u>Grant</u> | Substance Abuse <u>Grant</u> |
| REVENUES: | | | | | | |
| Intergovernmental | \$ 25,000 | \$ 7,572 | \$ 2,044 | \$ - | \$ - | \$ 21,020 |
| Fees, Fines, Charges and Assessments | - | - | - | - | 21,536 | - |
| Interest and investment income | 27 | - | - | 2 | - | - |
| Contributions and grants | - | - | - | - | - | - |
| Other | - | - | - | - | - | - |
| Total revenues | 25,027 | 7,572 | 2,044 | 2 | 21,536 | 21,020 |
| EXPENDITURES: | | | | | | |
| Current: | | | | | | |
| Recreation and Community Development | - | - | - | - | 10,112 | 21,020 |
| Education | - | - | - | - | - | - |
| Public Safety | - | 7,572 | 2,044 | - | - | - |
| Other expenses | 13,846 | - | - | - | - | - |
| Capital outlays | - | - | - | - | - | - |
| Total expenditures | 13,846 | 7,572 | 2,044 | - | 10,112 | 21,020 |
| Excess (deficiency) of revenues over (under) expenditures | 11,181 | - | - | 2 | 11,424 | - |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers in | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - | - | - |
| Net change in fund balances | 11,181 | - | - | 2 | 11,424 | - |
| Fund balances, beginning of year | 296,787 | - | - | 4,490 | 58,040 | - |
| Fund balances, end of year | \$ 307,968 | \$ - | \$ - | \$ 4,492 | \$ 69,464 | \$ - |

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

*Statement of Revenues, Expenditures, and Changes in Fund
Nonmajor Governmental Funds
For the Year Ended June 30, 2015*

| | SPECIAL REVENUE FUNDS | | | | |
|----------------------------------------------------------------------|------------------------------|---------------------------------|-----------------------------------------|-------------------------------|-----------------------------------|
| | Police Memorial Fund | General Public Assistance | Senior Center Expansion Donations | School Restricted Funds | Total Special Revenue Funds |
| REVENUES: | | | | | |
| Intergovernmental | \$ - | \$ - | \$ - | \$ 1,052,492 | \$ 1,494,125 |
| Fees, Fines, Charges and Assessments | - | - | - | - | 144,093 |
| Interest and investment income | - | - | - | - | 2,651 |
| Contributions and grants | - | 3,437 | - | 68,361 | 77,293 |
| Other | - | - | - | - | - |
| Total revenues | <u>-</u> | <u>3,437</u> | <u>-</u> | <u>1,120,853</u> | <u>1,718,162</u> |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| Recreation and Community Development | - | 6,286 | 495 | - | 94,350 |
| Education | - | - | - | 1,062,030 | 1,062,030 |
| Public Safety | - | - | - | - | 151,530 |
| Other expenses | - | - | - | - | 20,479 |
| Capital outlays | - | - | - | 61,398 | 61,398 |
| Total expenditures | <u>-</u> | <u>6,286</u> | <u>495</u> | <u>1,123,428</u> | <u>1,389,787</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>-</u> | <u>(2,849)</u> | <u>(495)</u> | <u>(2,575)</u> | <u>328,375</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | - | - | - | - | - |
| Transfers out | - | - | - | - | - |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | <u>-</u> | <u>(2,849)</u> | <u>(495)</u> | <u>(2,575)</u> | <u>328,375</u> |
| Fund balances, beginning of year | 758 | 58,992 | 495 | 96,775 | 2,682,291 |
| Fund balances, end of year | <u>\$ 758</u> | <u>\$ 56,143</u> | <u>\$ -</u> | <u>\$ 94,200</u> | <u>\$ 3,010,666</u> |

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2015**

| | CAPITAL PROJECT FUNDS | | | | | |
|----------------------------------------------------------------------|------------------------------------|------------------------------------|-------------------|---------------------------------|------------------------------|------------------------------|
| | Green Acres Acquisition Fund | Smithfield Historic Landmark | Impact Fees | Land Acq. Open Space Bond | Middle School Addition | Open Space & Rec. Area |
| REVENUES: | | | | | | |
| Intergovernmental | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Fees, Fines, Charges and Assessments | - | - | 98,557 | - | - | - |
| Interest and investment income | 10 | - | 60 | - | - | - |
| Contributions and grants | - | - | - | - | - | - |
| Other | - | - | - | - | - | - |
| Total revenues | 10 | - | 98,617 | - | - | - |
| EXPENDITURES: | | | | | | |
| Current: | | | | | | |
| Recreation and Community Development | - | - | - | - | - | - |
| Education | - | - | - | - | - | - |
| Public Safety | - | - | - | - | - | - |
| Other expenses | - | - | - | - | - | - |
| Capital outlays | - | - | - | - | - | - |
| Total expenditures | - | - | - | - | - | - |
| Excess (deficiency) of revenues over (under) expenditures | 10 | - | 98,617 | - | - | - |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers in | 2,969 | - | 169,000 | - | - | - |
| Transfers out | - | - | - | - | - | - |
| Total other financing sources (uses) | 2,969 | - | 169,000 | - | - | - |
| Net change in fund balances | 2,979 | - | 267,617 | - | - | - |
| Fund balances, beginning of year | 106,815 | 882 | 677,981 | 318,325 | 5,124 | 4,540 |
| Fund balances, end of year | \$ 109,794 | \$ 882 | \$ 945,598 | \$ 318,325 | \$ 5,124 | \$ 4,540 |

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2015**

| | CAPITAL PROJECT FUNDS | | | | | |
|----------------------------------------------------------------------|------------------------------|-------------------------------------------|-----------------------------------|-----------------------------------|--------------------------------------|-------------------------------------|
| | <u>Police Equipment</u> | <u>Water District Improvement Fee</u> | <u>Handicap Accessibility</u> | <u>Salt Barn Property</u> | <u>Special Projects Fund</u> | <u>Capital Reserve Fund</u> |
| REVENUES: | | | | | | |
| Intergovernmental | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Fees, Fines, Charges and Assessments | 92,219 | - | - | - | 161,761 | - |
| Interest and investment income | 10 | 2 | 1 | - | 375 | - |
| Contributions and grants | - | - | - | - | 22,510 | - |
| Other | - | - | - | - | 17,476 | - |
| Total revenues | <u>92,229</u> | <u>2</u> | <u>1</u> | <u>-</u> | <u>202,122</u> | <u>-</u> |
| EXPENDITURES: | | | | | | |
| Current: | | | | | | |
| Recreation and Community Development | - | - | - | - | - | - |
| Education | - | - | - | - | - | - |
| Public Safety | - | - | - | - | 165,827 | - |
| Other expenses | - | - | - | - | - | - |
| Capital outlays | <u>-</u> | <u>-</u> | <u>-</u> | <u>17,600</u> | <u>-</u> | <u>-</u> |
| Total expenditures | <u>-</u> | <u>-</u> | <u>-</u> | <u>17,600</u> | <u>165,827</u> | <u>-</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>92,229</u> | <u>2</u> | <u>1</u> | <u>(17,600)</u> | <u>36,295</u> | <u>-</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers in | - | - | - | - | - | 261,574 |
| Transfers out | (115,278) | - | - | - | - | - |
| Total other financing sources (uses) | <u>(115,278)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>261,574</u> |
| Net change in fund balances | (23,049) | 2 | 1 | (17,600) | 36,295 | 261,574 |
| Fund balances, beginning of year | 104,485 | 18,741 | 10,792 | (992,896) | 93,044 | 814,451 |
| Fund balances, end of year | <u>\$ 81,436</u> | <u>\$ 18,743</u> | <u>\$ 10,793</u> | <u>\$ (1,010,496)</u> | <u>\$ 129,339</u> | <u>\$ 1,076,025</u> |

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

*Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2015*

| | <u>CAPITAL PROJECT FUNDS</u> | | | | <u>PERMANENT FUND</u> | Total Nonmajor Governmental Funds |
|----------------------------------------------------------------------|------------------------------|---------------------------------------------|----------------------------------------|----------------------------------------|--------------------------|--------------------------------------------|
| | <u>Land Trust</u> | <u>Bryant Capital Contributions</u> | <u>School Improvement Bond</u> | <u>Police Improvement Bond</u> | <u>Cemetery Fund</u> | |
| REVENUES: | | | | | | |
| Intergovernmental | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,494,125 |
| Fees, Fines, Charges and Assessments | 525 | 213,473 | - | - | - | 710,628 |
| Interest and investment income | 102 | - | - | - | 6 | 3,217 |
| Contributions and grants | - | - | - | - | - | 99,803 |
| Other | - | - | - | - | - | 17,476 |
| Total revenues | 627 | 213,473 | - | - | 6 | 2,325,249 |
| EXPENDITURES: | | | | | | |
| Current: | | | | | | |
| Recreation and Community Development | 691,506 | - | - | - | - | 785,856 |
| Education | - | - | - | - | - | 1,062,030 |
| Public Safety | - | - | - | - | - | 317,357 |
| Other expenses | - | - | - | - | - | 20,479 |
| Capital outlays | - | - | 282,755 | 135,000 | - | 496,753 |
| Total expenditures | 691,506 | - | 282,755 | 135,000 | - | 2,682,475 |
| Excess (deficiency) of revenues over (under) expenditures | (690,879) | 213,473 | (282,755) | (135,000) | 6 | (357,226) |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers in | 5,286 | - | - | - | - | 438,829 |
| Transfers out | (600) | - | - | - | - | (115,878) |
| Total other financing sources (uses) | 4,686 | - | - | - | - | 322,951 |
| Net change in fund balances | (686,193) | 213,473 | (282,755) | (135,000) | 6 | (34,275) |
| Fund balances, beginning of year | 1,204,359 | 20,600 | - | - | 63,658 | 5,133,192 |
| Fund balances, end of year | \$ 518,166 | \$ 234,073 | \$ (282,755) | \$ (135,000) | \$ 63,664 | \$ 5,098,917 |

(CONCLUDED)

