TOWN OF SMITHFIELD
RHODE ISLAND

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2012

Stillwater Reservoir

Dennis G. Finlay
Town Manager

Randy R. Rossi
Finance Director/Treasurer

Prepared by: Finance Department

TOWN OF SMITHFIELD

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(CONCLUDED)

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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 21, 2012

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, 2012 is submitted herewith. This report was prepared by the Town's Finance Department. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the Town. We believe the information, as presented, is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial positions, results of operations and cash flows of the Town. All disclosures necessary to enable the reader to gain maximum understanding of the Town's financial affairs have been included.

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

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

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

GOVERNMENT PROFILE

The Town of Smithfield was settled in 1636 and later incorporated as a town in 1730. The Town, primarily a residential community, comprises 26.7 square miles of land, 1.1 square miles of water and is situated 11 miles northwest of Providence, the State capital. Smithfield is bounded by the Town of North Smithfield on the north, by the Towns of North Providence and Johnston on the south, by the Town of Lincoln on the east and the Town of Glocester 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 $80,710,806 based on net assessed valuations of $2,690,360,193 as December 31, 2010. As of June 30, 2012, the Town has no debt outstanding under the 3% debt limit provision; all outstanding debt has been authorized by special act of the Rhode Island State Legislature and referenda approved by the Town Electorate.

STATE SCHOOL AID

Pursuant to Rhode Island General Laws Sections 16-7-15 et seq., as amended, the State provides school operations aid to each municipality and school district in the State, subject to annual appropriation by the General Assembly. The statutes provide for reimbursement of school expenditures based on a formula which adjusts the reimbursement ratio based on the relative equalized evaluation of property and median family income of a community relative to the state as a whole. The Town's School Department received $4,734,817 in direct state aid with the difference being made up by State Education Jobs ARRA Funding in the amount of $227,297 for the fiscal year ended June 30, 2012. The Town budgeted $4,989,855 in direct state aid and $0 in State Education Jobs ARRA Funding for fiscal year ending June 30, 2013.

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, 2012, the Town received $319,778 in such construction aid and the Town budgeted $240,000 for fiscal year ending June 30, 2013.

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, 2012 was $32,524,605 (excluding the State on-behalf pension contribution). The School Department budget for fiscal year ending June 30, 2013 is $32,581,004. The cost per student is $12,660 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:

FISCAL YEAR ENDING	ENROLLMENT
2003	2,703
2004	2,615
2005	2,659
2006	2,625
2007	2,609
2008	2,599
2009	2,555
2010	2,504
2011	2,470
2012	2,569

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:

	Accounts	Units
Residential	4,673	5,354
Commercial	325	2,711
Industrial	24	327
Total	5,022	8,392

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, 2012 residential users were charged a flat rate of $310 for the year.

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

SANITATION

Weekly rubbish and garbage collection is provided by the Town through the use of private contractors. For the fiscal year ended June 30, 2012, the Public Works Department expended $962,254 for these services. For the fiscal year ending June 30, 2013 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, 2012 totaled $2,037,076 and budgeted $2,277,195 for fiscal year ending June 30, 2013.

PUBLIC SAFETY

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

The Police Department consists of 41 full-time police officers and 1 auxiliary officer. In addition, there are 12 civilian full-time and 6 civilian part-time employees of support personnel including dispatch and animal control. The Police Department expended $4,505,992 (including $67,232 of capital outlays) for fiscal year ended June 30, 2012 and budgeted $4,548,841 for fiscal year ending June 30, 2013.

The Fire Department has 3 fire stations staffed by 48 full-time fire fighters and support personnel of 5 full-time employees. The Fire Department expended $4,702,742 (including $60,487 of capital outlays) for fiscal year ended June 30, 2012 and budgeted $4,481,601 for fiscal year ending June 30, 2013.

PUBLIC LIBRARIES

The Town operates two public libraries, Greenville Public Library and East Smithfield Public Library. For the fiscal year ended June 30, 2012 the combined allocation from the Town was $1,187,734 and budgeted $1,187,734 for the fiscal year ending June 30, 2013.

EMPLOYEE RELATIONS

The Town of Smithfield currently employs 165 full-time employees exclusive of those employed by the School Department. The School Department employs 214 certified employees and 84.5 full-time and part-time non-certified employees.

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

Police Department	1 year contract expired June 30, 2012
Fire Department	3 year contract expires June 30, 2014
Police Civilian Employees	3 year contract expires June 30, 2014
Public Works Employees	3 year contract expires June 30, 2014
Town Hall Employees	3 year contract expires June 30, 2014
Teachers	3 year contract expires August 31, 2014
Custodians	3 year contract expires June 30, 2013
Teacher Para-Professionals & Clerical Employees	3 year contract expires June 30, 2015

FINANCIAL INFORMAITON

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 3 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, 2012 is as follows:

	AMOUNT	RATIO OF NET BONDED DEBT TO NET ASSESSED VALUE	DEBT PER CAPITA
Net Bonded Debt	$17,330,000	0.64%	$808.68

The Town's bond ratings as of June 30, 2012 are as follows:

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

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, Braver PC 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, 2011 This was the third consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

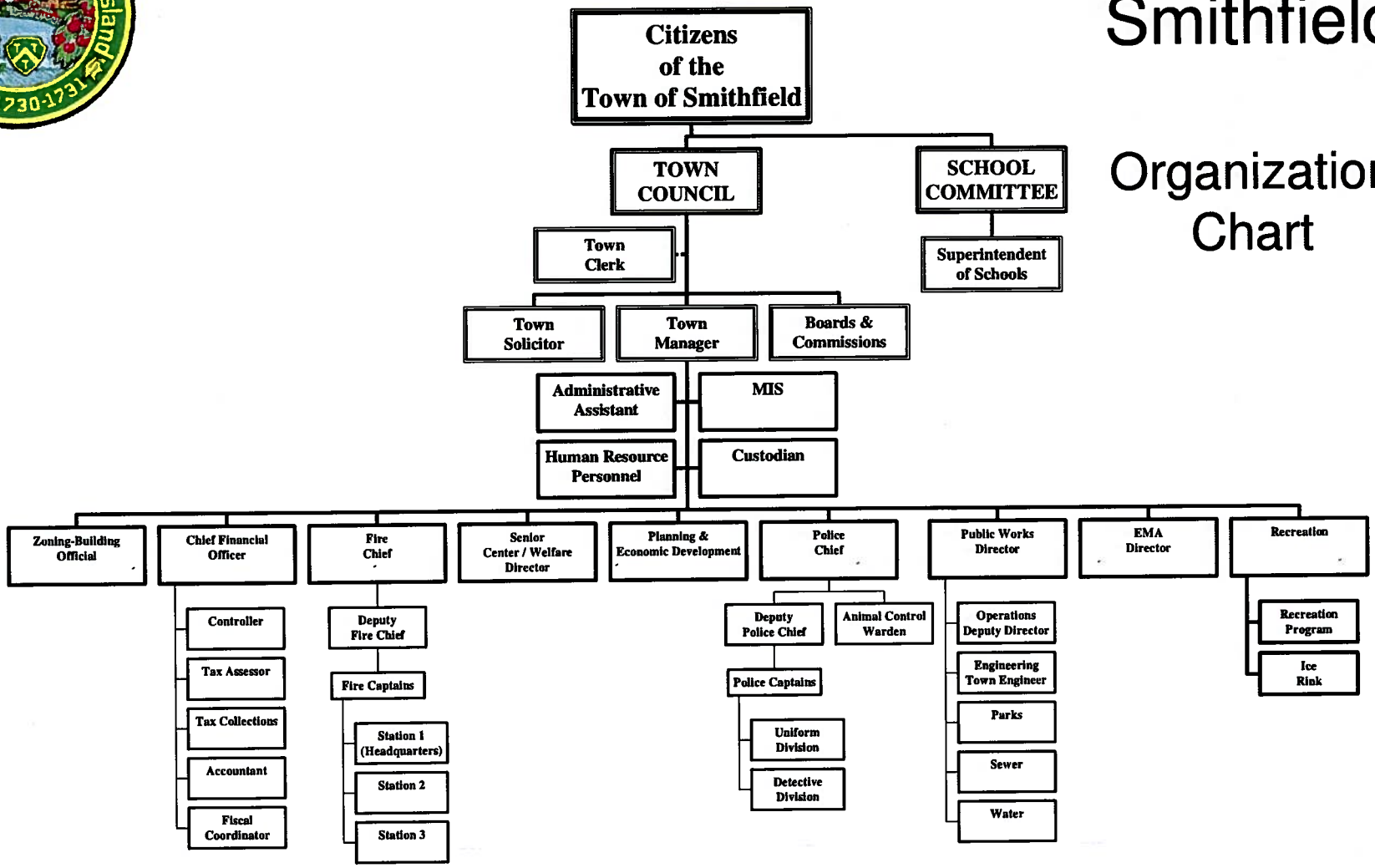
The preparation of the Comprehensive Annual Financial Report on a timely basis could not have been accomplished without the efforts and dedication of the competent staff of the Department of Finance. I would like to express my appreciation to the Town Controller, my staff and other personnel from various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

Respectfully Submitted,

Randy R. Rossi
Finance Director

Town of Smithfield

Organization Chart



TOWN OF SMITHFIELD, RHODE ISLAND
June 30, 2012

TOWN COUNCIL

Michael J. Flynn, President
Richard A. Poirier, Vice-President
Maxine A. Cavanagh
Bernard A. Hawkins
Ronald F. Manni

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	Joseph P. Mollo III
Human Resources / Personnel	Susan M. Pilkington
Library Director (East Smithfield)	Elodie E. Blackmore
Library Director (Greenville)	Christopher LaRoux
Planning and Economic Development Director	Michael A. Phillips
Police Chief	Richard P. St. Sauveur
Public Works Director / Water Superintendent (Acting)	John G. Ratcliffe
Recreation and Ice Rink Director	Thomas J. Tullie
School Superintendent	Robert O'Brien
Senior Center / Welfare Director (Acting)	Karen L. Armstrong
Tax Assessor	Suzanne P. Kogut
Town Clerk	Dianne L. Ady
Town Solicitor	Edmund L. Alves, Jr.

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, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director

TOWN OF SMITHFIELD

FINANCIAL SECTION

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- MANAGEMENT'S DISCUSSION AND ANALYSIS
- BASIC FINANCIAL STATEMENTS
- REQUIRED SUPPLEMENTARY INFORMATION
- OTHER SUPPLEMENTARY INFORMATION

Braver PC
Accountants & Advisors

REPORT OF INDEPENDENT AUDITORS

To the Honorable Town Council
Town of Smithfield, Rhode Island

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Smithfield, Rhode Island as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Smithfield, Rhode Island's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Smithfield, Rhode Island as of June 30, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2012 on our consideration of the Town of Smithfield, Rhode Island's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of Funding Progress for Pension Plans, and the Schedule of Funding Progress for OPEB Plans on Pages 3 through 13, Pages 72 through 77, Page 78, and Page 79, 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.

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 as a whole. 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 accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements, other exhibits, and Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 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.

Braver PC

Providence, Rhode Island
December 21, 2012

TOWN OF SMITHFIELD, RHODE ISLAND
Management's Discussion and Analysis
For the Year Ended June 30, 2012
(Un-audited)

As management of the Town of Smithfield, we offer readers of the Town of Smithfield's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2012. 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 for the Town of Smithfield exceeded its liabilities at the close of the most recent fiscal year by $56,634,686. Of this amount, $19,645,727 may be used to meet the government's ongoing obligations to citizens and creditors.

- The government's total net assets decreased by $4,069,006. The decrease is primarily attributable to the increase in the Net Pension Obligation and Net OPEB Obligations during fiscal 2012.

- As of the close of the fiscal year, the Town of Smithfield's governmental funds reported combined ending fund balances of $25,381,114. Approximately 8.3% of this amount, $2,095,547 is unassigned and available for use at the government's discretion.

- The remaining fund balance of $23,285,567 includes $332,943 in non-spendable funds, $469,560 in restricted funds, $18,827,077 in committed funds, and $3,655,987 in assigned funds.

- At the end of the current fiscal year, the General Funds unassigned fund balance was $3,102,422, or 10.7% 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 $316,261.

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* Assets presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the fiscal year. All changes in net assets 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 14 through 15.

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 16-19) 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 20 through 23.

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 24 and 25.

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 26 through 71.

Other Information - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information pertinent to the Town of Smithfield's operations. Required Supplementary information is presented on Pages 72 through 79.

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 80 through 93.

Government-wide Financial Analysis

As noted earlier, over time net assets 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 $56,634,686 as of June 30, 2012.