TOWN OF SMITHFIELD

AGENCY FUNDS

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

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

TOWN OF SMITHFIELD, RHODE ISLANDStatement of Changes in Assets and Liabilities
Agency Funds
Year ended June 30, 2015

| | Beginning Balance | Additions | Deductions | Ending Balance |
|----------------------------------------|----------------------|-------------------|-------------------|-------------------|
| <u>Student Activity Funds</u> | | | | |
| ASSETS: | | | | |
| Cash | \$ 179,735 | \$ 476,195 | \$ 468,216 | \$ 187,714 |
| TOTAL ASSETS | <u>\$ 179,735</u> | <u>\$ 476,195</u> | <u>\$ 468,216</u> | <u>\$ 187,714</u> |
| LIABILITIES: | | | | |
| Deposits held in custody for others | \$ 179,735 | \$ 476,195 | \$ 468,216 | \$ 187,714 |
| TOTAL LIABILITIES | <u>\$ 179,735</u> | <u>\$ 476,195</u> | <u>\$ 468,216</u> | <u>\$ 187,714</u> |
| <u>Probate Court</u> | | | | |
| ASSETS: | | | | |
| Other receivables | \$ - | \$ 62,000 | \$ - | \$ 62,000 |
| TOTAL ASSETS | <u>\$ -</u> | <u>\$ 62,000</u> | <u>\$ -</u> | <u>\$ 62,000</u> |
| LIABILITIES: | | | | |
| Deposits held in custody for others | \$ - | \$ 62,000 | \$ - | \$ 62,000 |
| TOTAL LIABILITIES | <u>\$ -</u> | <u>\$ 62,000</u> | <u>\$ -</u> | <u>\$ 62,000</u> |
| <u>Street Lighting</u> | | | | |
| ASSETS: | | | | |
| Cash | \$ 20,597 | \$ 2 | \$ - | \$ 20,599 |
| TOTAL ASSETS | <u>\$ 20,597</u> | <u>\$ 2</u> | <u>\$ -</u> | <u>\$ 20,599</u> |
| LIABILITIES: | | | | |
| Deposits held in custody for others | \$ 20,597 | \$ 2 | \$ - | \$ 20,599 |
| TOTAL LIABILITIES | <u>\$ 20,597</u> | <u>\$ 2</u> | <u>\$ -</u> | <u>\$ 20,599</u> |
| <u>Soil Erosion</u> | | | | |
| ASSETS: | | | | |
| Cash | \$ 101,758 | \$ - | \$ 7,440 | \$ 94,318 |
| Other receivables | - | 115,920 | - | 115,920 |
| TOTAL ASSETS | <u>\$ 101,758</u> | <u>\$ 115,920</u> | <u>\$ 7,440</u> | <u>\$ 210,238</u> |
| LIABILITIES: | | | | |
| Deposits held in custody for others | \$ 101,758 | \$ 115,920 | \$ 7,440 | \$ 210,238 |
| TOTAL LIABILITIES | <u>\$ 101,758</u> | <u>\$ 115,920</u> | <u>\$ 7,440</u> | <u>\$ 210,238</u> |
| <u>Total - All Agency Funds</u> | | | | |
| ASSETS: | | | | |
| Cash | \$ 302,090 | \$ 476,197 | \$ 475,656 | \$ 302,631 |
| Other receivables | - | 177,920 | - | 177,920 |
| TOTAL ASSETS | <u>\$ 302,090</u> | <u>\$ 654,117</u> | <u>\$ 475,656</u> | <u>\$ 480,551</u> |
| LIABILITIES: | | | | |
| Deposits held in custody for others | \$ 302,090 | \$ 654,117 | \$ 475,656 | \$ 480,551 |
| TOTAL LIABILITIES | <u>\$ 302,090</u> | <u>\$ 654,117</u> | <u>\$ 475,656</u> | <u>\$ 480,551</u> |

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TOWN OF SMITHFIELD

OTHER EXHIBITS



TOWN OF SMITHFIELD, RHODE ISLAND

Combining Balance Sheet
Funds Which Comprise the Town's General Fund
June 30, 2015

| | General Fund | Inspection Fee Fund | Total General Fund |
|--------------------------------------------------------------------------|----------------------|------------------------|--------------------------|
| ASSETS: | | | |
| Cash and cash equivalents | \$ 14,409,433 | \$ 75,332 | \$ 14,484,765 |
| Investments | 1,168,781 | - | 1,168,781 |
| Taxes, net | 2,311,448 | - | 2,311,448 |
| Other receivables | 277,057 | - | 277,057 |
| Due from other funds | 4,246,311 | - | 4,246,311 |
| TOTAL ASSETS | \$ 22,413,030 | \$ 75,332 | \$ 22,488,362 |
| LIABILITIES: | | | |
| Accounts payable | \$ 631,420 | \$ - | \$ 631,420 |
| Accrued liabilities | 976,883 | 53,825 | 1,030,708 |
| Due to other funds | 3,829,059 | - | 3,829,059 |
| TOTAL LIABILITIES | 5,437,362 | 53,825 | 5,491,187 |
| DEFERRED INFLOW OF RESOURCES: | | | |
| Unavailable tax revenue | 1,239,296 | - | 1,239,296 |
| FUND BALANCE: | | | |
| Non-Spendable | 1,237,689 | - | 1,237,689 |
| Restricted | 24,398 | - | 24,398 |
| Committed | 7,942,884 | - | 7,942,884 |
| Assigned | 3,180,000 | - | 3,180,000 |
| Unassigned | 3,351,401 | 21,507 | 3,372,908 |
| TOTAL FUND BALANCE | 15,736,372 | 21,507 | 15,757,879 |
| TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCE | \$ 22,413,030 | \$ 75,332 | \$ 22,488,362 |

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

TOWN OF SMITHFIELD, RHODE ISLAND

**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Funds Which Comprise the Town's General Fund
For the Year Ended June 30, 2015**

| | General Fund | Inspection Fee Fund | Total General Fund |
|-----------------------------------------------------------------------------------------------|----------------------|------------------------|--------------------------|
| REVENUES: | | | |
| General property taxes | \$ 53,704,073 | \$ - | \$ 53,704,073 |
| Intergovernmental | 2,228,796 | - | 2,228,796 |
| Licenses, fees, and permits | 751,763 | - | 751,763 |
| Interest income, taxes, and investments | 422,158 | 7 | 422,165 |
| Other miscellaneous | 293,189 | - | 293,189 |
| TOTAL REVENUES | 57,399,979 | 7 | 57,399,986 |
| EXPENDITURES: | | | |
| Current: | | | |
| General Government | 2,575,478 | - | 2,575,478 |
| Public Safety | 10,104,076 | - | 10,104,076 |
| Public Works | 3,121,322 | - | 3,121,322 |
| Public Health and Assistance | 5,992 | - | 5,992 |
| Recreation, Senior and Neighborhood Center | 743,924 | - | 743,924 |
| Libraries | 1,254,265 | - | 1,254,265 |
| Miscellaneous | 8,562,854 | - | 8,562,854 |
| Debt Service: | | | |
| Principal | 1,695,970 | - | 1,695,970 |
| Interest and other costs | 530,883 | - | 530,883 |
| Capital: | | | |
| Capital outlays | 1,141,776 | - | 1,141,776 |
| TOTAL EXPENDITURES | 29,736,540 | - | 29,736,540 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES) | 27,663,439 | 7 | 27,663,446 |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | 1,515,278 | - | 1,515,278 |
| Transfers out | (29,106,314) | - | (29,106,314) |
| TOTAL OTHER FINANCING SOURCES (USES) | (27,591,036) | - | (27,591,036) |
| NET CHANGE IN FUND BALANCES | 72,403 | 7 | 72,410 |
| FUND BALANCE AT BEGINNING OF YEAR | 15,663,969 | 21,500 | 15,685,469 |
| FUND BALANCE AT END OF YEAR | \$ 15,736,372 | \$ 21,507 | \$ 15,757,879 |

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

TOWN OF SMITHFIELD, RHODE ISLAND

**SCHEDULE OF PROPERTY TAXES RECEIVABLE
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

| <u>Year</u> | <u>Real Property Mill Rate</u> | <u>Property Taxes Receivable July 1, 2014</u> | <u>Current Year Assessment</u> | <u>Supplemental Addendums (Net)</u> | <u>Refunds and Adjustments</u> | <u>Abatements and Adjustments</u> | <u>Amount to be Collected</u> | <u>Collections</u> | <u>Property Taxes Receivable June 30, 2015</u> |
|------------------------------------------------------|--------------------------------|-----------------------------------------------|--------------------------------|-------------------------------------|--------------------------------|-----------------------------------|-------------------------------|----------------------|------------------------------------------------|
| 2015 | \$17.13 | | \$ 53,767,982 | \$ 152,487 | \$ 5,886 | \$ 117,204 | \$ 53,809,151 | \$ 51,574,182 | \$ 2,234,969 |
| 2014 | \$17.52 | \$ 3,926,043 | - | - | 7,564 | (52,190) | 3,985,797 | 3,771,079 | 214,718 |
| 2013 | \$16.02 | 275,811 | - | - | - | (1,203) | 277,014 | 81,152 | 195,862 |
| 2012 | \$16.02 | 158,145 | - | - | - | 211 | 157,934 | 18,915 | 139,019 |
| 2011 | \$15.85 | 133,462 | - | - | - | 286 | 133,176 | 4,879 | 128,297 |
| 2010 | \$15.59 | 183,058 | - | - | - | - | 183,058 | 692 | 182,366 |
| 2009 | \$13.98 | 243,738 | - | - | 22 | 39 | 243,721 | 950 | 242,771 |
| 2008 | \$13.68 | 136,367 | - | - | - | - | 136,367 | 1,986 | 134,381 |
| 2007 | \$13.23 | 101,094 | - | - | - | (119) | 101,213 | 1,400 | 99,813 |
| 2006 | \$15.40 | 99,475 | - | - | - | - | 99,475 | 600 | 98,875 |
| 2005 | \$14.68 | 127,153 | - | - | - | - | 127,153 | 547 | 126,606 |
| 2004 | \$13.95 | 164,671 | - | - | - | - | 164,671 | 480 | 164,191 |
| 2003 | \$21.40 | 7,637 | - | - | - | - | 7,637 | - | 7,637 |
| Prior | various | 105,780 | - | - | - | - | 105,780 | - | 105,780 |
| Subtotal | | 5,662,434 | \$ 53,767,982 | \$ 152,487 | \$ 13,472 | \$ 64,228 | \$ 59,532,147 | \$ 55,456,862 | 4,075,285 |
| Less: estimated allowance for uncollectable accounts | | (1,645,757) | | | | | | | (1,763,837) |
| Net property taxes receivable | | \$ 4,016,677 | | | | | | | \$ 2,311,448 |