Listed below is a comparison of the current and prior fiscal years. The June 30, 2011 amounts have been restated to reflect the implementation of GASB Statement #61 and the resulting removal of the component units.

TOWN OF SMITHFIELD, RHODE ISLAND
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
ASSETS						
Current assets	$ 30,051,825	$ 22,057,861	$ 10,122,854	$ 8,637,238	$ 40,174,679	$ 30,695,099
Noncurrent assets	39,321,576	39,799,515	18,210,019	18,538,835	57,531,595	58,338,350
Total Assets	69,373,401	61,857,376	28,332,873	27,176,073	97,706,274	89,033,449
LIABILITIES						
Current liabilities	5,716,947	848,660	1,145,980	2,963,011	6,862,927	3,811,671
Noncurrent liabilities	29,101,507	23,324,384	5,107,154	1,193,702	34,208,661	24,518,086
Total Liabilities	34,818,454	24,173,044	6,253,134	4,156,713	41,071,588	28,329,757
NET ASSETS						
Invested in capital assets, net of related debt	20,860,670	24,860,537	16,128,289	16,666,892	36,988,959	41,527,429
Unrestricted	13,694,277	12,823,795	5,951,450	6,352,468	19,645,727	19,176,263
Total Net Assets	$ 34,554,947	$ 37,684,332	$ 22,079,739	$ 23,019,360	$ 56,634,686	$ 60,703,692

By far largest portion of the Town's net assets $36,988,959 (65.3%) reflects it investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment); less any related debt used to acquire these assets that are still outstanding. The Town uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining balance of unrestricted net assets ($19,645,727) may be used to meet the government's ongoing obligations to its citizens and creditors.

The Town's net assets decreased by $4,069,006 during the current fiscal year. The decrease was primarily due to actuarial assumption changes adversely affecting the Town OPEB and Pension liabilities. Of this amount, governmental activities accounted for $3,129,385 of the decrease, while business–type activities accounted for a decrease of $939,621.

Governmental Activities

Governmental activities decreased the Town's net assets by $3,129,384 for the current period, which is an overall decrease of 8.3% in the Town's governmental net assets.

Property taxes increased by $1,579,278 (3.3 percent) during the year. Most of this increase is the product of increased collection efforts for both current and delinquent taxes. Operating grants for governmental activities decreased by $478,496, while charges for services increased by $593,663.

The net change in fund balance for the fiscal year ended June 30, 2012 was an increase of $5,230,647 for the Towns governmental fund types.

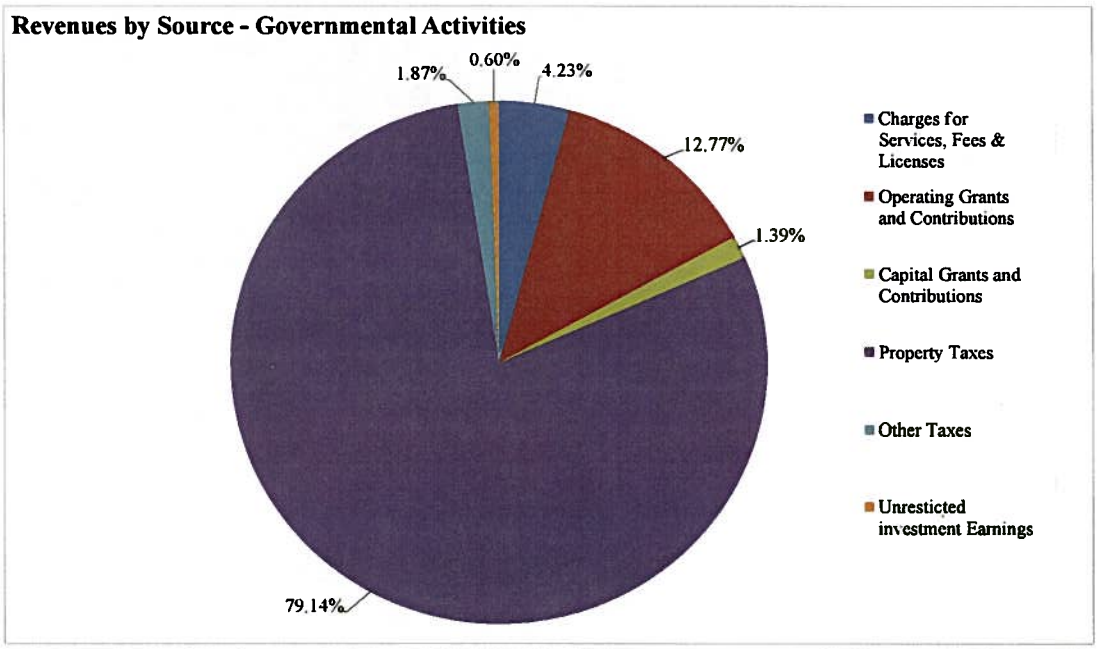
Reductions in net assets included an increase in the Town's net pension obligation of $1,713,223, and an increase in net OPEB obligation of $2,498.932.

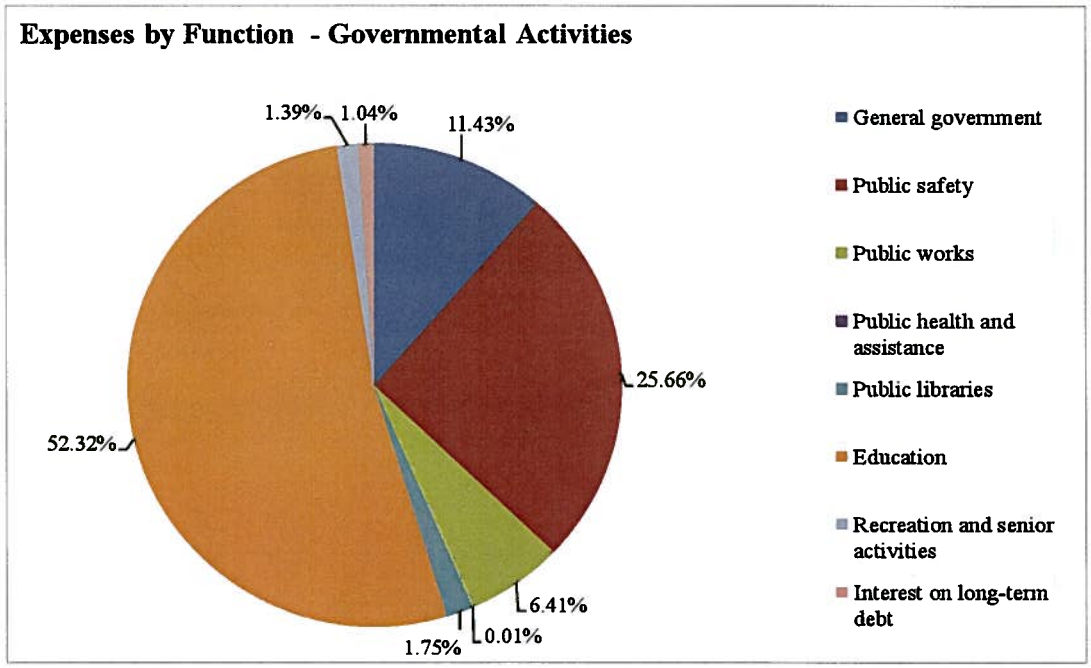
There are various other items which are reconciliations between the Statement of Activities and the Schedule of Revenues, Expenditures and Changes in Fund Balances, all of which can be seen on Page 19.

The following page presents the Changes in Net Assets for the current year's activity. The June 30, 2011 amounts have been restated to reflect the implementation of GASB Statement #61 and the resulting removal of the component units.

TOWN OF SMITHFIELD, RHODE ISLAND
Changes in Net Assets

General government	7,752,644	5,493,158	-	-	7,752,644	5,493,158
Public safety	17,429,845	14,998,929	-	-	17,429,845	14,998,929
Public works	4,351,841	4,156,445	-	-	4,351,841	4,156,445
Education	35,543,656	33,695,301	-	-	35,543,656	33,695,301
Recreation and senior activities	945,504	549,699	-	-	945,504	549,699
Public health & assistance	7,450	7,434	-	-	7,450	7,434
Community development	-	28,512	-	-	-	28,512
Public libraries	1,187,734	1,187,734	-	-	1,187,734	1,187,734
Other	-	-	4,996,895	5,010,285	4,996,895	5,010,285
Interest on long-term debt	705,512	482,819	-	-	705,512	482,819
Total Expenses	67,924,186	60,600,031	4,996,895	5,010,285	72,921,081	65,610,316
Increase (Decrease) in net assets	(4,602,385)	(148,549)	533,379	368,916	(4,069,006)	220,367
Transfers	1,473,000	1,472,500	(1,473,000)	(1,472,500)	-	-
Increase (Decrease) in Net Assets	(3,129,385)	1,323,951	(939,621)	(1,103,584)	(4,069,006)	220,367
Net Assets - beginning	37,684,332	36,360,381	23,019,360	24,122,944	60,703,692	60,483,325
Net Assets - ending	$ 34,554,947	$ 37,684,332	$ 22,079,739	$ 23,019,360	$ 56,634,686	$ 60,703,692





Education expenses account for approximately 52.3 percent of the total expenses within the governmental funds of the Town of Smithfield. Public safety and General government expenses account for approximately 25.7 percent and 11.4 percent, respectively of the total expenses for the 2012 fiscal year. Major expense factors include:

- Governmental activities expenses increased by $7,324,155 from $60,600,031 to $67,924,186. The majority of the increase was the result of actuarial assumption changes in the calculation of the Town's Net Pension Obligations and Net OPEB Obligation.

- Interest of long term debt increased by $222,693 based on new debt that was issued during fiscal year 2011.

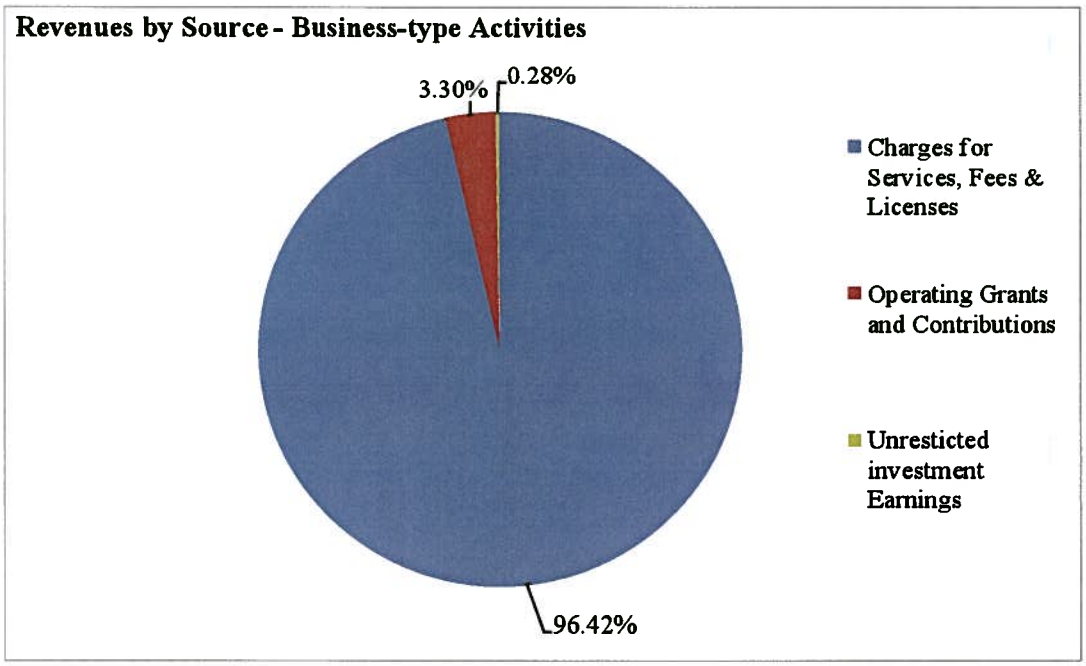
Business-type Activities – Net assets in business-type activities decreased by $939,621 resulting in a 4.1% decrease in business-type net assets.