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

**SCHEDULE OF PROPERTY TAXES RECEIVABLE
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

| <u>Schedule of Net Assessed Property Value by Category</u> | | | <u>Reconciliation of Current Year Property Tax Revenue</u> | |
|------------------------------------------------------------|-----------------------------------|-----------------------------|-----------------------------------------------------------------------------------------------|-----------------------------|
| <u>Description of Property</u> | <u>Assessed December 31, 2013</u> | | | |
| | <u>Valuations</u> | <u>Levy</u> | | |
| Real Property | \$ 2,287,418,669 | | Current year collections | \$ 55,456,862 |
| Exemptions on Real Property | (18,453,544) | | Revenue received 60 days subsequent to fiscal year ending June 30, 2015 | <u>1,072,152</u> |
| Net assessed value - Real Property | <u>2,268,965,125</u> | \$ 38,781,905 | Subtotal | <u>56,529,014</u> |
| Motor Vehicles | 200,497,053 | | Prior year revenue received in current year fiscal year ending June 30, 2014 - 60 day rule | <u>(2,824,941)</u> |
| Exemptions on Motor Vehicles | (42,102,323) | | | |
| Net assessed value - Motor Vehicles | <u>158,394,730</u> | 6,177,180 | | |
| Tangible property | <u>147,552,764</u> | 8,808,897 | | |
| <i>Net assessed value</i> | <u>\$ 2,574,912,619</u> | <u>\$ 53,767,982</u> | <i>Current year property tax revenue</i> | <u>\$ 53,704,073</u> |

(CONCLUDED)

TOWN OF SMITHFIELD

STATISTICAL SECTION

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

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

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

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

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

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

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

TOWN OF SMITHFIELD, RHODE ISLAND

**NET ASSETS BY COMPONENT
LAST TEN FISCAL YEARS**

| | Fiscal Year ended June 30 | | | | | | | | | |
|----------------------------------------------------|----------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|---------------------|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| Governmental activities | | | | | | | | | | |
| Net Investment in capital assets | \$ 11,847,660 | \$ 15,714,930 | \$ 19,460,357 | \$ 22,780,778 | \$ 27,277,016 | \$ 24,860,537 | \$ 20,860,670 | \$ 22,580,542 | \$ 23,649,502 | \$ 24,868,591 |
| Restricted | 3,943,034 | 6,159,108 | 6,907,769 | - | - | - | - | - | - | - |
| Unrestricted | 8,064,521 | 7,690,795 | 4,956,251 | 12,201,744 | 9,083,365 | 12,823,795 | 13,694,278 | 11,378,493 | 9,713,283 | (42,984,286) |
| Total governmental activities net position | 23,855,215 | 29,564,833 | 31,324,377 | 34,982,522 | 36,360,381 | 37,684,332 | 34,554,948 | 33,959,035 | 33,362,785 | (18,115,695) |
| Business-type activities | | | | | | | | | | |
| Net investment in capital assets | 19,462,765 | 18,745,736 | 17,449,695 | 19,932,798 | 19,206,025 | 18,805,250 | 16,128,289 | 14,831,474 | 14,225,333 | 13,998,192 |
| Unrestricted | 6,033,377 | 6,352,272 | 7,166,588 | 7,165,904 | 7,278,605 | 6,559,230 | 5,951,450 | 6,217,533 | 6,504,691 | 6,509,927 |
| Total business-type activities net position | 25,496,142 | 25,098,008 | 24,616,283 | 27,098,702 | 26,484,630 | 25,364,480 | 22,079,739 | 21,049,007 | 20,730,024 | 20,508,119 |
| Primary government | | | | | | | | | | |
| Net investment in capital assets | 31,310,425 | 34,460,666 | 36,910,052 | 42,713,576 | 46,483,041 | 43,665,787 | 36,988,959 | 37,412,016 | 37,874,835 | 38,866,783 |
| Restricted | 3,943,034 | 6,159,108 | 6,907,769 | - | - | - | - | - | - | - |
| Unrestricted | 14,097,898 | 14,043,067 | 12,122,839 | 19,367,648 | 16,361,970 | 19,383,025 | 19,645,728 | 17,596,026 | 16,217,974 | (36,474,359) |
| Total primary government net position | \$ 49,351,357 | \$ 54,662,841 | \$ 55,940,660 | \$ 62,081,224 | \$ 62,845,011 | \$ 63,048,812 | \$ 56,634,687 | \$ 55,008,042 | \$ 54,092,809 | \$ 2,392,424 |

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

Note: During the fiscal year ended June 30, 2015 the Town of Smithfield implemented GASB Statement #68.

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

| | | Fiscal Year Ended June 30 | | | | | | | | | |
|------------------------------------------------|-----|----------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| Expenses | | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | | |
| General government | | \$ 9,423,100 | \$ 9,230,373 | \$ 11,227,855 | \$ 11,582,978 | \$ 7,165,831 | \$ 5,493,158 | \$ 7,752,644 | \$ 5,918,235 | \$ 6,066,867 | \$ 5,442,335 |
| Public safety | | 8,593,527 | 8,734,533 | 9,194,453 | 9,669,768 | 15,133,585 | 14,998,929 | 17,429,845 | 17,137,904 | 17,179,333 | 15,190,320 |
| Public works | | 3,939,646 | 3,776,856 | 3,707,364 | 3,774,761 | 4,048,196 | 4,156,445 | 4,351,841 | 4,598,921 | 5,028,166 | 5,910,910 |
| Public Health and Assistance | | 38,811 | 38,849 | 39,070 | 510,567 | 590,711 | 7,434 | 7,450 | 8,350 | 8,197 | 5,992 |
| Public libraries | (A) | - | - | - | - | - | - | 1,187,734 | 1,187,734 | 1,217,734 | 1,254,265 |
| Education | | 29,756,361 | 31,981,580 | 32,980,815 | 33,482,943 | 34,340,402 | 33,695,301 | 35,543,656 | 35,311,450 | 35,866,336 | 35,265,621 |
| Recreation and Senior Activities | | 363,559 | 499,394 | 510,959 | 149,687 | 118,263 | 558,232 | 945,504 | 901,172 | 1,065,331 | 2,204,210 |
| Interest on long-term debt | | 718,819 | 607,413 | 655,052 | 687,665 | 580,558 | 482,819 | 705,512 | 597,249 | 552,480 | 534,407 |
| Total governmental activities | | <u>52,833,823</u> | <u>54,868,998</u> | <u>58,315,568</u> | <u>59,858,369</u> | <u>61,977,546</u> | <u>59,392,318</u> | <u>67,924,186</u> | <u>65,661,015</u> | <u>66,984,444</u> | <u>65,808,060</u> |
| Business-type activities: | | | | | | | | | | | |
| Sewer Authority | | 2,251,112 | 2,376,756 | 2,277,808 | 2,454,077 | 2,353,160 | 2,634,652 | 2,568,654 | 2,799,184 | 3,299,297 | 3,067,255 |
| Water Supply Board | | 770,658 | 940,214 | 1,052,921 | 1,037,189 | 1,007,849 | 1,114,814 | 1,127,768 | 1,171,217 | 1,336,273 | 1,336,587 |
| Smithfield Ice Rink | | - | - | - | - | - | 617,141 | 613,405 | 608,256 | 664,391 | 650,176 |
| School Lunch Program | | - | - | - | - | - | 643,678 | 687,068 | 595,761 | 554,776 | 549,031 |
| Component Units (CU's) | (A) | - | - | - | - | - | 1,626,870 | - | - | - | - |
| Smithfield Ice Rink, School Lunch & CU's | | <u>2,659,385</u> | <u>2,879,294</u> | <u>2,919,757</u> | <u>2,978,442</u> | <u>2,855,100</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total business-type activities | | <u>5,681,155</u> | <u>6,196,264</u> | <u>6,250,486</u> | <u>6,469,708</u> | <u>6,216,109</u> | <u>6,637,155</u> | <u>4,996,895</u> | <u>5,174,418</u> | <u>5,854,737</u> | <u>5,603,049</u> |
| Total primary government expense | | <u>\$ 58,514,978</u> | <u>\$ 61,065,262</u> | <u>\$ 64,566,054</u> | <u>\$ 66,328,077</u> | <u>\$ 68,193,655</u> | <u>\$ 66,029,473</u> | <u>\$ 72,921,081</u> | <u>\$ 70,835,433</u> | <u>\$ 72,839,181</u> | <u>\$ 71,411,109</u> |
| Program Revenues | | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | | |
| Charges for services: | | | | | | | | | | | |
| General government | | \$ 1,539,620 | \$ 1,792,535 | \$ 1,387,709 | \$ 1,164,132 | \$ 1,029,120 | \$ 821,074 | \$ 1,055,693 | \$ 1,132,533 | \$ 1,207,224 | \$ 1,164,955 |
| Public safety | | 727,656 | 866,113 | 755,979 | 1,138,000 | 1,208,704 | 967,990 | 1,259,316 | 1,261,267 | 1,377,002 | 1,831,315 |
| Public works | | - | - | - | - | - | 258,141 | - | - | - | - |
| Public Health and Assistance | | - | - | - | - | - | 15,940 | - | - | - | - |
| Education | | 350,655 | 327,020 | - | - | - | - | 360,844 | 356,258 | 253,750 | 238,152 |
| Recreation and Senior Activities | | - | - | - | - | - | 19,375 | 330 | 3,630 | 355 | 3,147 |
| Operating grants and contributions | | 9,003,676 | 9,505,923 | 11,074,157 | 9,429,523 | 9,491,613 | 7,434,000 | 8,085,850 | 7,930,129 | 8,416,905 | 7,943,116 |
| Capital grants and contributions | | 700,344 | 727,546 | - | 164,612 | 1,260,360 | 846,585 | 883,067 | 394,814 | 119,323 | 213,473 |
| Total governmental activities program revenues | | <u>12,321,951</u> | <u>13,219,137</u> | <u>13,217,845</u> | <u>11,896,267</u> | <u>12,989,797</u> | <u>10,363,105</u> | <u>11,645,100</u> | <u>11,078,631</u> | <u>11,374,559</u> | <u>11,394,158</u> |
| Business-type activities: | | | | | | | | | | | |
| Charges for services: | | | | | | | | | | | |
| Sewer Authority | | 2,439,771 | 2,444,586 | 2,335,381 | 2,594,049 | 2,583,188 | 2,652,442 | 2,831,540 | 3,060,558 | 3,168,366 | 3,068,610 |
| Water Supply Board | | 1,025,992 | 1,024,187 | 1,328,927 | 1,203,932 | 1,134,487 | 1,396,329 | 1,377,136 | 1,449,291 | 1,617,194 | 1,545,776 |
| Smithfield Ice Rink | | - | - | - | - | - | 658,208 | 665,086 | 633,350 | 615,219 | 683,279 |
| School Lunch Program | | - | - | - | - | - | 472,713 | 458,299 | 413,498 | 376,020 | 355,156 |
| Smithfield Ice Rink, School Lunch & CU's | (A) | <u>1,719,335</u> | <u>1,833,318</u> | <u>1,499,239</u> | <u>1,484,425</u> | <u>1,651,349</u> | <u>95,848</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Operating grants and contributions | | - | - | 361,042 | 3,694,645 | 246,309 | 455,474 | 182,508 | 191,472 | 215,512 | 208,807 |
| Total business-type activities | | <u>5,185,098</u> | <u>5,302,091</u> | <u>5,524,589</u> | <u>8,977,051</u> | <u>5,615,333</u> | <u>5,731,014</u> | <u>5,514,569</u> | <u>5,748,169</u> | <u>5,992,311</u> | <u>5,861,628</u> |
| Total primary government program revenues | | <u>\$ 17,507,049</u> | <u>\$ 18,521,228</u> | <u>\$ 18,742,434</u> | <u>\$ 20,873,318</u> | <u>\$ 18,605,130</u> | <u>\$ 16,094,119</u> | <u>\$ 17,159,669</u> | <u>\$ 16,826,800</u> | <u>\$ 17,366,870</u> | <u>\$ 17,255,786</u> |

(Continued)

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

| | Fiscal Year Ended June 30 | | | | | | | | | |
|---------------------------------------------------------|---------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| Net (Expense)/Revenue | | | | | | | | | | |
| Governmental activities | \$ (40,511,872) | \$ (41,649,861) | \$ (45,097,723) | \$ (47,962,102) | \$ (48,987,749) | \$ (49,029,213) | \$ (56,279,086) | \$ (54,582,384) | \$ (55,609,885) | \$ (54,413,902) |
| Business-type activities | (496,057) | (894,173) | (725,897) | 2,507,343 | (600,776) | (906,141) | 517,674 | 573,751 | 137,574 | 258,579 |
| Total primary government net expense | <u>\$ (41,007,929)</u> | <u>\$ (42,544,034)</u> | <u>\$ (45,823,620)</u> | <u>\$ (45,454,759)</u> | <u>\$ (49,588,525)</u> | <u>\$ (49,935,354)</u> | <u>\$ (55,761,412)</u> | <u>\$ (54,008,633)</u> | <u>\$ (55,472,311)</u> | <u>\$ (54,155,323)</u> |
| General Revenues and Other Changes in Net Assets | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Property taxes | \$ 41,549,207 | \$ 43,501,514 | \$ 45,449,278 | \$ 49,119,278 | \$ 49,509,411 | \$ 48,534,831 | \$ 50,114,109 | \$ 50,944,942 | \$ 52,724,340 | \$ 54,525,300 |
| State Revenue Sharing and other general grants | 1,792,773 | 1,881,701 | 1,607,243 | 742,742 | - | - | - | - | - | - |
| Motor vehicle phase-out taxes | - | - | - | - | - | 275,060 | 274,622 | 271,301 | 279,144 | 253,182 |
| Public Utilities (Telephone) tax | - | - | - | - | - | 223,182 | 241,202 | 257,910 | 268,724 | 291,036 |
| Hotel, meals, and beverage tax | - | - | - | - | - | 632,104 | 669,119 | 702,426 | 781,882 | 815,070 |
| Unrestricted investment earnings | 402,377 | 550,834 | 547,245 | 678,890 | 503,420 | 423,200 | 377,649 | 404,920 | 459,545 | 429,541 |
| Other miscellaneous | - | - | 32,354 | 30,383 | 188,973 | - | - | - | - | - |
| Transfers | (4,159,315) | (176,899) | 30,065 | 203,145 | 163,804 | 264,787 | 1,473,000 | 1,476,375 | 500,000 | 500,000 |
| Total governmental activities | <u>39,585,042</u> | <u>45,757,150</u> | <u>47,666,185</u> | <u>50,774,438</u> | <u>50,365,608</u> | <u>50,353,164</u> | <u>53,149,701</u> | <u>54,057,874</u> | <u>55,013,635</u> | <u>56,814,129</u> |
| Business-type activities: | | | | | | | | | | |
| Unrestricted investment earnings | 263,670 | 319,140 | 274,237 | 178,221 | 150,508 | 50,778 | 15,705 | 14,442 | 43,443 | 19,516 |
| Transfers | 4,159,315 | 176,899 | (30,065) | (203,145) | (163,804) | (264,787) | (1,473,000) | (1,476,375) | (500,000) | (500,000) |
| Total business type activities | <u>4,422,985</u> | <u>496,039</u> | <u>244,172</u> | <u>(24,924)</u> | <u>(13,296)</u> | <u>(214,009)</u> | <u>(1,457,295)</u> | <u>(1,461,933)</u> | <u>(456,557)</u> | <u>(480,484)</u> |
| Total primary government | <u>\$ 44,008,027</u> | <u>\$ 46,253,189</u> | <u>\$ 47,910,357</u> | <u>\$ 50,749,514</u> | <u>\$ 50,352,312</u> | <u>\$ 50,139,155</u> | <u>\$ 51,692,406</u> | <u>\$ 52,595,941</u> | <u>\$ 54,557,078</u> | <u>\$ 56,333,645</u> |
| Change in Net Position | | | | | | | | | | |
| Governmental activities | \$ (926,830) | \$ 4,107,289 | \$ 2,568,462 | \$ 2,812,336 | \$ 1,377,859 | \$ 1,323,951 | \$ (3,129,385) | \$ (524,510) | \$ (596,250) | \$ 2,400,227 |
| Business-type activities | 3,926,928 | (398,134) | (481,725) | 2,482,419 | (614,072) | (1,120,150) | (939,621) | (888,182) | (318,983) | (221,905) |
| Total primary government | <u>\$ 3,000,098</u> | <u>\$ 3,709,155</u> | <u>\$ 2,086,737</u> | <u>\$ 5,294,755</u> | <u>\$ 763,787</u> | <u>\$ 203,801</u> | <u>\$ (4,069,006)</u> | <u>\$ (1,412,692)</u> | <u>\$ (915,233)</u> | <u>\$ 2,178,322</u> |

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

Note: During the fiscal year ended June 30, 2015 the Town of Smithfield implemented GASB Statement #68.

(Concluded)

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

| | Fiscal Year Ended June 30 | | | | | | | | | |
|-------------------------------------------|---------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| | | | | | | ** | ** | ** | ** | ** |
| General Fund | | | | | | | | | | |
| Reserved | \$ 3,777,906 | \$ 5,245,410 | \$ 5,945,301 | \$ 6,710,951 | \$ 8,136,064 | \$ - | \$ - | \$ - | \$ - | \$ - |
| Unreserved | 6,435,803 | 7,090,793 | 7,964,714 | 7,558,830 | 6,857,080 | - | - | - | - | - |
| Nonspendable | | | | | | 149,209 | 260,580 | 249,917 | 1,231,691 | 1,237,689 |
| Restricted | | | | | | 225,980 | 187,006 | 94,933 | 15,860 | 24,398 |
| Committed | | | | | | 850,000 | 9,173,380 | 8,189,071 | 8,033,629 | 7,942,884 |
| Assigned | | | | | | 10,962,980 | 3,655,987 | 3,850,000 | 3,165,000 | 3,180,000 |
| Unassigned | | | | | | 3,097,124 | 3,102,422 | 3,159,111 | 3,239,287 | 3,372,908 |
| Total general fund | <u>\$ 10,213,709</u> | <u>\$ 12,336,203</u> | <u>\$ 13,910,015</u> | <u>\$ 14,269,781</u> | <u>\$ 14,993,144</u> | <u>\$ 15,285,293</u> | <u>\$ 16,379,375</u> | <u>\$ 15,543,032</u> | <u>\$ 15,685,467</u> | <u>\$ 15,757,879</u> |
| All Other Governmental Funds | | | | | | | | | | |
| Reserved | \$ 165,128 | \$ 913,698 | \$ 962,468 | \$ 748,535 | \$ 1,394,335 | \$ - | \$ - | \$ - | \$ - | \$ - |
| Unreserved, reported in: | | | | | | | | | | |
| Special revenue funds | 4,099,566 | 3,722,601 | 4,317,298 | 7,066,616 | 8,389,693 | - | - | - | - | - |
| Capital project funds | 2,340,506 | (220,485) | (2,874,510) | (4,769,791) | (8,485,437) | - | - | - | - | - |
| Nonspendable | | | | | | - | 72,363 | 78,437 | - | 55,404 |
| Restricted | | | | | | 63,576 | 282,554 | 326,574 | 356,338 | 374,046 |
| Committed | | | | | | 4,801,598 | 9,653,697 | 9,152,145 | 8,606,658 | 8,714,952 |
| Unassigned | | | | | | - | (1,006,875) | (992,940) | (993,496) | (1,431,632) |
| Total all other governmental funds | <u>\$ 6,605,200</u> | <u>\$ 4,415,814</u> | <u>\$ 2,405,256</u> | <u>\$ 3,045,360</u> | <u>\$ 1,298,591</u> | <u>\$ 4,865,174</u> | <u>\$ 9,001,739</u> | <u>\$ 8,564,216</u> | <u>\$ 7,969,500</u> | <u>\$ 7,712,770</u> |