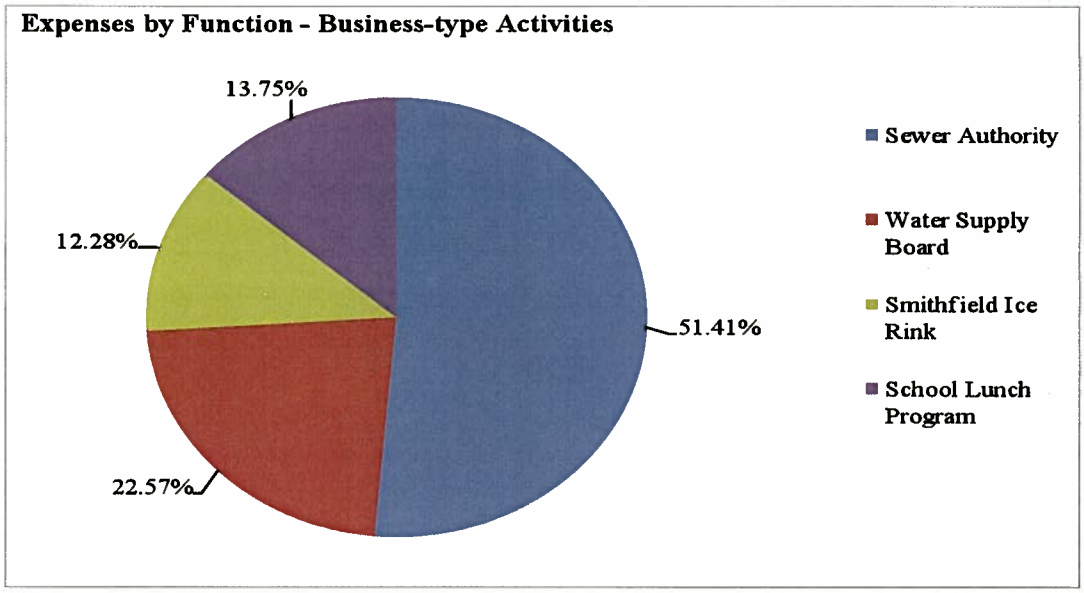
Charges for services for business-type activities accounted for 96% of the total revenue sources. The balance of revenues for business-type activities was from operating grants and contributions (3.3%), and investment earnings (0.3%).

Sewer authority expenses account for approximately 51.4% of the total expenditures within the business-type activities of the Town. Water Supply Board, Ice Rink, and School Lunch Program expenses account for approximately 22.6%, 12.3%, and 13.8%, respectively of the total business-type activities expenditures for the 2012 fiscal year.

Charges for service for business-type activities increased slightly from $5,351,115 to $5,514,569. The Sewer Authority fund had an increase of $179,098. Increases in delinquent and current collections helped with the slight increase. Charges for services in the Water Supply Board fund decreased by $19,193, while the Ice Rink fund experienced an increase of $6,878 in these program revenues. The decrease in the Water Supply charges was the result of reduced consumption levels by the user base. Ice Rink fees increased mainly because of increase rentals and the collection of other charges. School Lunch Programs recognized a slight decrease of $3,329 due primarily a reduction in the quantity of meals sold. Unrestricted investment earnings declined from $28,086 to $15,705 for all business-type activities. Reductions in interest rates earned on investments were responsible for generating the decline in this revenue source.

Expenses in the Sewer Authority fund declined by $65,998 as of result of leaving one position unfilled and reducing maintenance type expenditures. Water Supply expenses increased by $12,954 due to increases in salary and benefits, while the Ice Rink fund experienced a decrease of $3,736 through reductions in operating costs. The School Lunch Program fund recognized an increase in expenditures of $43,390 due to increased costs in cafeteria operations.





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 $25,381,114. Approximately 8.26% of the total amount, or $2,095,547 constituted unassigned fund balances. The remainder of the fund balance is non-spendable, restricted, committed or assigned for future commitments or designated for specific purposes.

For a more detailed review of changes in fund balances, see the statement of revenues, expenditures and changes in fund balances on Page 18.

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 assets in the Sewer Authority at the end of the fiscal year amount to $4,816,239, an increase of $247,645. Net assets in the Water Supply decreased by $49,258 to a total of $3,156,111. The Ice Rink finished the year with unrestricted net assets of $377,382, which was a decline in value of $539,955 due to major capital improvements. The School Lunch Program recognized a decrease in unrestricted net assets by $41,128.

General Fund Budgetary Highlights

For the year ended June 30, 2012, the General Fund revenues and transfers were over budget projections by $731,602, or 1.1%. General Fund expenditures were over budget by $18,134, or 0.03%. This resulted in a $713,468 budgetary surplus in the General Fund for the year ended June 30, 2012. See details on Pages 72 through 75.

Revenues:

General property taxes - were over budget by $516,155 due to increased collection methods of delinquent tax collections during the operating year.

Intergovernmental revenues - were over budget by $415,115 due to a conservative position taken for state aid revenues.

License, fees and permits - were over budget by $384,967 due to an unanticipated increase in building permit fees and recording fees collected.

Other funding sources - were under budget by $601,505 due to the availability of other revenue sources and the lack of need to transfer amounts from other funds.

Expenditures:

Public Safety - was over budget by $163,186 due to covering long-term vacancies.

Public Works – was under budget by $263,398 due to unfilled positions and a mild winter season.

Town Miscellaneous - was under budget by $552,479 due to unfilled positions and the new recording methods.

Municipal Capital Improvements – was under budget by $181,827 due to project time constraints.

The Town of Smithfield's Capital Assets

The Town of Smithfield's investment in capital assets for its governmental and business-type activities as of June 30, 2012 amounts to $56,486,662 (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	
	2012	2011	2012	2011	2012	2011
Land	$13,729,999	$13,633,658	$ 485,688	$ 485,688	$14,215,687	$14,119,346
Construction in progress	104,175	772,123	186,849	-	291,024	772,123
Land improvements		-	10,340	13,176	10,340	13,176
Plant and buildings	12,459,433	12,879,916	2,382,375	2,223,708	14,841,808	15,103,624
Equipment	951,799	1,101,880	6,424,398	6,656,655	7,376,197	7,758,535
Motor vehicles	1,578,303	1,439,054	14,928	23,458	1,593,231	1,462,512
Infrastructure	10,275,066	9,972,884	7,883,309	8,319,976	18,158,375	18,292,860
Total	$39,098,775	$39,799,515	$17,387,887	$17,722,661	$56,486,662	$57,522,176

Additional information on the Town of Smithfield's capital assets is located in "Note 5" of the notes to the financial statements on Pages 43 and 44.

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 $17,330,000. 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
Bond and Note Obligations

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Bonds payable	$ 17,330,000	$ 13,170,000	$ -	$ -	$ 17,330,000	$ 13,170,000
Lease participation certificates	$ 908,105	1,768,978	$ -	-	908,105	1,768,978
Notes payable	$ -	-	$ 5,138,101	1,225,000	5,138,101	1,225,000
Total	$ 18,238,105	$ 14,938,978	$ 5,138,101	$ 1,225,000	$ 23,376,206	$ 16,163,978

Note 7, Pages 45 through 48 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 $80,710,860 at year-end. The Town's outstanding general obligation debt is $17,330,000 at year-end, of which none is subject to the legal debt margin. See Schedule 12 on Page 110 (Statistical Section) for a further explanation of debt subject to the margin.

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

HOUSING
At the end of October 2012 the median sale price for single family homes in Smithfield was $264,000 and the median price of all sales was $241,000.

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:

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

Economic Factors and Next Year's Budgets and Rates

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

The Town of Smithfield's total general fund budget for fiscal year 2013 amounts to $62,048,443 which reflects an increase of $105,956 or 0.17% above the fiscal year 2012 budget of $61,942,487. Of the Town's 2013 budget, $32,581,004, or 53% is budgeted for education expenditures.

The State of Rhode Island is budgeted to contribute $4,989,855 to the Town's education department based on State Aid in fiscal 2013.

The Town's tax rate for fiscal year 2013 is $16.02 per $1,000 of assessed value with 47% allocated for general government and 53% allocated for education. For fiscal year 2012 the Town's tax rate was $15.85 per $1,000 of assessed value with 47% allocated for general government and 53% 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

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TOWN OF SMITHFIELD

BASIC FINANCIAL STATEMENTS

EXHIBIT A-1

TOWN OF SMITHFIELD, RHODE ISLAND

Statement of Net Assets
June 30, 2012

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Current Assets:			
Cash and cash equivalents	$ 20,252,386	$ 7,754,428	$ 28,006,814
Cash on deposit with funding agency	-	3,735,953	3,735,953
Investments	2,897,608	-	2,897,608
Accounts receivable	4,227,715	446,844	4,674,559
Internal balances	1,852,779	(1,852,779)	-
Due from federal and state governments	748,974	9,114	758,088
Inventory	-	29,294	29,294
Prepaids	72,363	-	72,363
Total Current Assets	30,051,825	10,122,854	40,174,679
Noncurrent Assets:			
Assessment fees	-	679,582	679,582
Deferred charges - refunding	151,399	-	151,399
Deferred charges - bond issuance	71,402	142,550	213,952
Capital assets not being depreciated	13,834,174	672,537	14,506,711
Capital assets, net of accumulated depreciation	25,264,601	16,715,350	41,979,951
Total Noncurrent Assets	39,321,576	18,210,019	57,531,595
TOTAL ASSETS	69,373,401	28,332,873	97,706,274
LIABILITIES:			
Current Liabilities:			
Accounts payable and accrued expenses	2,924,603	253,070	3,177,673
Due to federal and state governments	13,393	-	13,393
Unearned revenue	440,846	768,910	1,209,756
Current portion of compensated absences	250,000	35,000	285,000
Current portion of bonds	2,088,105	89,000	2,177,105
Total Current Liabilities	5,716,947	1,145,980	6,862,927
Noncurrent Liabilities:			
Compensated absences	4,057,854	58,053	4,115,907
Net pension and OPEB obligations	8,893,653	-	8,893,653
General obligation bonds, net	16,150,000	5,049,101	21,199,101
Total Noncurrent Liabilities	29,101,507	5,107,154	34,208,661
TOTAL LIABILITIES	34,818,454	6,253,134	41,071,588
NET ASSETS:			
Invested in capital assets net of related debt	20,860,670	16,128,289	36,988,959
Unrestricted	13,694,277	5,951,450	19,645,727
TOTAL NET ASSETS	$ 34,554,947	$ 22,079,739	$ 56,634,686

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

TOWN OF SMITHFIELD, RHODE ISLAND

Statement of Activities
For the Year Ended June 30, 2012

Functions/Programs:	Expenses	Program Revenues: Charges for Services, Fees & Licenses	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Business-type Activities	Net (Expense) Revenue and Changes in Net Assets: Total
Governmental activities:							
General government	$ 7,752,644	$ 1,055,693	$ -	$ 216,902	$ (6,480,049)		$ (6,480,049)
Public safety	17,429,845	1,259,316	38,769	100,225	(16,031,535)		(16,031,535)
Public works	4,351,841	-	79,252	535,940	(3,736,649)		(3,736,649)
Public health and assistance	7,450	-	16,016	-	8,566		8,566
Public libraries	1,187,734	-	-	-	(1,187,734)		(1,187,734)
Education	35,543,656	360,844	7,582,944	-	(27,599,868)		(27,599,868)
Recreation and senior activities	945,504	330	49,091	30,000	(866,083)		(866,083)
Interest on long-term debt	705,512	-	319,778	-	(385,734)		(385,734)
Total governmental activities	67,924,186	2,676,183	8,085,850	883,067	(56,279,086)		(56,279,086)
Business-type activities:							
Sewer Authority	2,568,654	2,831,540				$ 262,886	262,886
Water Supply Board	1,127,768	1,377,136				249,368	249,368
Smithfield Ice Rink	613,405	665,086				51,681	51,681
School Lunch Program	687,068	458,299	182,508			(46,261)	(46,261)
Total business-type activities	4,996,895	5,332,061	182,508	-	-	517,674	517,674
Total	$ 72,921,081	$ 8,008,244	$ 8,268,358	$ 883,067	$ (56,279,086)	517,674	(55,761,412)
General revenues:							
Property taxes					50,114,109		50,114,109
Motor vehicle phase-out taxes					274,622		274,622
Telephone taxes					241,202		241,202
Hotel, meals, and beverage tax					669,119		669,119
Unrestricted investment earnings					377,649	15,705	393,354
Transfers					1,473,000	(1,473,000)	-
Total general revenues and transfers					53,149,701	(1,457,295)	51,692,406
Change in Net assets					(3,129,385)	(939,621)	(4,069,006)
Net assets - beginning of year					37,684,332	23,019,360	60,703,692
Net assets - ending of year					$ 34,554,947	$ 22,079,739	$ 56,634,686

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

TOWN OF SMITHFIELD, RHODE ISLAND

Balance Sheet
Governmental Funds
June 30, 2012

	General Fund	School Unrestricted Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Cash and cash equivalents	$ 12,261,213	$ 968,912	$ 7,022,261	$ 20,252,386
Investments	2,897,608	-	-	2,897,608
Taxes receivable, net	3,878,032	-	-	3,878,032
Other receivables	326,367	23,316	-	349,683
Due from federal and state governments	20,967	174,077	553,930	748,974
Prepaid expenditures	-	72,363	-	72,363
Due from other funds	4,077,499	3,197,302	1,233,043	8,507,844
TOTAL ASSETS	$ 23,461,686	$ 4,435,970	$ 8,809,234	$ 36,706,890
LIABILITIES AND FUND BALANCES:				
LIABILITIES:				
Accounts payable	$ 420,571	$ 325,345	$ 52,475	$ 798,391
Accrued liabilities	783,695	1,089,699	65,794	1,939,188
Retainage payable	-	-	39,924	39,924
Due to federal & state governments	-	-	13,393	13,393
Due to other funds	4,070,560	-	2,584,505	6,655,065
Deferred revenues	1,807,485	-	72,330	1,879,815
TOTAL LIABILITIES	7,082,311	1,415,044	2,828,421	11,325,776
FUND BALANCES:				
Non-Spendable	260,580	72,363	-	332,943
Restricted	187,006	-	282,554	469,560
Committed	9,173,380	2,948,563	6,705,134	18,827,077
Assigned	3,655,987	-	-	3,655,987
Unassigned	3,102,422	-	(1,006,875)	2,095,547
TOTAL FUND BALANCES	16,379,375	3,020,926	5,980,813	25,381,114
TOTAL LIABILITIES AND FUND BALANCES	$ 23,461,686	$ 4,435,970	$ 8,809,234	$ 36,706,890

(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, 2012

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

Total Fund Balance reported in Exhibit B-1	$ 25,381,114
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the Gov't Fund balance sheet	39,098,775
Deferred bond issuance costs and other 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 Assets.	222,801
Net OPEB Obligation and Net Pension Obligations are reported on the Statement of Net Assets as a long-term obligation at June 30, 2012 but these obligations are not reported on the Fund Statements.	(8,893,653)
Long-term debt liabilities are not due and payable in the current period and therefore are not reported in the funds. These liabilities are reported in the Statement of Net Assets.	(22,545,959)
Deferred tax revenues (net of an allowance for uncollectibles) are recorded in the funds, but are not deferred under the measurement focus employed in the Statement of Net Assets.	1,546,230
Interest accrued on long-term debt obligations is reported as a liability in the Statement of Net Assets but does not get reported in the Fund Statements.	(147,100)
Net premium on refunding has been recorded as deferred revenue on the Statement of Net Assets	(107,261)
Total Net Assets reported in Exhibit A-1	$ 34,554,947

(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, 2012

	General Fund	School Unrestricted Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:				
General property taxes	$ 49,180,933			$ 49,180,933
Intergovernmental	2,142,210	$ 4,962,114	$ 2,092,386	9,196,710
Licenses, fees, fines, charges, and assessments	850,120	-	1,384,104	2,234,224
Investment income (loss)	369,001	-	8,648	377,649
Contributions	-	-	77,199	77,199
State on behalf pension contribution	-	1,431,474	-	1,431,474
Other miscellaneous	87,829	360,844	-	448,673
TOTAL REVENUES	52,630,093	6,754,432	3,562,337	62,946,862
EXPENDITURES:				
Current:				
General government	2,451,544			2,451,544
Public safety	9,201,552		304,190	9,505,742
Public works	2,999,330			2,999,330
Public health and assistance	7,450			7,450
Libraries	1,187,734			1,187,734
Education	-	33,637,287	993,107	34,630,394
Recreation, Senior and Neighborhood Center	739,641		58,743	798,384
Miscellaneous	7,790,250		334,331	8,124,581
Debt Service:				
Principal	3,470,000			3,470,000
Interest and other costs	633,336		4,376	637,712
Capital:	-			
Capital expenditures	538,403	318,792	1,186,594	2,043,789
TOTAL EXPENDITURES	29,019,240	33,956,079	2,881,341	65,856,660
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	23,610,853	(27,201,647)	680,996	(2,909,798)
OTHER FINANCING SOURCES (USES)				
Proceeds from bond issuance	-	-	5,000,000	5,000,000
Proceeds from refunding bond issuance	4,520,000	-	-	4,520,000
Payment to refunded bond escrow agent	(2,852,555)	-	-	(2,852,555)
Transfers in	2,779,995	27,264,432	479,811	30,524,238
Transfers out	(27,742,032)	-	(1,309,206)	(29,051,238)
TOTAL OTHER FINANCING SOURCES (USES)	(23,294,592)	27,264,432	4,170,605	8,140,445
NET CHANGE IN FUND BALANCES	316,261	62,785	4,851,601	5,230,647
FUND BALANCE BEGINNING OF YEAR	16,063,114	2,958,141	1,129,212	20,150,467
FUND BALANCE AT END OF YEAR	$ 16,379,375	$ 3,020,926	$ 5,980,813	$ 25,381,114

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, 2012

Net Change in Fund Balances - Total Governmental Funds (Exhibit B-2):	$	5,230,647
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital expenditures in the current period.		(700,740)
Proceeds from issuance of long-term debt are reported as other financing sources in the fund statements but are not reported on the statement of activities in the government-wide statements.		(9,520,000)
Amounts paid to refunding bond escrow agent are reported as other financing uses in the fund statements but are not reported on the statement of activities in the government-wide statements.		2,852,555
Governmental funds report principal repayments on debt obligations as an expenditure. However, the repayment of principal has no effect on the net assets.		3,520,873
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 until it is paid with measurable and available resources. This is the increase in the Net OPEB Obligation for fiscal 2012.		(2,498,932)
Increase in the Net Pension Obligation is reported as an expense for governmental activities but is not reported as an expenditure in the fund financial statements until it is paid with measurable and available resources. This is the increase in the Net Pension Obligation for fiscal 2012.		(1,713,223)
Governmental funds report debt issuance costs 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 issuance costs.		731
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds. Net deferred tax revenue increased from fiscal 2011.		374,939
Accrued interest on long-term debt obligations is reported in the governmental activities but is not reported in the government fund statements. This is the increase in accrued interest expense in fiscal 2012.		(72,289)
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 assets.		(603,946)
Change in Net Assets of Governmental Activities in the Statement of Activities (Exhibit A-2)	$	(3,129,385)

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

TOWN OF SMITHFIELD, RHODE ISLAND

Statement of Net Assets
Proprietary Funds
June 30, 2012

	Business-type Activities-Enterprise Funds								
	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)	Totals (current year)
ASSETS:									
Current Assets:									
Cash and cash equivalents	$ 6,002,697	$ 5,886,069	$ 1,070,755	$ 910,624	$ 619,110	$ 1,031,431	$ 61,866	$ 138,947	$ 7,754,428
Cash on deposit with funding agency	3,735,953	91,728	-	-	-	-	-	-	3,735,953
Water and sewer assessments and user fees - net	246,535	221,526	148,073	295,428	-	-	-	-	394,608
Other receivables, net	-	-	-	-	40,869	22,468	11,367	-	52,236
Due from federal and state governments	-	-	-	-	-	-	9,114	13,072	9,114
Due from other funds	-	-	-	-	-	-	30,828	-	30,828
Inventory	-	-	29,294	25,945	-	-	-	-	29,294
Total Current Assets	9,985,185	6,199,323	1,248,122	1,231,997	659,979	1,053,899	113,175	152,019	12,006,461
Noncurrent Assets:									
Sewer Assessment fees	679,582	738,671	-	-	-	-	-	-	679,582
Bond issuance costs, net of accumulated amortization	142,550	77,503	-	-	-	-	-	-	142,550
Capital assets not being depreciated	456,340	269,491	1,197	1,197	215,000	215,000	-	-	672,537
Capital assets, net of accumulated depreciation	13,033,467	14,162,578	2,447,342	2,429,020	1,212,007	617,708	22,534	27,667	16,715,350
Total Noncurrent Assets	14,311,939	15,248,243	2,448,539	2,430,217	1,427,007	832,708	22,534	27,667	18,210,019
TOTAL ASSETS	24,297,124	21,447,566	3,696,661	3,662,214	2,086,986	1,886,607	135,709	179,686	30,216,480
LIABILITIES:									
Current Liabilities:									
Accounts payable and accrued expenses	34,737	45,358	84,642	62,545	76,032	35,172	57,659	57,885	253,070
Due to other funds	1,299,248	1,306,648	427,211	372,547	155,793	54,823	1,355	1,355	1,883,607
Deferred revenue	758,230	904,158	-	-	6,776	635	3,904	1,394	768,910
Current portion of compensated absences	10,000	10,000	10,000	10,000	15,000	15,000	-	-	35,000
Current portion of bonds	89,000	85,491	-	-	-	-	-	-	89,000
Total Current Liabilities	2,191,215	2,351,655	521,853	445,092	253,601	105,630	62,918	60,634	3,029,587
Noncurrent Liabilities:									
General obligation bonds, net of current portion	5,049,101	1,139,509	-	-	-	-	-	-	5,049,101
Compensated absences	10,360	11,508	18,697	11,753	28,996	30,932	-	-	58,053
Total Noncurrent Liabilities	5,059,461	1,151,017	18,697	11,753	28,996	30,932	-	-	5,107,154
TOTAL LIABILITIES	7,250,676	3,502,672	540,550	456,845	282,597	136,562	62,918	60,634	8,136,741
NET ASSETS:									
Invested in capital assets, net of related debt	12,230,209	13,376,300	2,448,539	2,430,217	1,427,007	832,708	22,534	27,667	16,128,289
Unrestricted	4,816,239	4,568,594	707,572	775,152	377,382	917,337	50,257	91,385	5,951,450
TOTAL NET ASSETS	$ 17,046,448	$ 17,944,894	$ 3,156,111	$ 3,205,369	$ 1,804,389	$ 1,750,045	$ 72,791	$ 119,052	$ 22,079,739

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 Assets
Proprietary Funds
For the Year Ended June 30, 2012

	Business-type Activities-Enterprise Funds								
	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)	Totals (current year)
OPERATING REVENUES:									
Charges for usage and service	$ 2,817,970	$ 2,597,406	$ 1,341,027	$ 1,364,497	$ 665,086	$ 658,208			$ 4,824,083
Food sales	-	-	-	-	-	-	$ 458,299	$ 472,713	458,299
Intergovernmental	-	-	-	-	-	-	182,508	171,423	182,508
Other revenues	13,570	55,036	36,109	31,832	-	-			49,679
Total Operating Revenues	2,831,540	2,652,442	1,377,136	1,396,329	665,086	658,208	640,807	644,136	5,514,569
OPERATING EXPENSES:									
Salaries and benefits	109,140	208,214	268,489	236,390	251,940	244,561			629,569
Operations	1,298,124	1,294,250	769,591	799,042	268,146	288,062			2,335,861
Depreciation and amortization	1,136,779	1,112,837	89,688	79,382	93,319	84,518	5,133	5,133	1,324,919
School cafeteria operations	-	-	-	-	-	-	681,935	638,545	681,935
Total Operating Expenses	2,544,043	2,615,301	1,127,768	1,114,814	613,405	617,141	687,068	643,678	4,972,284
OPERATING INCOME (LOSS)	287,497	37,141	249,368	281,515	51,681	41,067	(46,261)	458	542,285
NONOPERATING REVENUES (EXPENSES):									
Interest income	11,668	25,281	1,374	2,805	2,663	-	-	-	15,705
Interest expense	(24,611)	(19,351)	-	-	-	-	-	-	(24,611)
Net Nonoperating Revenues	(12,943)	5,930	1,374	2,805	2,663	-	-	-	(8,906)
INCOME (LOSS) BEFORE CONTRIBUTIONS	274,554	43,071	250,742	284,320	54,344	41,067	(46,261)	458	533,379
Transfers (Out)	(1,173,000)	(1,172,500)	(300,000)	(300,000)	-	-	-	-	(1,473,000)
CHANGE IN NET ASSETS	(898,446)	(1,129,429)	(49,258)	(15,680)	54,344	41,067	(46,261)	458	(939,621)
TOTAL NET ASSETS - BEGINNING	17,944,894	19,074,323	3,205,369	3,221,049	1,750,045	1,708,978	119,052	118,594	23,019,360
TOTAL NET ASSETS - ENDING	$ 17,046,448	$ 17,944,894	$ 3,156,111	$ 3,205,369	$ 1,804,389	$ 1,750,045	$ 72,791	$ 119,052	$ 22,079,739