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

TOWN OF SMITHFIELD, RHODE ISLAND

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

| | FISCAL YEAR ENDED JUNE 30 | | | | | | | | | |
|--------------------------------------------------------------------|---------------------------|-------------------|---------------------|-------------------|-----------------------|---------------------|---------------------|-----------------------|---------------------|---------------------|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| Revenues: | | | | | | | | | | |
| Property Taxes | \$ 40,753,963 | \$ 43,244,359 | \$ 46,089,144 | \$ 48,402,854 | \$ 49,599,927 | \$ 48,535,833 | \$ 49,180,933 | \$ 50,437,531 | \$ 52,471,399 | \$ 53,704,073 |
| Intergovernmental revenues | 10,507,554 | 10,647,869 | 10,754,099 | 8,282,974 | 7,787,533 | 8,386,146 | 10,628,184 | 9,795,240 | 9,967,823 | 10,407,013 |
| Licenses, Fees, Charges, Fines... | 1,899,853 | 2,123,022 | 1,447,837 | 1,682,407 | 1,573,297 | 1,378,608 | 2,234,224 | 2,444,849 | 2,648,266 | 2,678,663 |
| Investment Income | 402,377 | 550,834 | 830,690 | 678,890 | 503,420 | 423,200 | 377,649 | 404,920 | 459,594 | 429,541 |
| Other Revenue | 1,912,773 | 2,540,088 | 2,339,707 | 2,673,628 | 3,628,967 | 1,418,406 | 525,872 | 592,228 | 680,969 | 620,096 |
| Total revenues | 55,476,520 | 59,106,172 | 61,461,477 | 61,720,753 | 63,093,144 | 60,142,193 | 62,946,862 | 63,674,768 | 66,228,051 | 67,839,386 |
| Expenditures: | | | | | | | | | | |
| Current: | | | | | | | | | | |
| General Government | 2,531,717 | 2,202,635 | 2,851,217 | 2,986,427 | 2,887,792 | 2,804,763 | 2,451,544 | 2,545,195 | 2,559,958 | 2,575,478 |
| Public Safety | 8,119,241 | 7,900,652 | 9,002,213 | 9,646,412 | 9,954,701 | 9,414,729 | 9,505,742 | 9,493,438 | 10,168,183 | 10,700,369 |
| Public Works | 3,076,619 | 2,853,597 | 2,931,036 | 2,970,915 | 2,781,149 | 3,041,941 | 2,999,330 | 3,278,514 | 3,591,685 | 3,121,322 |
| Education | 28,812,232 | 31,142,113 | 32,975,348 | 33,576,394 | 34,602,933 | 33,767,167 | 34,630,394 | 35,128,381 | 35,785,650 | 36,506,850 |
| Libraries (A) | - | - | - | - | - | - | 1,187,734 | 1,187,734 | 1,217,734 | 1,254,265 |
| Public Health and Assistance | 38,811 | 38,849 | 39,070 | 45,058 | 38,334 | 7,434 | 7,450 | 8,350 | 8,197 | 5,992 |
| Recreation, Senior & Neighborhood Center | 337,408 | 460,941 | 495,196 | 570,794 | 552,910 | 464,250 | 798,384 | 740,680 | 894,182 | 1,529,780 |
| Miscellaneous | 6,614,323 | 6,766,122 | 7,809,494 | 6,736,425 | 6,998,640 | 7,812,770 | 8,124,581 | 8,905,678 | 8,907,491 | 8,583,333 |
| Capital Expenditures | 6,141,528 | 4,686,181 | 3,424,691 | 2,853,201 | 4,301,472 | 2,645,309 | 2,043,789 | 2,535,189 | 2,870,367 | 2,019,461 |
| Debt Service: | | | | | | | | | | |
| Principal | 1,985,355 | 1,730,000 | 1,740,000 | 1,685,000 | 1,570,000 | 3,670,000 | 3,470,000 | 2,088,105 | 1,380,000 | 1,695,970 |
| Debt Financing Costs | - | 687,005 | - | 37,043 | 88,148 | 50,227 | 85,249 | 21,710 | 5,290 | - |
| Interest | 767,272 | - | 666,491 | 662,168 | 504,275 | 519,658 | 552,463 | 559,315 | 546,266 | 530,883 |
| Total expenditures | 58,424,506 | 58,468,095 | 61,934,756 | 61,769,837 | 64,280,354 | 64,198,248 | 65,856,660 | 66,492,289 | 67,935,003 | 68,523,703 |
| Excess of revenues over (under) expenditures | (2,947,986) | 638,077 | (473,279) | (49,084) | (1,187,210) | (4,056,055) | (2,909,798) | (2,817,521) | (1,706,952) | (684,317) |
| Other Financing Sources (Uses): | | | | | | | | | | |
| Proceeds from debt issuance | 335,000 | 71,510 | - | - | - | 7,650,000 | 5,000,000 | 67,280 | 754,671 | - |
| Proceeds from refunding bond issuance | - | - | - | - | - | - | 4,520,000 | - | - | - |
| Payment to refunded bond escrow agent | - | - | - | - | - | - | (2,852,555) | - | - | - |
| Transfers in | 29,720,658 | 32,065,961 | 34,272,688 | 36,635,177 | 37,127,324 | 36,690,847 | 30,524,238 | 29,924,524 | 29,397,672 | 30,622,192 |
| Transfers out | (29,799,222) | (32,201,510) | (34,236,155) | (36,432,032) | (36,963,520) | (36,426,060) | (29,051,238) | (28,448,149) | (28,897,672) | (30,122,192) |
| Total other financing sources (uses) | 256,436 | (64,039) | 36,533 | 203,145 | 163,804 | 7,914,787 | 8,140,445 | 1,543,655 | 1,254,671 | 500,000 |
| Net change in fund balances | \$ (2,691,550) | \$ 574,038 | \$ (436,746) | \$ 154,061 | \$ (1,023,406) | \$ 3,858,732 | \$ 5,230,647 | \$ (1,273,866) | \$ (452,281) | \$ (184,317) |
| Debt service as a percentage of noncapital expenditures (1) | 5.56% | 4.71% | 4.29% | 4.22% | 3.74% | 6.94% | 6.27% | 4.12% | 2.96% | 3.35% |

Notes:

This schedule includes expenditures of the General Fund, Special Revenue Funds, Capital Project Funds, and Permanent Funds
 (1) The percentage calculation uses the capital outlay figure from Note 1 Page 40. This differs from the Capital Improvements figure due to capitalizable items included within other functional categories of current expenditures.
 (A) - Libraries were included as component units prior to fiscal 2012 and as such the expenditure is reported as a transfer out.

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

LAST TEN FISCAL YEARS

| Fiscal Year¹ Ended June 30 | Real Property Assessed Value² | Personal Property Assessed Value | Less: Tax Exempt Real Property | Less: Tax Exempt Personal Property | Total Taxable Assessed Value | Total Direct Tax Rate | Estimated Actual Value Taxable Value | Assessed Value² as a Percentage of Actual Value |
|----------------------------------------------|-------------------------------------------------|-----------------------------------------|---------------------------------------|-------------------------------------------|-------------------------------------|------------------------------|---------------------------------------------|-------------------------------------------------------------------|
| 2006 | \$ 2,288,585,859 | \$ 277,910,215 | \$ 183,804,055 | \$ 54,059,985 | \$ 2,328,632,034 | \$ 16.29 | \$ 2,944,580,168 | 87.16% |
| 2007 | \$ 2,313,642,249 | \$ 292,248,770 | \$ 184,214,089 | \$ 75,488,537 | \$ 2,346,188,393 | \$ 16.99 | \$ 3,255,329,193 | 80.05% |
| 2008 | \$ 3,065,382,958 | \$ 288,728,199 | \$ 394,607,759 | \$ 76,381,312 | \$ 2,883,122,086 | \$ 14.56 | \$ 3,626,066,116 | 92.50% |
| 2009 | \$ 3,096,542,569 | \$ 259,788,795 | \$ 377,154,889 | \$ 76,381,409 | \$ 2,902,795,066 | \$ 15.18 | \$ 3,532,980,383 | 95.00% |
| 2010 | \$ 3,218,987,988 | \$ 249,427,396 | \$ 379,352,117 | \$ 75,510,837 | \$ 3,013,552,430 | \$ 15.32 | \$ 3,650,963,564 | 95.00% |
| 2011 | \$ 2,746,949,039 | \$ 274,339,993 | \$ 360,935,982 | \$ 27,673,250 | \$ 2,632,679,800 | \$ 18.32 | \$ 3,114,751,580 | 97.00% |
| 2012 | \$ 2,801,505,058 | \$ 280,780,652 | \$ 362,876,213 | \$ 29,049,304 | \$ 2,690,360,193 | \$ 18.35 | \$ 3,175,977,032 | 97.05% |
| 2013 | \$ 2,816,937,080 | \$ 295,495,888 | \$ 365,398,368 | \$ 33,364,045 | \$ 2,713,670,555 | \$ 18.60 | \$ 3,275,555,639 | 95.02% |
| 2014 | \$ 2,605,017,818 | \$ 300,793,735 | \$ 346,159,779 | \$ 34,713,614 | \$ 2,524,938,160 | \$ 20.48 | \$ 3,042,734,610 | 95.50% |
| 2015 | \$ 2,619,157,488 | \$ 353,434,553 | \$ 350,192,364 | \$ 47,487,058 | \$ 2,574,912,619 | \$ 20.88 | \$ 3,109,405,901 | 95.60% |

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

¹ Revaluations were conducted for Fiscal Years 2002, 2005, 2008, 2011 and 2014

² Includes tax-exempt property

SCHEDULE 6

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

| Fiscal Year | Town Operating Millage | School Operating Millage | Debt Service Millage | Total Direct Tax Rate |
|--------------------|-------------------------------|---------------------------------|-----------------------------|------------------------------|
| 2006 | \$ 6.90 | \$ 8.72 | \$ 0.67 | \$ 16.29 |
| 2007 | \$ 7.36 | \$ 9.00 | \$ 0.64 | \$ 16.99 |
| 2008 | \$ 6.24 | \$ 7.79 | \$ 0.53 | \$ 14.56 |
| 2009 | \$ 6.53 | \$ 8.09 | \$ 0.56 | \$ 15.18 |
| 2010 | \$ 6.69 | \$ 8.27 | \$ 0.36 | \$ 15.32 |
| 2011 | \$ 7.94 | \$ 9.95 | \$ 0.43 | \$ 18.32 |
| 2012 | \$ 8.01 | \$ 9.79 | \$ 0.55 | \$ 18.35 |
| 2013 | \$ 8.16 | \$ 9.91 | \$ 0.54 | \$ 18.60 |
| 2014 | \$ 9.36 | \$ 10.52 | \$ 0.61 | \$ 20.48 |
| 2015 | \$ 9.26 | \$ 11.00 | \$ 0.62 | \$ 20.88 |