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, 2012

	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	$ 2,719,692	$ 1,524,491	$ 652,826	$ 635,908	$ 5,532,917
Cash paid to suppliers for goods and services and other operating payments	(1,308,745)	(750,843)	(227,286)	(682,161)	(2,969,035)
Cash paid for employees and benefits	(110,288)	(261,545)	(253,876)	-	(625,709)
Net cash provided (used) by operating activities	1,300,659	512,103	171,664	(46,253)	1,938,173
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfers to (from) other funds	(1,173,000)	(300,000)	-	-	(1,473,000)
(Increase) decrease in due to other funds	-	-	-	(30,828)	(30,828)
Increase (decrease) in due from other funds	(7,400)	54,664	100,970	-	148,234
Net cash provided (used) by noncapital financing activities	(1,180,400)	(245,336)	100,970	(30,828)	(1,355,594)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition of capital assets	(190,601)	(108,010)	(687,618)	-	(986,229)
Payment of finance acquisition costs	(68,963)	-	-	-	(68,963)
Principal paid on bonds	(86,899)	-	-	-	(86,899)
Proceeds from note payable obligation	4,000,000	-	-	-	4,000,000
Interest paid on bonds	(24,611)	-	-	-	(24,611)
Net cash provided (used) for capital and related financing activities	3,628,926	(108,010)	(687,618)	-	2,833,298
CASH FLOWS FROM INVESTING ACTIVITIES:					
Investment income	11,668	1,374	2,663	-	15,705
Net cash provided by investing activities	11,668	1,374	2,663	-	15,705

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2012

	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	3,760,853	160,131	(412,321)	(77,081)	3,431,582
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	5,977,797	910,624	1,031,431	138,947	8,058,799
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 9,738,650	$ 1,070,755	$ 619,110	$ 61,866	$ 11,490,381
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	$ 287,497	$ 249,368	$ 51,681	$ (46,261)	$ 542,285
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation and amortization expense	1,136,779	89,688	93,319	5,133	1,324,919
Decrease in water and sewer assessments and user fees	34,080	147,355	-	-	181,435
(Increase) in other receivables	-	-	(18,401)	(11,367)	(29,768)
Decrease in due from Federal and State governments	-	-	-	3,958	3,958
(Increase) in inventory	-	(3,349)	-	-	(3,349)
Increase (decrease) in accounts payable and accrued expenses	(10,621)	22,097	40,860	(226)	52,110
Increase (decrease) in compensated absences	(1,148)	6,944	(1,936)	-	3,860
Increase (decrease) in deferred revenue	(145,928)	-	6,141	2,510	(137,277)
Net cash provided (used) by operating activities	$ 1,300,659	$ 512,103	$ 171,664	$ (46,253)	$ 1,938,173

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

(CONCLUDED)

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

TOWN OF SMITHFIELD, RHODE ISLAND

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012

	Police Pension Trust Fund	Fire Pension Trust Fund	Agency Funds
ASSETS			
Cash and cash equivalents			$ 359,307
Other receivables		$ 73,966	1,275
Investments, at fair value:			
Annuity contracts	$ 2,249,528	1,217,112	
Indexed stock fund	974,580	6,699,867	
Diversified stock fund	927,679	6,059,874	
Total investments	4,151,787	13,976,853	-
Other receivables			
TOTAL ASSETS	4,151,787	14,050,819	360,582
LIABILITIES			
Deposits held in custody for others			360,582
Other payables and accrued expenses			-
TOTAL LIABILITIES	-	-	360,582
NET ASSETS			
Funds held in trust	$ 4,151,787	$ 14,050,819	$ -

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

TOWN OF SMITHFIELD, RHODE ISLAND

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the year ended June 30, 2012

	Police Pension Trust Fund	Fire Pension Trust Fund
ADDITIONS:		
Contributions		
Employee contributions		$ 225,804
Employer contributions	$ 1,048,000	553,221
Total contributions	1,048,000	779,025
Investment earnings:		
Net increase (decrease) in fair value of investments	202,051	849,800
Interest and dividends	84,362	136,702
Total investment earnings	286,413	986,502
Total additions	1,334,413	1,765,527
DEDUCTIONS:		
Benefits paid	1,668,953	943,993
Operating expenses	38,428	77,394
TOTAL DEDUCTIONS	1,707,381	1,021,387
CHANGE IN NET ASSETS	(372,968)	744,140
NET ASSETS - BEGINNING OF YEAR	4,524,755	13,306,679
NET ASSETS - END OF YEAR	$ 4,151,787	$ 14,050,819

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

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

As a general rule the effect of 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.

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

a. The primary government is legally entitled to or can otherwise access the organization's resources.

b. The primary government is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization.

c. The primary government is obligated in some manner for the debt of the organization.

The following entities were considered for classification as component units for fiscal year 2012.

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

Although the Smithfield Public Schools meets certain criteria of the tests listed above, it is not deemed to have a separate legal status apart from the Town. As a result, the financial data of the Smithfield Public Schools has been included in the Governmental Funds within the Town's financial statements. The other entities noted above did not meet the criteria to be reported as component units and as such are omitted from these financial statements.

(CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

Government-Wide Financial Statements

The statement of net assets 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, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary. Major individual governmental funds and enterprise funds are reported as separate columns in the fund financial statements. A fund is considered a major fund if it is the primary operating fund of the Town or meets the following criteria:

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

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

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

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

Special Revenue Funds

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

(CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds (Continued)

Capital Project Funds

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

Permanent Funds

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

Proprietary Funds

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

Fiduciary Funds (Not included in government wide statements)

Agency Funds

Agency funds account for assets held by the Town in a purely custodial capacity. The reporting entity includes four agency funds at June 30, 2012. Since agency funds are custodial in nature (i.e. assets equal liabilities), they do not involve the measurement of results of operations. The agency funds are as follows:

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

Private-purpose Trust Funds

Private-purpose trust funds are used to account for resources legally held in trust for use by parties outside of the Town, and cannot be used at the Town's discretion or to support the Town's general operations. The reporting entity has two private-purpose trust funds, Police Pension Trust Fund and Fire Pension 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.

(CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Major and Non-Major Funds

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

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

(CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Major and Non-Major Funds (Continued)

Fund	Brief Description
Non-Major:	
Special Revenue Funds:	School Restricted Funds, Active Shooter Training Fund, Animal Control Fund, Animal Control Spay/Neuter, Bulletproof Vest Grant, Byrne Grant, Police Restricted Revenue, CDBG, Document Preservation & Tech Upgrades, EMA Radio, Energy Conservation Block Grant, Fire Prevention, Historical Records, Municipal Contingency Escrow, Operation Blue Riptide, Police Confiscated Funds, Tri-Town III Police Grant, FDA Tobacco Compliance, Wal-mart Grant, Retirement Escrow, Revaluation Escrow, RIDOH Alcohol Grant, RIDOH Tobacco Grant, RIDOT Children Passenger Safety, RIDOT Click it or Ticket, Scholarship Fund, Senior Center Grant, Smithfield Fire Rescue, Senior Center Memorial Donations, Police Memorial Fund, General Public Assistance, Senior Center Expansion Donations, and Tri-Town II Police Grant.
Capital Project Funds:	Mann School Road Drainage, Fanning Lane Road Construction, Green Acres Acquisition Fund, Highway Drainage, Smithfield Historic Landmark, Impact fees, Land Acquisition-Open Space Bond, Log Road Fund, Middle School Additions, Open Space & Recreation Area, Police Equipment, Road Resurfacing 2007, Esmond Street Enhancement, Water District Improvement Fee, Handicap Accessibility, Special Projects Fund, Capital Reserve Fund, Land Trust, and Salt Barn Property.
Permanent Funds:	Cemetery Fund

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus

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

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

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

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

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

Basis of Accounting

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

In the fund financial statements, governmental funds 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)

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, and Fund Equity

Cash

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

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

Investments

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

Accounts Receivable

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

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

(CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Fund Equity (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.

Prepaids

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

Property, Plant and Equipment

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

Government-Wide Statements

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

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

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

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

(CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Fund Equity (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 Revenues

In the government-wide financial statements, deferred revenues represent funds received in advance of being earned/owed or receivables which will be collected and included in revenues of future fiscal years. In the General Fund, (of the fund financial statements), deferred revenues include property taxes receivables which are assessed on December 31, 2010 and prior and are not collected within 60 days of June 30, 2012. Net deferred taxes included in the fund financial statements were $1,546,230 at June 30, 2012.

Interfund Transactions

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

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

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.

(CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity Classifications

Government-Wide Statements

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

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

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

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

Fund Financial Statements

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

- Nonspendable Fund Balance – includes the amount of fund balance that cannot be spent because it is either (a) not in spendable form or (b) legally or contractually required to be maintained intact. "Not in spendable form" includes items that are not expected to be converted to cash within one year.

- Restricted Fund Balance – includes amounts that are restricted to specific purposes. Fund balance is reported as restricted when constraints placed in the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

- 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.

(CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements (Continued)

- Unassigned Fund Balance – is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The unassigned fund balance may also include negative balances for any governmental funds if the expenditures exceed amounts restricted, committed or assigned for specific purposes.

Application of Funds

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

Minimum Fund Balance

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

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.

Use of Estimates

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

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reconciliation of Government-wide and Fund Financial Statements

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities are not due and payable in the current period and therefore are not reported in the funds." The details of this $22,545,959 are as follows:

Bonds and lease purchase obligations	$18,238,105
Compensated absences	4,307,854
Total	$22,545,959

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense." The details of this ($700,740) difference are as follows:

Capital outlays	$1,745,326
Depreciation expense	(2,446,066)
Net adjustment	($ 700,740)

Another element of the reconciliation states that "the governmental fund reflects this activity when it is paid with measurable and available resources." The details of the ($603,946) are as follows:

Compensated absences at beginning of year	$3,703,908
Compensated absences at end of year	(4,307,854)
Net adjustment	($ 603,946)

Another element of that reconciliation states that, "Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds." The details of this $374,939 difference are as follows:

Net deferred tax revenue - ending	$1,546,230
Net deferred tax revenue – beginning	(1,171,291)
Net adjustment (increase net asset)	$ 374,939

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Standards

During the fiscal year ended June 30, 2012 the Town implemented the following new accounting pronouncements:

- GASB Statement No. 61 – The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34, effective for the fiscal year ending June 30, 2013 (Town elected to early implement).

- GASB Statement No. 64 – Derivative Instruments: Application of Hedge Accounting Termination Provisions – An Amendment of GASB Statement No. 53.

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

- GASB Statement No. 60 – Accounting and Financial Reporting for Service Concession Arrangements, effective for the fiscal year ending June 30, 2013.

- GASB Statement No. 62 – Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, effective for the fiscal year ending June 30, 2013.

- GASB Statement No. 63 – Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, effective for the fiscal year ending June 30, 2013.

- GASB Statement No. 65 – Items Previously Reported as Assets and Liabilities, effective for the fiscal year ending June 30, 2014.

- GASB Statement No. 66 – Technical Corrections – 2012 – an Amendment of GASB Statement No. 10 and No. 62, effective for the fiscal year ending June 30, 2014.

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

- GASB Statement No. 68 – Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27, effective for the fiscal year ending June 30, 2015.

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

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.

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2. BUDGETARY PROCESS (Continued)

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 $3,607,361 of supplemental budgetary appropriations (RUBS) made during the fiscal year ended June 30, 2012. RUBS available at June 30, 2012 to be carried over to fiscal 2013 totaled $3,936,197.

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

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

	Revenues & Transfers	Expenditures & Transfers
General Fund:		
Statement of Revenues, Expenditures, and Changes in Fund Balances (Exhibit B-2)	$59,930,088	$59,613,827
Less activity related to bond issuance and bond refunding that are not reported for budget purposes	(4,520,000)	(4,520,000)
Add use of appropriated fund balance and RUBS	4,457,361	0
Add RUBS available for carryover to fiscal 2013	0	3,936,197
Add School Unrestricted amounts budgeted in General Fund but not reported for GAAP purposes	5,322,958	5,322,958
Less activity related to Inspection Fees Fund, Review Fees Fund, and Post Employment Escrow Fund not budgeted	(23,957)	100,000
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budgetary Basis (RSI-1)	$65,166,450	$64,452,982

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2. BUDGETARY PROCESS (Continued)

	Revenues & Transfers	Expenditures & Transfers
School Unrestricted Fund:		
Statement of Revenues, Expenditures, and Changes in Fund Balances (Exhibit B-2)	$34,018,864	$33,956,079
Add use of prior year fund balance	656,738	0
Less amount of State on Behalf Pension Contributions reported for GAAP but not part of annual budget	(1,431,474)	(1,431,474)
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budgetary Basis (RSI-2)	$33,244,128	$32,524,605

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, 2012 was $28,366,121 (including Fiduciary Funds) while the bank balance was $29,157,963. Of the bank balance, $29,157,963 was covered by federal depository insurance.

Investments

At June 30, 2012 the Town's investments totaled $21,026,248 (including those held in Fiduciary Funds) and consisted of the following:

	Fair Value	Interest Rate	Maturity	Rating
Annuity contracts	$ 3,466,640	n/a	n/a	not rated
Index stock mutual fund	7,674,447	n/a	n/a	not rated
Diversified stock mutual fund	6,987,553	n/a	n/a	not rated
Municipal tax exempt bonds	451,380	4.25-5.0%	10/2012–7/2032	AA1
Municipal tax exempt bonds	752,108	3.5-5.25%	9/2012–12/2023	AA3
Municipal tax exempt bonds	150,465	1.125%	4/2013	AA2
Municipal tax exempt bonds	624,226	4.75-5.0%	6/2013–1/2021	A1
Municipal tax exempt bonds	919,429	1.0-5.0%	10/2012–6/2013	not rated
Total investments	$21,026,248			

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3. CASH AND INVESTMENTS (Continued)

Investments (Continued)

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

Interest Rate Risk

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

Concentration of Credit Risk

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

Custodial Credit Risk

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

Credit Risk

Generally credit risk is the risk that an issuer of a debt type investment will not fulfill its obligation to the holder of the investment. This is measured by assignment of a rating by a nationally recognized rating organization. U.S. Government securities or obligations explicitly guaranteed by the U.S. Government are not considered to have credit risk exposure. At June 30, 2012 the Town's investments in tax exempt municipal obligations totaled $2,897,608 and are subject to credit risk of the municipality.

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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, 2012, the Town received $274,622 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 2012 were based on a net assessed value of approximately $2,690,360,200 at December 31, 2010 and amounted to approximately $49,357,200. Collections through June 30, 2012 amounted to approximately $45,733,515, which represents approximately 92.0% of the total tax levy. The collection percentage as of August 31, 2012 including the 60 day rule receipts was approximately 97.3%.

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, 2012 ($7,545,094) are recorded as a receivable, net of an allowance for uncollectible property taxes of $3,667,062. Those net property taxes receivable which were not collected within the 60 days immediately following June 30, 2012 are recorded as deferred revenue and amounted to $1,546,230 at June 30, 2012. Property taxes recognized as revenue on the Fund statements for the fiscal year ended June 30, 2012 (due to their collection within the 60 days immediately following June 30, 2012) amounted to $2,331,802.

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.

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5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012 was as follows:

	Balances 7/1/11	Additions	Retirements & Disposals	Balances 6/30/12
Governmental Activity:				
Nondepreciable Assets:				
Land and improvements	$ 13,633,658	$ 96,341		$ 13,729,999
Construction in progress	772,123	100,375	$ 768,323	104,175
Depreciable Assets:				
Buildings and improvements	25,439,209	255,491	0	25,694,700
Equipment	3,561,066	184,271	60,529	3,684,808
Vehicles	5,945,446	655,239	263,695	6,336,990
Infrastructure	76,771,939	1,221,932	0	77,993,871
Total cost	126,123,441	2,513,649	1,092,547	127,544,543
Accumulated Depreciation:				
Building and improvements	(12,559,293)	(675,974)	0	(13,235,267)
Equipment	(2,459,186)	(334,352)	(60,529)	(2,733,009)
Vehicles	(4,506,392)	(515,990)	(263,695	(4,758,687)
Infrastructure	(66,799,055)	(919,750)	0	(67,718,805)
Total accumulated depreciation	(86,323,926)	(2,446,066)	(324,224)	(88,445,768)
Net capital assets	$ 39,799,515	$ 67,583	$ 768,323	$ 39,098,775

Depreciation expense for the year ended June 30, 2012 was charged to the following functions/programs of the Town:

Governmental Activities:	
General government	$ 650,710
Education	237,564
Public safety	620,072
Public works	905,166
Recreation	32,554
Total	$ 2,446,066

(CONTINUED)

5. CAPITAL ASSETS (Continued)

	Balances 7/1/11	Additions	Retirements & Disposals	Balances 6/30/12
Business- type Activities:				
Nondepreciable Assets:				
Land	$ 485,688			$ 485,688
Construction in progress	0	$ 186,849		186,849
Depreciable Assets:				
Land improvements	87,129	0		87,129
Plant and Buildings	10,845,667	586,559		11,432,226
Equipment	9,999,366	104,811		10,104,177
Infrastructure – mains, lines, etc	21,213,217	108,010		21,321,227
Motor vehicles	154,349	0		154,349
Total cost	42,785,416	986,229	$ 0	43,771,645
Accumulated Depreciation:				
Land improvements	(73,953)	(2,836)		(76,789)
Plant and Buildings	(8,621,959)	(427,892)		(9,049,851)
Equipment	(3,342,711)	(337,068)		(3,679,779)
Infrastructure – mains, lines, etc	(12,893,241)	(544,677)		(13,437,918)
Motor vehicles	(130,891)	(8,530)		(139,421)
Total accumulated depreciation	(25,062,755)	(1,321,003)	0	(26,383,758)
Net capital assets	$17,722,661	$(334,774)	$ 0	$17,387,887

Depreciation expense for the year ended June 30, 2012 was charged to the following Business-type Activities:

Business-type Activities:	
Sewer Authority	$ 1,132,863
Water Supply Board	89,688
Smithfield Ice Rink	93,319
School Lunch Program	5,133
Total	$ 1,321,003

(CONTINUED)

6. DUE FROM FEDERAL AND STATE GOVERNMENTS

Due from/to federal and state governments represent balances on contracts and grants as well as for services provided and consisted of the following at June 30, 2012:

	Due From	Due To
General Fund:		
State of Rhode Island – Department of Education	$ 20,967	$ 0
School Unrestricted Fund:		
State of Rhode Island – Department of Education	103,162	0
State of Rhode Island – EDS – Medicaid Funding	70,915	0
Other Non-Major Governmental Funds:		
State of Rhode Island – Department of Education	392,063	0
State of Rhode Island – various departments	161,867	13,393
School Cafeteria Fund:		
State of Rhode Island	9,114	0
Total all fund types	$ 758,088	$ 13,393

7. LONG-TERM DEBT

(a) General

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

The Rhode Island General Laws provide that no Town shall, without special statutory authority, incur any debt which would increase its aggregate indebtedness beyond three (3%) percent of the taxable property of the Town. Tax anticipation notes are not included in the computation of the legal debt limit. Debt may be incurred in excess of the three percent limit with the approval of the State Director of Administration. At June 30, 2012 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, 2012 the three (3%) debt limit of the Town was approximately $80,710,800 based on the net assessed value of property at December 31, 2010 of $2,690,360,200.

At June 30, 2012 the Town had a total of $6,390,000 in authorized, unissued debt consisting of the following:

• Town Hall Renovation – Chapter 27 PL 1987	$ 240,000
• Sewer – Chapter 519 PL 1986	650,000
• Water – Chapter 32 PL 1989	3,000,000
• Land for School, Library and related purposes – Chapter 421 PL 2006	1,500,000
• Land for School, Library and related purposes – Chapter 30 PL 2006	1,000,000
Total Authorized, Unissued Debt	$ 6,390,000

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7. LONG-TERM DEBT (Continued)

(b) At June 30, 2012, the Town's long-term debt outstanding and activity consisted of the following:

Description	Date Issued	Original Principal	Maturity Date	Interest Rate	Outstanding June 30, 2011	Additions	Retirements	Outstanding June 30, 2012	Due Within One Year
Governmental Activities:									
General obligation bonds:									
Capital Improvement Bond 1997	06/15/97	$ 9,160,000	04/15/16	4.55% - 6.5%	$ 2,000,000		$2,000,000	$ 0	$ 0
Capital Improvement Bond 2003	06/25/03	8,600,000	10/15/24	2.5% - 5.0%	3,520,000		2,975,000	545,000	275,000
School Improvement 2011 Series A.....	01/15/11	6,270,000	01/15/31	3.0% - 4.0%	6,270,000		105,000	6,165,000	110,000
School Improvement 2011 Series B.....	01/15/11	1,380,000	01/15/16	1.25% - 2.4%	1,380,000		280,000	1,100,000	275,000
Refunding Bond 2012 Series A.....	05/30/12	4,520,000	10/15/23	2.05%		$ 4,520,000	0	4,520,000	485,000
Capital Improvement Taxable Series B	05/30/12	5,000,000	05/15/27	4.39%		5,000,000	0	5,000,000	35,000
Total general obligations bonds		$34,930,000			13,170,000	9,520,000	5,360,000	17,330,000	1,180,000
Lease Purchase obligations:									
Lease Participation Certificate	10/15/03	$ 7,350,000	10/15/14	1.1% - 5.0%	1,665,000	0	810,000	855,000	855,000
Fire equipment lease	07/13/06	335,000	07/31/12	4.39%	103,978	0	50,873	53,105	53,105
Total lease purchase obligations		$ 7,685,000			1,768,978	0	860,873	908,105	908,105
Net Pension Obligation					2,263,973	1,713,223	0	3,977,196	0
Net OPEB Obligation					2,417,525	2,498,932	0	4,916,457	0
Compensated absences					3,703,908	603,946	0	4,307,854	250,000
Governmental Activities Long-Term Obligations					$23,324,384	$14,336,101	$6,220,873	$31,439,612	$2,338,105

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7. LONG-TERM DEBT (Continued)

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

Description	Date Issued	Original Principal	Maturity Date	Interest Rate	Outstanding June 30, 2011	Additions	Retirements	Outstanding June 30, 2012	Due Within One Year
Business Type Activities:									
General obligation bonds/notes:									
RI Clean Water Finance Agency	12/12/07	$ 850,000	09/01/22	1.492%	$ 700,000		$ 52,000	$ 648,000	$ 53,000
RI Clean Water Finance Agency	10/06/09	560,000	09/01/24	2.89%	525,000		34,899	490,101	35,000
RI Clean Water Finance Agency.....	06/28/12	4,000,000	09/01/32	.22% - 2.76%	0	$4,000,000	0	4,000,000	1,000
Total bonds obligations		$5,410,000			1,225,000	4,000,000	86,899	5,138,101	89,000
Compensated absences					89,193	3,860	0	93,053	35,000
Business-type activities, long-term liabilities					$1,314,193	$4,003,860	$86,899	$5,231,154	$124,000

(c) Advanced and Current Refundings and Defeased Debt

During the fiscal year ended June 30, 2012 the Town issued $4,520,000 of general obligation bonds for the refunding and advance refunding of the 1997 and 2003 Capital Improvement bonds. The proceeds of the refunding bonds were deposited into an irrevocable escrow trust. The trust is held by an independent trustee and is invested in obligations of the United States Government which mature and bear interest in such amounts and at such times as will be sufficient to pay the principal and interest of the defeased bonds upon maturity. Accordingly, the escrow trust fund, as well as the defeased bonds, are not reflected in the financial statements of the Town of Smithfield, Rhode Island at June 30, 2012. The advance refunding resulted in a reduction of total debt service payments of approximately $300,000 and a present value economic gain of approximately $256,000.

At June 30, 2012 the in-substance defeased bonds outstanding totaled $2,400,000 and were related to the advance refunding of the 2003 Capital Improvement Bond.