Source: Town of Smithfield, Rhode Island Finance Records

SCHEDULE 7

TOWN OF SMITHFIELD, RHODE ISLAND
PRINCIPAL TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO
JUNE 30, 2015

| Taxpayer | 2015 | | | 2006 | | |
|-----------------------------------------|-------------------------------|-------------|---------------------------------------------------|-------------------------------|-------------|---------------------------------------------------|
| | Taxable Assessed Value | Rank | Percentage of Total Taxable Assessed Value | Taxable Assessed Value | Rank | Percentage of Total Taxable Assessed Value |
| Fidelity Corporate Real Estate | \$ 149,096,600 | 1 | 5.65% | \$ 81,012,744 | 1 | 3.38% |
| W/S Smithfield Associates, LLC | 66,524,600 | 2 | 2.52% | 49,246,300 | 2 | 2.05% |
| National Grid (Electricity) | 70,058,940 | 3 | 2.65% | 15,164,890 | 3 | 0.63% |
| Smithfield Office Park | 20,050,400 | 4 | 0.76% | 13,623,978 | 5 | 0.57% |
| Village at Waterman Lake | 16,190,000 | 5 | 0.61% | 13,556,700 | 6 | 0.56% |
| Target Corp. | 13,395,880 | 6 | 0.51% | 14,226,680 | 4 | 0.59% |
| Alexion Manufacturing, L.L.C. | 12,670,920 | 7 | 0.48% | | | |
| FGX International, Inc. | 6,897,200 | 8 | 0.26% | 11,054,011 | 7 | 0.46% |
| Sperian Protection | 6,725,810 | 9 | 0.25% | | | |
| National Grid (Gas) | 4,326,420 | 10 | 0.16% | | | |
| R A Smithfield, LLC | | | | 7,611,900 | 8 | 0.32% |
| Clinical Data Inc. | | | | 7,156,270 | 9 | 0.30% |
| B-D Assurance Company, LTD | | | | 6,085,300 | 10 | 0.25% |
| | <u>\$ 365,936,770</u> | | <u>13.86%</u> | <u>\$ 218,738,773</u> | | <u>9.12%</u> |
| Total assessed valuation (gross) | \$ 2,640,853,223 | | | \$ 2,399,445,685 | | |

Source: Town Tax Assessor's Office

SCHEDULE 8

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

| Fiscal Year | Taxes Levied for the Tax Year | Collection within the Fiscal Year of the Levy | | Collections in Subsequent Years | Total Collections to Date | |
|----------------|-------------------------------------|--------------------------------------------------|--------------------|------------------------------------|---------------------------|-----------------------|
| | | Amount | Percentage of Levy | | Amount | Percentage of Levy |
| | | | | | | |
| 2006 | \$ 37,936,492 | \$ 35,204,633 | 92.80% | \$ 2,632,984 | \$ 37,837,617 | 99.74% |
| 2007 | \$ 39,873,408 | \$ 35,907,818 | 90.05% | \$ 3,865,777 | \$ 39,773,595 | 99.75% |
| 2008 | \$ 41,966,302 | \$ 37,655,824 | 89.73% | \$ 4,176,117 | \$ 41,831,941 | 99.68% |
| 2009 | \$ 44,064,149 | \$ 39,986,080 | 90.75% | \$ 3,835,298 | \$ 43,821,378 | 99.45% |
| 2010 | \$ 46,156,583 | \$ 43,822,439 | 94.94% | \$ 2,151,778 | \$ 45,974,217 | 99.60% |
| 2011 | \$ 48,233,107 | \$ 43,814,774 | 90.84% | \$ 4,290,036 | \$ 48,104,810 | 99.73% |
| 2012 | \$ 49,357,148 | \$ 45,733,515 | 92.66% | \$ 3,484,614 | \$ 49,218,129 | 99.72% |
| 2013 | \$ 50,485,821 | \$ 46,749,238 | 92.60% | \$ 3,540,721 | \$ 50,289,959 | 99.61% |
| 2014 | \$ 51,713,919 | \$ 48,620,078 | 94.02% | \$ 2,879,123 | \$ 51,499,201 | 99.58% |
| 2015 | \$ 53,767,983 | \$ 51,574,182 | 95.92% | \$ - | \$ 51,574,182 | 95.92% |

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

| Fiscal Year | Governmental Activities | | | Business-Type Activities | | | Total Primary Government | Per Capita ¹ |
|-------------------|--------------------------|----------------------------------|----------------|--------------------------|---------------|---------------|--------------------------|-------------------------|
| | General Obligation Bonds | Lease Participation Certificates | Capital Leases | General Obligation Bonds | Revenue Bonds | Notes Payable | | |
| 2005 | \$ 13,585,355 | \$ 5,980,000 | \$ 221,458 | \$ 34,645 | \$ - | \$ 236,890 | \$ 20,058,348 | \$ 922 |
| 2006 | \$ 12,280,000 | \$ 5,300,000 | \$ 459,295 | \$ - | \$ - | \$ 184,990 | \$ 18,224,285 | \$ 853 |
| 2007 | \$ 11,245,000 | \$ 4,605,000 | \$ 420,521 | \$ - | \$ - | \$ 132,686 | \$ 16,403,207 | \$ 771 |
| 2008 | \$ 10,210,000 | \$ 3,900,000 | \$ 315,894 | \$ - | \$ 850,000 | \$ 79,525 | \$ 15,355,419 | \$ 725 |
| 2009 | \$ 9,250,000 | \$ 3,175,000 | \$ 228,558 | \$ - | \$ 801,000 | \$ - | \$ 13,454,558 | \$ 634 |
| 2010 | \$ 8,420,000 | \$ 2,435,000 | \$ 167,598 | \$ - | \$ 1,286,848 | \$ - | \$ 12,309,446 | \$ 579 |
| 2011 ² | \$ 13,170,000 | \$ 1,665,000 | \$ 103,979 | \$ - | \$ 1,225,000 | \$ - | \$ 16,163,979 | \$ 754 |
| 2012 | \$ 17,330,000 | \$ 855,000 | \$ 53,105 | \$ - | \$ 5,138,101 | \$ - | \$ 23,376,206 | \$ 1,091 |
| 2013 | \$ 16,150,000 | \$ - | \$ 43,539 | \$ 227,000 | \$ 8,419,101 | \$ - | \$ 24,839,640 | \$ 1,159 |
| 2014 | \$ 14,770,000 | \$ - | \$ 777,080 | \$ 227,000 | \$ 8,162,101 | \$ - | \$ 23,936,181 | \$ 1,117 |
| 2015 | \$ 13,390,000 | \$ - | \$ 461,110 | \$ 206,000 | \$ 7,734,651 | \$ - | \$ 21,791,761 | \$ 1,017 |

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

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

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

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

| Fiscal Year | General Obligation Bonds | Less: Amounts Available in Debt Service Fund | Total | Percentage of Estimated Actual Taxable Value¹ of Property | Per Capita² |
|------------------------|-----------------------------------------|-------------------------------------------------------------|---------------|---------------------------------------------------------------------------------------------|-----------------------------------|
| 2006 | \$ 12,280,000 | \$ - | \$ 12,280,000 | 0.42% | \$ 575 |
| 2007 | \$ 11,245,000 | \$ - | \$ 11,245,000 | 0.35% | \$ 528 |
| 2008 | \$ 10,210,000 | \$ - | \$ 10,210,000 | 0.28% | \$ 482 |
| 2009 | \$ 9,250,000 | \$ - | \$ 9,250,000 | 0.26% | \$ 436 |
| 2010 | \$ 8,420,000 | \$ - | \$ 8,420,000 | 0.23% | \$ 396 |
| 2011 ³ | \$ 13,170,000 | \$ - | \$ 13,170,000 | 0.42% | \$ 615 |
| 2012 | \$ 17,330,000 | \$ - | \$ 17,330,000 | 0.55% | \$ 809 |
| 2013 | \$ 16,377,000 | \$ - | \$ 16,377,000 | 0.50% | \$ 764 |
| 2014 | \$ 14,997,000 | \$ - | \$ 14,997,000 | 0.49% | \$ 700 |
| 2015 | \$ 13,596,000 | \$ - | \$ 13,596,000 | 0.44% | \$ 634 |

Note: Details regarding the town's outstanding debt can be found in the notes to the financial statements
 Debt Service is paid through the General Fund, the Town does not maintain a debt service fund. Except for General Obligations of Business Type Activities.

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

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

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

TOWN OF SMITHFIELD, RHODE ISLAND
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
As of June 30, 2015

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

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

Legal Debt Margin Calculation for the Fiscal Year 2015

| | |
|------------------------------|------------------|
| Net Assessed Value | \$ 2,574,912,619 |
| Debt Limit (3%) | \$ 77,247,379 |
| Net Debt Applicable to limit | \$ 206,000 |
| Legal debt margin | \$ 77,041,379 |

| | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
|-----------------------------------------------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Debt Limit | \$ 77,247,379 | \$ 75,748,145 | \$ 81,410,117 | \$ 80,710,806 | \$ 78,980,394 | \$ 90,406,573 | \$ 87,083,852 | \$ 86,493,663 | \$ 70,385,661 | \$ 69,692,910 |
| Total net debt applicable to limit | 206,000 | 227,000 | 227,000 | - | - | - | - | - | - | - |
| Legal debt margin | \$ 77,041,379 | \$ 75,521,145 | \$ 81,183,117 | \$ 80,710,806 | \$ 78,980,394 | \$ 90,406,573 | \$ 87,083,852 | \$ 86,493,663 | \$ 70,385,661 | \$ 69,692,910 |
| Total net debt applicable to the limit as a percentage of the debt limit | 0.27% | 0.30% | 0.28% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |

Note: In 2005 and 2014 the Town underwent a full property revaluation
 In 2002, 2008 and 2011 the Town underwent a statistical revaluation.
 The Town has \$206,000 outstanding under the Maximum Aggregate Indebtedness provision (3% Debt Limit) - Rhode Island General Law 45-12-2
 All other Town debt has been incurred through special statutory authority which consists of approval by the legislature and voter referendum.

TOWN OF SMITHFIELD, RHODE ISLAND
DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN FISCAL YEARS

| Fiscal Year Ended June 30 | Population¹ | Median Family Income¹ | Median Home Price¹ | Personal Income² (amounts expressed in thousands) | Per Capita Personal Income² | Median Age² | School Enrollment³ | Unemployment Rate⁴ |
|----------------------------------|-------------------------------|-----------------------------------------|--------------------------------------|------------------------------------------------------------------------|-----------------------------------------------|-------------------------------|--------------------------------------|--------------------------------------|
| 2006 | 21,368 | \$ 66,320 | \$ 335,000 | * | * | * | 2,625 | 4.60% |
| 2007 | 21,279 | \$ 66,320 | \$ 286,000 | * | * | * | 2,609 | 4.40% |
| 2008 | 21,181 | \$ 71,803 | \$ 242,750 | \$ 629,139 | \$ 29,703 | 38.7 | 2,599 | 5.50% |
| 2009 | 21,205 | * | \$ 230,000 | * | * | * | 2,555 | 8.70% |
| 2010 | 21,270 | \$ 94,754 | \$ 227,000 | * | * | * | 2,504 | 11.60% |
| 2011 | 21,430 | \$ 94,930 | \$ 238,500 | \$ 643,286 | \$ 30,018 | 42.0 | 2,470 | 10.40% |
| 2012 | 21,430 | * | \$ 228,000 | \$ 687,082 | \$ 32,062 | 42.7 | 2,407 | 9.80% |
| 2013 | 21,430 | * | \$ 229,155 | * | * | 42.0 | 2,410 | 8.43% |
| 2014 | 21,430 | * | \$ 231,000 | * | * | 42.0 | 2,367 | 7.84% |
| 2015 | 21,430 | * | \$ 246,500 | * | * | 42.0 | 2,382 | 6.08% |

Data sources

¹ Rhode Department of Economic Development

² City-Data.com

³ Smithfield School Department

⁴ Rhode Department of Labor and Training

SCHEDULE 14

TOWN OF SMITHFIELD, RHODE ISLAND
PRINCIPAL EMPLOYERS

Current Year and Nine Years Ago

| Employer | 2015 | | | 2006 | | |
|----------------------------------|------------------|-------------|--------------------------------------------|------------------|-------------|--------------------------------------------|
| | Employees | Rank | Percentage of Total Town Employment | Employees | Rank | Percentage of Total Town Employment |
| Fidelity Investments | 3,900 | 1 | 25.58% | 1,600 | 1 | 13.48% |
| Bryant University | 656 | 2 | 4.30% | 550 | 2 | 4.63% |
| Town of Smithfield | 494 | 3 | 3.24% | 452 | 4 | 3.81% |
| Citizens Bank of RI | 400 | 4 | 2.62% | | | - |
| FGX International | 385 | 5 | 2.53% | 275 | 5 | 2.32% |
| Alexion Pharmaceuticals | 300 | 6 | 1.97% | | | - |
| Village at Waterman Lake | 300 | 7 | 1.97% | 160 | 9 | 1.35% |
| The Stop & Shop Company, Inc. | 300 | 8 | 1.97% | 225 | 8 | 1.90% |
| Target Stores | 200 | 9 | 1.31% | 150 | 10 | 1.26% |
| Sperian Protection Americas | 195 | 10 | 1.28% | 340 | 6 | 2.87% |
| The Home Depot | | | | 250 | 7 | 2.11% |
| Benny's Home & Auto Stores, Inc. | | | | 500 | 3 | 4.21% |
| | | | | | | 0.00% |
| Total | 7,130 | | 46.77% | 4,502 | | 37.94% |

Source: Rhode Island Economic Development Corporation

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

| Function | Full-time Equivalent Employees as of June 30, | | | | | | | | | |
|---------------------------|------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> |
| General Government | 30 | 31 | 34 | 34 | 32 | 29 | 29 | 29 | 29 | 29 |
| Public Safety | | | | | | | | | | |
| Police | | | | | | | | | | |
| Officers | 40 | 40 | 41 | 41 | 41 | 41 | 41 | 41 | 42 | 42 |
| Civilians | 13 | 13 | 13 | 13 | 12 | 12 | 12 | 12 | 12 | 12 |
| Animal Control * | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Fire | | | | | | | | | | |
| Firefighters and Officers | 40 | 40 | 48 | 48 | 48 | 48 | 48 | 48 | 50 | 52 |
| Civilians | 6 | 6 | 6 | 6 | 6 | 5 | 5 | 5 | 5 | 5 |
| Ice Rink | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Parks | 3 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Public Works | 18 | 18 | 18 | 18 | 18 | 17 | 17 | 17 | 17 | 17 |
| Senior Services | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Sewer | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 0 | 0 |
| Water | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Total | <u>162</u> | <u>164</u> | <u>176</u> | <u>176</u> | <u>173</u> | <u>168</u> | <u>168</u> | <u>168</u> | <u>170</u> | <u>172</u> |

* Note: Animal Control Employees were inadvertently left out of schedule in prior years.
Source: Finance Department

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

| Function | Fiscal Year | | | | | | | | | |
|----------------------------------------------------------|-------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| Police | | | | | | | | | | |
| Physical Arrests | 1,053 | 1,015 | 947 | 861 | 822 | 801 | 704 | 606 | 659 | 717 |
| Parking Violations | 203 | 291 | 454 | 261 | 164 | 156 | 144 | 88 | 147 | 212 |
| Traffic Violations | 5,662 | 4,933 | 4,432 | 4,665 | 3,859 | 3,795 | 4,142 | 3,227 | 3,732 | 3,051 |
| Fire | | | | | | | | | | |
| Total Incidents | 3,723 | 3,832 | 3,914 | 3,850 | 4,160 | 4,038 | 4,427 | 4,421 | 4,395 | 4,501 |
| Commercial Inspections | 150 | 152 | 173 | 204 | 157 | 175 | 164 | 176 | 152 | 167 |
| Residential Inspections | 340 | 304 | 313 | 305 | 178 | 227 | 146 | 194 | 196 | 278 |
| Commercial Plan Review | 85 | 92 | 82 | 102 | 59 | 49 | 67 | 92 | 69 | 64 |
| Residential Plan Review | 94 | 93 | 59 | 33 | 48 | 43 | 26 | 211 | 41 | 60 |
| Highway and Street | | | | | | | | | | |
| Street Resurfacing (miles) | 0.21 | 8.15 | 2.90 | 3.88 | 2.73 | 1.92 | 0.00 | 1.06 | 0.50 | 0.00 |
| Sanitation | | | | | | | | | | |
| Refuse Collected (tons/day) * | 25.79 | 24.39 | 21.04 | 24.78 | 24.10 | 25.23 | 25.95 | 23.18 | 20.43 | 19.80 |
| Paper Recyclables Collected (tons/day) | 3.71 | 3.72 | 3.91 | 3.91 | 4.74 | 4.93 | 5.06 | N/A | N/A | N/A |
| Mixed Recyclables Collected (tons/day) | 2.10 | 2.26 | 2.88 | 2.47 | 3.51 | 3.63 | 3.65 | N/A | N/A | N/A |
| Single Stream Recyclables (tons/day) ** | | | | | | | | 7.92 | 8.28 | 9.42 |
| Wastewater | | | | | | | | | | |
| Average Daily Sewage Treatment (thousands of gallons) | 2,100 | 1,900 | 2,090 | 1,960 | 1,998 | 1,893 | 1,858 | 1,885 | 1,825 | 1,950 |

* Note: Correction to Refuse Collected (tons/day) for FY 2009 due to number of collection days.

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

Sources: Various Town departments

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

| Function | Fiscal Year | | | | | | | | | |
|------------------------|-------------|------|------|------|------|------|------|------|------|------|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| Public Safety | | | | | | | | | | |
| Police: | | | | | | | | | | |
| Stations | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Patrol units | * | * | 27 | 27 | 27 | 27 | 27 | 27 | 27 | 27 |
| Fire Stations | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Highways and Streets | | | | | | | | | | |
| Streets (miles) | * | * | 183 | 183 | 183 | 183 | 183 | 183 | 183 | 183 |
| Culture and recreation | | | | | | | | | | |
| Parks | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 |
| Skating Arenas | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Tennis Courts | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 |
| Ball Diamonds | 13 | 14 | 14 | 14 | 14 | 14 | 14 | 14 | 14 | 14 |
| Playgrounds | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| Basketball Courts | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 |
| Walking Paths | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 |
| Running Tracks | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Beaches | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |

Sources: Various Town departments

SCHEDULE 18

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

| Fiscal Year | Principal | Interest | Total Debt Service | Total Governmental Expenditures ¹ | Ratio of Total Debt Service to Total Governmental Expenditures |
|----------------|--------------|------------|-----------------------|----------------------------------------------------|-------------------------------------------------------------------------------|
| 2006 | \$ 1,985,355 | \$ 767,272 | \$ 2,752,627 | \$ 52,474,432 | 5.25% |
| 2007 | \$ 1,730,000 | \$ 687,005 | \$ 2,417,005 | \$ 54,631,064 | 4.42% |
| 2008 | \$ 1,740,000 | \$ 666,491 | \$ 2,406,491 | \$ 57,914,632 | 4.16% |
| 2009 | \$ 1,685,000 | \$ 662,168 | \$ 2,347,168 | \$ 61,769,837 | 3.80% |
| 2010 | \$ 1,570,000 | \$ 504,275 | \$ 2,074,275 | \$ 64,280,354 | 3.23% |
| 2011 | \$ 1,600,000 | \$ 519,658 | \$ 2,119,658 | \$ 64,198,249 | 3.30% |
| 2012 | \$ 1,870,000 | \$ 552,463 | \$ 2,422,463 | \$ 65,856,660 | 3.68% |
| 2013 | \$ 2,035,000 | \$ 559,315 | \$ 2,594,315 | \$ 66,492,289 | 3.90% |
| 2014 | \$ 1,380,000 | \$ 546,266 | \$ 1,926,266 | \$ 67,935,003 | 2.84% |
| 2015 | \$ 1,380,000 | \$ 509,350 | \$ 1,889,350 | \$ 68,523,703 | 2.76% |

Notes:

¹ Includes General, Special Revenue and Capital Project Funds.