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7. LONG-TERM DEBT (Continued)

(d) Debt Service Requirements

The Town's future debt service requirements relating to outstanding bond obligations consist of the following and are planned to be raised through future property tax levies, fee assessments, and state aid for school housing and improvements:

Year ending June 30:	Governmental Activities		Business-Type Activities		
	Principal	Interest	Principal	Interest	Total
2013	$ 2,088,105	$ 576,061	$ 89,000	$ 45,495	$ 2,798,661
2014	1,380,000	546,267	256,000	83,820	2,266,087
2015	1,380,000	509,351	259,000	82,273	2,230,624
2016	1,380,000	473,871	262,000	80,316	2,196,187
2017	975,000	441,042	266,000	78,015	1,760,057
2018 - 2022	4,990,000	1,721,924	1,398,000	340,972	8,450,896
2023 - 2027	4,525,000	829,190	1,196,101	230,761	6,781,052
2028 - 2032	1,520,000	152,000	1,160,000	106,201	2,938,201
2033	0	0	252,000	3,317	255,317
Total	$18,238,105	$5,249,706	$5,138,101	$1,051,170	$29,677,082

8. FUND EQUITY BALANCES

(a) Fund Balances

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

At June 30, 2012 ***Nonspendable Fund Balance*** consisted of the following:

MAJOR GOVERNMENTAL FUNDS:

General Fund:

Long-term portion of note receivable from the Greenville Public Library ..... $ 260,580

School Unrestricted Fund:

Prepaid expenditures ..... $ 72,363

(CONTINUED)

8. FUND EQUITY BALANCES (Continued)

(a) Fund Balances (Continued)

At June 30, 2012 ***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	$ 62,335
Capital Reserve Fund	124,671
Total General Fund	$187,006
NONMAJOR GOVERNMENTAL FUNDS:	
Special Revenue Funds:	
Document Preservation & Technology Upgrades	$ 86,047
Public Safety Programs	33,421
Historical Records	33,457
Scholarships	4,486
Senior Center Programs and Expansion	47,103
Capital Project Funds:	
Log Road Improvements	14,414
Permanent Funds:	
Cemetery Maintenance	63,626
Total Nonmajor Governmental Funds	$282,554

At June 30, 2012 ***Committed Fund Balance*** consisted of the following:

MAJOR GOVERNMENTAL FUNDS:	
General Fund:	
Capital expenditures carryover	$ 3,178,661
Re-appropriation of balances to 2013 expenditures	3,936,197
To supplement fiscal 2013 budget appropriation	1,156,744
Review Fees Fund	17,518
Other Post-Employment Benefits	876,140
Inspection Fee Fund	8,120
Total General Fund	$ 9,173,380
School Unrestricted Fund:	
Educational programs	$ 2,948,563

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8. FUND EQUITY BALANCES (Continued)

(a) Fund Balances (Continued)

At June 30, 2012 ***Committed Fund Balance*** consisted of the following (Continued):

NONMAJOR GOVERNMENTAL FUNDS:	
Special Revenue Funds:	
Animal Control	$ 20,517
Public Safety – Police	88,301
Municipal Contingencies	1,012,359
Retirement Payouts (compensated absences)	677,731
Property Revaluation	483,074
Public Safety – Capital and Operations	977,289
General Public Assistance	55,781
Capital Project Funds:	
Green Acres Land Acquisition	100,626
Open Space – Land Acquisition	318,325
Impact Fees – Capital Expenditures	413,613
Smithfield Historic Landmark	882
Middle School Improvements	5,124
Open Space and Recreation	4,537
Police Equipment	92,109
Water District Improvements	18,732
Handicap Accessibility	10,786
Special Capital Projects	100,633
Capital outlays	531,489
Land Trust	1,793,226
Total Nonmajor Governmental Funds	$6,705,134

At June 30, 2012 ***Assigned Fund Balance*** consisted of the following:

MAJOR GOVERNMENTAL FUNDS:	
General Fund:	
Supplement future tax appropriations	$3,655,987

During fiscal 2011 the Town Council voted to implement GASB Statement No. 54 and adopted a spending policy as part of the approval. The Town's spending policy specifies the use of restricted resources first when both restricted and unrestricted fund balances are available unless there are legal documents/contracts that prohibit it. Additionally, the Town uses committed fund balance followed by assigned and then unassigned when expenditures are incurred for purposes for which amounts are available in each category.

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8. FUND EQUITY BALANCES (Continued)

(b) Fund Deficits:

The following funds had deficit fund equity balances at June 30, 2012:

Nonmajor Governmental Funds:	
Fanning Lane Road Construction	$ 13,979
Salt Barn Property	992,896
Total Nonmajor Governmental Funds	$1,006,875

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

The following individual funds had deficits for the year ending June 30, 2012:

Business-Type Activities:	
School Lunch Program	$ 46,261
Non-major Governmental Funds:	
Special Revenue Funds:	
Animal Control Spay & Neuter	$ 451
Document Preservation & Technical Upgrade	41,224
EMA Radio	1,494
Municipal Contingency Escrow	299,599
Wal-Mart Grant	194
Retirement Escrow	187,782
Revaluation Escrow	34,226
Senior Center Memorial Donations	1,343
Senior Center Expansion Donations	3,604
Capital Project Funds:	
Fanning Lane Road Construction	13,979
Highway Drainage Fund	2,170
Impact Fees Fund	140,365
Land Acquisition Open Space Bond	44,709
Special Projects Fund	23,966
Capital Reserve Fund	99,347
Total deficits non-major governmental activities	$894,453

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9. INTERFUND BALANCES AND TRANSFERS

Interfund balances represent short-term advances from one fund (primarily the General Fund) to another fund. The advances may represent balances resulting from operating advances or reimbursement for expenditures paid by one fund on behalf of another fund or may simply be the result of pooling financial resources to maximize investment income. The composition of interfund balances at June 30, 2012 is as follows:

Governmental Funds:	Due From Other Funds	Due to Other Funds
Major Governmental Funds:		
General Fund	$4,077,499	$4,070,560
School Unrestricted Fund	3,197,302	0
Non-major Governmental Funds:		
Animal Control Fund	0	1,721
Animal Control Spay & Neuter	1,277	0
Bulletproof Vests Grant	0	1,625
Byrne Grant	0	3,990
Police Restricted Revenue Fund	90,819	0
Community Development Block Grants	0	18,040
Document Preservation & Tech Upgrades	5,805	0
Historical Records	1,002	0
Municipal Contingency Escrow	0	300,000
Operation Blue Riptide	0	2,487
Police Confiscated Funds	0	3,950
Tri Town III Police Grant	0	3,206
FDA Tobacco Compliance	0	240
Walmart Grant	423	0
Retirement Escrow	0	133,686
Revaluation Escrow	78	0
RI DOT Children Passenger Safety	0	2,379
RI DOT Click it or Ticket	0	2,326
Senior Center Grant	52,464	0
Smithfield Fire Rescue	0	347,375
Senior Center Memorial Donations	330	0
General Public Assistance	55,781	0
Senior Center Expansion Donations	0	2,542
School Restricted Funds	67,896	389,261
Fanning Lane Road Construction	0	77,587
Green Acres Acquisition	2,849	0
Land Acquisition Open Space Bond	318,325	0
Log Road Fund	14,414	0
Highway Drainage	0	2,211
Impact Fees Fund	0	226,427
Police Equipment	0	58,456
Special Projects Fund	0	14,100
Middle School Additions	5,124	0
Esmond Street Enhancement	9,663	0
Capital Reserve Fund	531,489	0
Land Trust Fund	75,304	0
Salt Barn Property	0	992,896
Total governmental funds	8,507,844	6,655,065

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9. INTERFUND BALANCES AND TRANSFERS (Continued)

	Due From Other Funds	Due to Other Funds
Proprietary Funds:		
Sewer Authority	0	1,299,248
Wastewater Fund	0	427,211
Internal Service Fund	0	155,793
School Lunch Program	30,828	1,355
Total proprietary funds	30,828	1,883,607
TOTAL ALL FUNDS	$ 8,538,672	$ 8,538,672

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, 2012 is as follows:

Transfer Out	General Fund	School Unrestricted Fund	Non-major Governmental Funds	Total Transfer Out
General Fund		$27,264,432	$477,600	$27,742,032
Enterprise Funds	$1,473,000			1,473,000
Nonmajor Governmental Funds	1,306,995		2,211	1,309,206
Total transfer in	$2,779,995	$27,264,432	$479,811	$30,524,238

10. DEFINED BENEFIT PENSION PLANS

(a) General Municipal Employees' Pension Plan

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

The payroll for employees covered by the System for the year ended June 30, 2012 was approximately $6,633,000 and the Town wide payroll was approximately $33,210,000.

Plan Description

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

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10. DEFINED BENEFIT PENSION PLANS (Continued)

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

Plan Description (Continued)

In November 2011, the State enacted The Rhode Island Retirement Security Act of 2011 (the Act) as described in S1111A and H6319A. The Act makes significant changes to the Employees Retirement System and becomes effective July 1, 2012. Two of the most significant changes resulting from the act are a change in structure from a defined benefit plan to a hybrid plan that includes a smaller defined benefit plan and a supplemental defined contribution plan. In addition, there was a re-amortization of the Unfunded Actuarial Accrued Liability to 25 years from the current 19 year schedule as of June 30, 2010.

Contributions Required and Contributions Made

General employees are required by State Statute to contribute 7 percent of their annual earnings until the maximum benefit (75 percent of final average salary) is accrued. The Town is required to contribute based on an actuarially computed amount and as provided by State Statute for each participating municipality. The actuarial method used is the entry age normal cost with part of each municipality's unfunded actuarial liability funded over a fixed amortization period and the balance funded over the projected future payroll of active members. Due to large fluctuations in the contribution rates of certain municipalities, the plan has adopted a procedure which would allow a unit the option of paying a smoothed contribution rate. The smoothed contribution rate equals the previous fiscal year's contribution rate plus the greater of 2 percent or one eighth of the increase in contribution rate plus the cost of any benefit improvements. The actuarially determined contribution amount for the Town was determined as described above and was based on an actuarial valuation as of June 30, 2009.

The annual required contribution for the Town which equals the annual pension cost for the year ended June 30, 2012 was approximately $456,500 for general employees (Town $257,600 and School Department $198,900). This employer contribution represents 7.43% of covered payroll for Town employees and 6.42% for School Department personnel. General municipal employees were required to contribute approximately $459,600 which represents 7% of covered payroll for fiscal 2012.

The most significant change in assumptions noted in the June 30, 2011 actuarial valuation report was the re-amortization of the Unfunded Actuarial Accrued Liability to 25 years from the 19 year schedule as of June 30, 2010. There were no other current year changes in actuarial assumptions, benefit provisions, or the actuarial funding method that would significantly affect the contribution requirement. Significant actuarial assumptions and other actuarial information are presented at the end of this note disclosure.

Trend Information

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2010	$373,000	100%	$0
2011	$360,300	100%	$0
2012	$456,500	100%	$0

Trend information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented in the State of Rhode Island's Employee Retirement System's June 30, 2011 annual financial report, which may be obtained from the administrative offices of the State of Rhode Island Retirement Board, 50 Service Ave, Warwick, Rhode Island. This report is the most recent report available from the State, who administers the Plan.

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10. DEFINED BENEFIT PENSION PLANS (Continued)

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

Funded Status of Plan

The required supplementary information which follows the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Listed below are the details of the funding progress of the General Municipal Employees' Pension Plan with a valuation date of June 30, 2011 which is the most recent report available from the State who administers this plan. This information is comprised of the Town of Smithfield Plan unit number 1472 and 1473, and Town of Smithfield Cola Plan unit number 1478.

- Actuarial value of assets - $23,019,787
- Actuarial accrued liability - $23,924,610
- Unfunded actuarial accrued liability (UAAL) - $904,823
- Funded Ratio – 96.2%
- Annual covered payroll - $6,884,885
- UAAL as percentage of payroll – 13.1%

(b) Municipal Police Pension Plan

The Town of Smithfield participates in the Municipal Employees' Retirement System of the State of Rhode Island ("System"), an agent multiple employer defined benefit plan. The System includes a normal plan for general employees and both a normal and optional plan for police and firemen. Effective fiscal 2000 new hires of the Town of Smithfield's Police Department participate in the plan and effective July 1, 2006 all active police officers were transferred into the System.

The payroll for police department employees covered by the System for the year ended June 30, 2012 was approximately $2,687,000, and the Town wide payroll was approximately $33,210,000.

Plan Description

Members of the police plan may retire at or after age 55 with credit for at least 10 years of service or at any age with credit for 25 or more years of service. Members may retire and receive a reduced benefit if they are at least age 50 and have at least 20 years of service. The Town of Smithfield has adopted COLA Plan C and the "20-year" optional Police & Fire Plan. Accordingly, the members must contribute an additional 2% contribution to the plan and the member may retire at any age with 20 or more years of service. Members with at least 10 years of service, had achieved age 45, and had a retirement age prior to age 52 as of June 30, 2012 may retire at age 52. Monthly benefits to members of the police plan are calculated at 2% of the member's final average compensation (FAC) for each year of service up to 37.5 years (75% of FAC maximum). Since the Town adopted the 20-year retirement provisions prior to July 1, 2012, if a member had attained 20 years of service prior to July 1, 2012 then the member's monthly benefit is 2.5% of the member's FAC for each year of service prior to July 1, 2012.

Final average salary is the three highest consecutive years of earned salary exclusive of overtime, bonuses or severance pay. The plan also provides non-occupational disability benefits after 5 years of service, occupational disability benefits with no minimum service requirement, survivors' benefits, and certain lump sum death benefits.