SMITFIELD PUBLIC SCHOOLS

Miscellaneous Statistics

June 30, 2015

BUILDINGS

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

OCTOBER STUDENT ENROLLMENT

| STUDENTS | Fiscal Year | Elementary | Secondary | Total |
|-----------------|--------------------|-------------------|------------------|--------------|
| | 2015 | 1,094 | 1,288 | 2,382 |
| | 2014 | 1,068 | 1,299 | 2,367 |
| | 2013 | 1,075 | 1,335 | 2,410 |
| | 2012 | 1,039 | 1,368 | 2,407 |
| | 2011 | 1,051 | 1,419 | 2,470 |
| | 2010 | 1,060 | 1,444 | 2,504 |
| | 2009 | 1,088 | 1,467 | 2,555 |
| | 2008 | 1,099 | 1,500 | 2,599 |
| | 2007 | 1,119 | 1,490 | 2,609 |
| | 2006 | 1,104 | 1,521 | 2,625 |
| | 2005 | 1,125 | 1,534 | 2,659 |
| | 2004 | 1,048 | 1,567 | 2,615 |
| | 2003 | 1,169 | 1,534 | 2,703 |
| | 2002 | 1,228 | 1,459 | 2,687 |

STAFFING

| | |
|----------------------------------------------|---------------------|
| Administrative | <u>15.0</u> |
| Certified Staff: | |
| Instructional | 154.5 |
| ESL | 0.5 |
| Special Education | 44.25 |
| Other (Librarians, Counselors, Nurses, etc.) | <u>23.6</u> |
| Total Certified Staff | 222.9 |
| Non- Certified Staff | |
| Secretary and Clerical | 18.0 |
| Building and Maintenance | 26.0 |
| Teacher Assistants | 36.0 |
| Supervisory Aides | 0.0 |
| Technicians | 3.0 |
| Bus Monitors | 0.0 |
| Attendance Officer | <u>1.0</u> |
| | 84.0 |
| Total FTE's | <u><u>321.9</u></u> |

Data collected from School Department

TOWN OF SMITHFIELD, RHODE ISLAND
Miscellaneous Statistics
June 30, 2015

| | | | |
|---------------------------|----------------------------------|----------------------------|-----|
| Founded: | 1636 | Police Protection | |
| Town Incorporation: | 1730 | Buildings: | 1 |
| | | Employees: | |
| | | Law Enforcement | 42 |
| Type of Government: | Council / appointed Town Manager | Civilian | |
| | | Full Time | 12 |
| Fiscal Year begins: | July 1 | Part Time | 6 |
| | | Crossing Guard | 7 |
| Population: | | Recreation | |
| | <u>Official US Census</u> | Parks | 8 |
| | 1950 6,690 | Playgrounds | 5 |
| | 1960 9,442 | Ball Diamonds | 14 |
| | 1970 13,468 | Soccer/Football Fields | 6 |
| | 1980 16,886 | Volleyball Courts | 0 |
| | 1990 19,163 | Skating Arenas | 1 |
| | 2000 20,613 | Basketball Courts | 8 |
| | 2010 21,430 | Walking Paths | 7 |
| Area of Town: | 27.8 square miles | Running Tracks | 1 |
| Land Area: | 26.7 square miles | Tennis Courts | 7 |
| | | Historical Cemeteries | 116 |
| Miles of Streets | | Municipal Buildings: | |
| Local Paved | 140 | Town Hall | 1 |
| State Paved | 40 | Senior Center | 1 |
| Private Paved | 2.5 | Public Works Garage | 1 |
| Elections - November 2014 | | Parks & Recreation | 2 |
| Registered Voters | 15,818 | Other Municipal Employees: | 61 |
| Number of Votes Cast | 7,778 | | |
| Percentage Voting | 49.17% | | |
| Fire Protection | | | |
| # Fire Stations: | 3 | | |
| Employees : | | | |
| Uniformed | 52 | | |
| Civilian(s) | 5 | | |
| Library | | | |
| Full Time Employees | 9 | | |
| Part Time Employees | 35 | | |

Data collected from various Town department:

TOWN OF SMITHFIELD

SINGLE AUDIT SECTION

This section contains information regarding federal grant activity for the year ended June 30, 2015, which was audited in accordance with generally accepted auditing standards and "Government Auditing Standards" issued by the Comptroller General of the United States and under the guidelines of the Single Audit Act of 1984 as amended by the Single Audit Act Amendments of 1996 and the United States Office of Management and Budget's Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations."

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

To the Town Council
Town of Smithfield, Rhode Island

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Smithfield, Rhode Island as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town of Smithfield, Rhode Island's basic financial statements, and have issued our report thereon dated December 23, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Robert J. Civetti, CPA, LLC

Johnston, Rhode Island
December 23, 2015

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

To the Town Council
Town of Smithfield, Rhode Island

Report on Compliance for Each Major Federal Program

We have audited the Town of Smithfield, Rhode Island's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Town of Smithfield, Rhode Island's major federal programs for the year ended June 30, 2015. The Town of Smithfield, Rhode Island's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Town of Smithfield, Rhode Island, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

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

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

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

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

Robert J. Civetti, CPA, LLC

Johnston, Rhode Island
December 23, 2015

TOWN OF SMITHFIELD, RHODE ISLAND

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015**

| Federal Grantor | Federal | | Expenditures |
|--------------------------------------------------------------------------------|---------------|-------------------------|---------------------|
| Pass-Through Grantor | CFDA | Pass-Through | |
| <u>Program Title</u> | <u>Number</u> | <u>Grantor's Number</u> | <u>Expenditures</u> |
| U.S. Department of Agriculture | | | |
| Passed through Rhode Island Department of Education: | | | |
| <i>School Lunch Cluster:</i> | | | |
| National School Lunch Program | 10.555 | None | \$ 178,127 |
| Special Milk Program For Children | 10.556 | None | 182 |
| National School Breakfast Program | 10.553 | None | 23,134 |
| <i>Total School Lunch Cluster</i> | | | <u>201,443</u> |
| Commodity Supplemental Food Program | 10.565 | None | 39,760 |
| Total U.S. Department of Agriculture | | | <u>241,203</u> |
| U.S. Department of Housing and Urban Development | | | |
| Passed through Rhode Island Office of Housing and Community Development | | | |
| Community Development Block Grant | 14.228 | None | 53,656 |
| Total U.S. Department of Housing and Urban Development | | | <u>53,656</u> |
| U.S. Department of Justice | | | |
| Passed through Rhode Island Department of Health | | | |
| Enforcing Underage Drinking Laws Program | 16.727 | None | 21,020 |
| Passed through Rhode Island Department of Justice | | | |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | 2008-DJ-BX-0585 | 14,631 |
| Total U.S. Department of Justice | | | <u>35,651</u> |
| U.S. Department of Transportation | | | |
| Passed through Rhode Island Department of Transportation | | | |
| Click it or Ticket Program | 20.602 | None | 2,044 |
| Operation Blue Riptide Program | 20.608 | None | 13,157 |
| Highway Research and Development Program | 20.200 | None | 2,780 |
| Child Passenger Safety Grant | 20.600 | None | 7,572 |
| Total U.S. Department of Transportation | | | <u>25,553</u> |
| U.S. Department of Homeland Security | | | |
| Passed through Rhode Island Emergency Management Agency | | | |
| Emergency Management Performance Grant | 97.042 | none | 8,810 |
| Homeland Security Grant Program | 97.067 | 31-235-FY2009CC | 7,357 |
| Total U.S. Department of Homeland Security | | | <u>16,167</u> |
| U.S. Department of Education | | | |
| Passed through Rhode Island Department of Education | | | |
| <i>IDEA Part B Cluster:</i> | | | |
| Special Education Grants to States (Project IDEA - Part B) | 84.027 | 2725132.02.02 | 588,380 |
| Special Education Preschool Grants (IDEA Preschool) | 84.173 | 2725135.02.02 | 18,745 |
| <i>Total IDEA Part B Cluster</i> | | | <u>607,125</u> |
| Title I Grants to Local Educational Agencies | 84.010 | 2725117.02.02 | 211,870 |
| Improving Teacher Quality State Grants | 84.367 | 2725164.02.02 | 78,955 |
| Race to the Top Funds - ARRA | 84.395 | Various | 29,847 |
| Career and Technical Education - Basic Grants to States | 84.048 | 2725-15302-501 | 88,788 |
| Total U.S. Department of Education | | | <u>1,016,585</u> |
| Total Expenditures of Federal Awards | | | <u>\$ 1,388,815</u> |

TOWN OF SMITHFIELD, RHODE ISLAND

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2015**

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal grant activity of the Town of Smithfield, Rhode Island. The information in this Schedule is presented 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowed or limited as to reimbursement. The Schedule also includes \$39,760 for the value of food commodities which is reported as a component of the Federal School Lunch Program but which is not included in the basic financial statements.

NOTE 3 – DETERMINATION OF MAJOR PROGRAMS

The determination of major federal awards 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 programs is defined as those with federal program expenditures greater than \$300,000 or 3 percent of total federal expenditures when the total federal expenditures are over \$10,000,000. For the fiscal year ended June 30, 2015 the following programs were considered and tested as major programs:

| | |
|---------------------------------------------------|-------------|
| Title I Grants to Local Educational Agencies..... | CFDA#84.010 |
| <i>School Lunch Cluster:</i> | |
| National School Lunch Program..... | CFDA#10.555 |
| Special Milk Program for Children..... | CFDA#10.556 |
| National School Breakfast Program..... | CFDA#10.553 |

TOWN OF SMITHFIELD, RHODE ISLAND

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

A. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditor's report issued: *Unmodified Opinion*

Internal control over financial reporting:

- Material Weakness identified? _____ yes X no
- Significant Deficiency identified? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

- Material Weakness identified? _____ yes X no
- Significant Deficiency identified? _____ yes X none reported

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? _____ yes X no

Identification of major program:

| | |
|----------------------------------------------------|--------------|
| Title I Grants to Local Educational Agencies | CFDA #84.010 |
| <i>School Lunch Cluster:</i> | |
| National School Lunch Program | CFDA #10.555 |
| Special Milk Program for Children | CFDA #10.556 |
| National School Breakfast Program | CFDA #10.553 |

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? X yes _____ no

TOWN OF SMITHFIELD, RHODE ISLAND

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

B. FINDINGS -- RELATED TO THE AUDIT OF FINANCIAL STATEMENTS

Current Year Findings:

None

C. FINDINGS AND QUESTIONED COSTS RELATING TO FEDERAL AWARDS

Current Year Findings:

None

TOWN OF SMITHFIELD, RHODE ISLAND

**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015**

C. FINDINGS AND QUESTIONED COSTS RELATING TO FEDERAL AWARDS (Continued)

Prior Year Findings:

None

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