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10. DEFINED BENEFIT PENSION PLANS (Continued)

(b) Municipal Police Pension Plan (Continued)

Contributions Required and Contributions Made

Police personnel are required by State Statute to contribute 9 percent until the maximum benefit (75 percent of final average salary) is accrued. The Town is required to contribute based on an actuarially computed amount and as provided by State Statute for each participating municipality. The actuarial method used is the entry age normal cost with part of each municipality's unfunded actuarial liability funded over a fixed amortization period and the balance funded over the projected future payroll of active members. Due to large fluctuations in the contribution rates of certain municipalities, the plan has adopted a procedure which would allow a unit the option of paying a smoothed contribution rate. The smoothed contribution rate equals the previous fiscal year's contribution rate plus the greater of 2 percent or one eighth of the increase in contribution rate plus the cost of any benefit improvements. The actuarially determined contribution amount for the Town was determined as described above and was based on an actuarial valuation as of June 30, 2009.

The annual required employer contribution for the Town which equals the annual pension cost for the year ended June 30, 2012 was approximately $537,800. This contribution represented 20.38% of covered payroll. Employees were required to contribute approximately $237,500. This employee contribution represents 9% of covered payroll.

The most significant change in assumptions noted in the June 30, 2011 actuarial valuation report was the re-amortization of the Unfunded Actuarial Accrued Liability to 25 years from the 19 year schedule as of June 30, 2010. There were no other current year changes in actuarial assumptions, benefit provisions, or the actuarial funding method that would significantly affect the contribution requirement. Significant actuarial assumptions and other actuarial information are presented at the end of this note disclosure.

Trend Information

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2010	$548,600	100%	$0
2011	$549,200	100%	$0
2012	$537,800	100%	$0

Trend information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented in the State of Rhode Island's Employee Retirement System's June 30, 2011 annual financial report, which may be obtained from the administrative offices of the State of Rhode Island Retirement Board, 50 Service Ave, Warwick, Rhode Island. This report is the most recent report available from the State, who administers the Plan.

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 Municipal Police Pension Plan with a valuation date of June 30, 2011, which is the most recent report available from the State who administers this plan.

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10. DEFINED BENEFIT PENSION PLANS (Continued)

(b) Municipal Police Pension Plan (Continued)

Funded Status of Plan (Continued):

- Actuarial value of assets - $9,109,231
- Actuarial accrued liability - $8,376,120
- Unfunded actuarial accrued liability (UAAL) – ($733,111) funding excess
- Funded Ratio – 108.8%
- Annual covered payroll - $2,602,473
- UAAL as percentage of payroll – (28.2%)

(c) Municipal Fire Pension Plan

The Town of Smithfield participates in the Municipal Employees' Retirement System of the State of Rhode Island ("System"), an agent multiple employer defined benefit plan. The System includes a normal plan for general employees and both a normal and optional plan for police and firemen. Effective January 1, 2011 new hires of the Town of Smithfield's Fire Department participate in the System.

The payroll for fire department employees covered by the System for the year ended June 30, 2012 was approximately $52,500, and the Town wide payroll was approximately $33,210,000.

Plan Description

Members of the fire plan may retire at or after age 55 with credit for at least 10 years of service or at any age with credit for 25 or more years of service. Members may retire and receive a reduced benefit if they are at least age 50 and have at least 20 years of service. The Town of Smithfield has adopted the "20-year" optional Police & Fire Plan. Accordingly, the members must contribute an additional 1% contribution to the plan and the member may retire at any age with 20 or more years of service. Members with at least 10 years of service, had achieved age 45, and had a retirement age prior to age 52 as of June 30, 2012 may retire at age 52. Monthly benefits to members of the fire plan are calculated at 2% of the member's final average compensation (FAC) for each year of service up to 37.5 years (75% of FAC maximum). Since the Town adopted the 20-year retirement provisions prior to July 1, 2012, if a member had attained 20 years of service prior to July 1, 2012 then the member's monthly benefit is 2.5% of the member's FAC for each year of service prior to July 1, 2012.

Final average salary is the three highest consecutive years of earned salary exclusive of overtime, bonuses or severance pay. The plan also provides non-occupational disability benefits after 5 years of service, occupational disability benefits with no minimum service requirement, survivors' benefits, and certain lump sum death benefits.

Contributions Required and Contributions Made

Police personnel are required by State Statute to contribute 9 percent until the maximum benefit (75 percent of final average salary) is accrued. The Town is required to contribute based on an actuarially computed amount and as provided by State Statute for each participating municipality. The actuarial method used is the entry age normal cost with part of each municipality's unfunded actuarial liability funded over a fixed amortization period and the balance funded over the projected future payroll of active members. Due to large fluctuations in the contribution rates of certain municipalities, the plan has adopted a procedure which would allow a unit the option of paying a smoothed contribution rate. The smoothed contribution rate equals the previous fiscal year's contribution rate plus the greater of 2 percent or one eighth of the increase in contribution rate plus the cost of any benefit improvements. The actuarially determined contribution amount for the Town was determined as described above and was based on an actuarial valuation as of June 30, 2009.

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10. DEFINED BENEFIT PENSION PLANS (Continued)

(c) Municipal Fire Pension Plan (Continued)

The annual required employer contribution for the Town which equals the annual pension cost for the year ended June 30, 2012 was approximately $4,200. This contribution represented 8% of covered payroll. Employees were required to contribute approximately $4,200. This employee contribution represents 8% of covered payroll.

The most significant change in assumptions noted in the June 30, 2011 actuarial valuation report was the re-amortization of the Unfunded Actuarial Accrued Liability to 25 years from the 19 year schedule as of June 30, 2010. There were no other current year changes in actuarial assumptions, benefit provisions, or the actuarial funding method that would significantly affect the contribution requirement. Significant actuarial assumptions and other actuarial information are presented at the end of this note disclosure.

Trend Information

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2012	$4,200	100%	$0

Only 2012 information is provided as it is the first year of the Town's participation in the plan.

Trend information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented in the State of Rhode Island's Employee Retirement System's June 30, 2011 annual financial report, which may be obtained from the administrative offices of the State of Rhode Island Retirement Board, 50 Service Ave, Warwick, Rhode Island. This report is the most recent report available from the State, who administers the Plan.

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 Municipal Fire Pension Plan with a valuation date of June 30, 2011, which is the most recent report available from the State who administers this plan.

- Actuarial value of assets – N/A
- Actuarial accrued liability – N/A
- Unfunded actuarial accrued liability (UAAL) – N/A
- Funded Ratio – N/A
- Annual covered payroll – N/A
- UAAL as percentage of payroll – N/A

The plan did not become effective until July 1, 2011 and therefore the above information is not applicable as of June 30, 2011 which is the most recent information available.

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10. DEFINED BENEFIT PENSION PLANS (Continued):

The information which is presented in the required supplementary schedules was determined as part of the annual actuarial valuations at the dates indicated. Additional information as of the latest available actuarial valuation follows:

	General Municipal Employees Pension Plan		Municipal Police and Fire Pension Plan	
Valuation Date	6/30/11		6/30/11	
Actuarial Cost Method	Entry Age Normal Cost		Entry Age Normal Cost	
Amortization Method	Level Percent Closed – 25 year from June 30, 2010		Same as General Plan	
Remaining Amortization Period	24 years		24 years	
Asset Valuation Method	5-year Smoothed Market Value		5-Year Smoothed Market Value	
Actuarial assumptions:				
Investment rate of return	7.50%, compounded annually		7.50%, compounded annually	
Projected Salary Increases	4.0% to 8.0%, compounded annually		4.25% to 14.25%, compounded annually	
Inflation Adjustment	2.75% included in projected salary increases		Same as General Plan	
Cost-of-living Adjustments	2% per annum. Actual COLA based on five year Average investment rate of return less 5.5% & will range from 0% to 4%.		Same as General Plan	
Participant Information **(June 30, 2011)**.	Active Employees	161	Active Police Employees	41
	Retirees and beneficiaries	106	Police Retirees & beneficiaries	4
		267		45

Note: General Municipal and Police Employees have adopted COLA Plan C.
Fire and Police Employees have adopted the "20-year" optional plan.

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10. DEFINED BENEFIT PENSION PLANS (Continued)

(d) Teacher's Pension Plan

All Smithfield School Department certified school personnel participate in the Employees' Retirement System of the State of Rhode Island ("System"), a cost-sharing multiple-employer public employee retirement system. In addition to classified employees, the System covers substantially all employees of the State of Rhode Island. The payroll for employees covered by the System for the year ended June 30, 2012 was approximately $16,238,000. The School Department's total payroll was approximately $20,813,000. The Town wide payroll for the year ended June 30, 2012 was approximately $33,210,000.

Plan Description

The ERS was established under Section Two of Chapter 2334 of the Rhode Island Public Laws of 1951 and placed under the management of the Retirement Board for the purpose of providing retirement allowances for employees of the State of Rhode Island under the provisions of Chapters 8 to 10, inclusive, of Title 36, and public school teachers under the provisions of Chapters 15 to 17, inclusive, of Title 16 of the Rhode Island General Laws. The plan provides a two tier benefit structure referred to as schedules A and B as follows:

Schedule A Benefits: Schedule A benefits are available to members who possess 10 years or more of contributory service on or before July 1, 2005. Schedule A provides unreduced benefits of 1.7% of earnings for each of the first ten years of service; 1.9% for each of the next ten years of service; 3.0% per year for each of the next fourteen years; and 2% for the 35th year. 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 62 and a reduced amount thereafter. The reduced amount is equal to the benefit before age 62, including cost-of-living increases, minus the member's estimated social security benefit payable at age 62. The maximum benefit is 80% of "final average" (FAC) earnings after 35 years of service. Final average earnings are the three highest consecutive years of earned salary excluding overtime, bonuses, or severance pays. Such benefits are available to members at least age 60 with 10 years of service, or after 28 years at any age. On the third January after retirement, a cost-of-living increase of 3% (compounded annually) is provided independent of actual changes in the consumer price index. The plan also provides nonservice-connected disability benefits after five years of service; service-connected disability pensions with no minimum service requirements; vested benefits after ten years of service; survivor's benefits for service connected death; and certain lump sum death benefits. For Schedule A members who are not grandfathered, i.e., members who had at least 10 years of creditable service at June 30, 2005 but who were not eligible to retire on September 30, 2009, benefits are based on Schedule A for services through September 30, 2009 and on Schedule B for services after September 30, 2009. Maximum benefit is 80% of FAC.

Schedule B Benefits: Schedule B benefits are provided to members who have less than 10 years of contributory service on or before July 1, 2005. For Schedule B members, the plan provides unreduced benefits of 1.6% of earnings for each of the first ten years of service; 1.8% for each of the next ten years; 2.0% per year for years 21 through 25 inclusive; 2.25% per year for years 26 through 30 inclusive; 2.5% per year for years 31 through 37 inclusive and 2.25% for the 38th year. Only single life, and joint and survivor options are available. The maximum benefit is 75% of his or her average highest three years of compensation after 38 years of service. Such benefits are available to members at least age 65 with 10 years of service, or after 29 years of service and age 59. Actuarially reduced retirement is available at age 55 and 20 years of service, the benefit is reduced actuarially for each month that the age of the member is less than sixty-five years. On the month following the third anniversary date of the retirement, and on the month following the anniversary date of each succeeding year, a cost of living increase of 3% (compounded annually) or the percentage of increase in the Consumer Price Index for all Urban

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10. DEFINED BENEFIT PENSION PLANS (Continued)

(d) Teacher's Pension Plan (Continued)

Plan Description (Continued)

Consumers (CPI-U) as published by the United States Department of Labor Statistics, determined as of September 30 of the prior calendar year, whichever is less is provided for Schedule B members.

The ERS plan also provides a survivor benefit to public school teachers via a "Teachers Survivor Benefits Fund" in lieu of Social Security. The details of the survivor death benefits and other death benefits are provided in the financial section of the Annual Financial Report of the Employees' Retirement System of Rhode Island for the fiscal year ending June 30, 2011 which can be found at www.ersri.org.

In November 2011, the State enacted The Rhode Island Retirement Security Act of 2011 (the Act) as described in S1111A and H6319A. The Act makes significant changes to the Employees Retirement System and becomes effective July 1, 2012. Three of the most significant changes resulting from the act are a change in structure from a defined benefit plan to a hybrid plan that includes a smaller defined benefit plan and a supplemental defined contribution plan; re-amortization of the Unfunded Actuarial Accrued Liability to 25 years from the current 19 year schedule as of June 30, 2010; and teacher personnel not covered by Social Security will participate in additional defined contribution allocations equal to 2% member plus 2% employer.

Funding Policy

Rhode Island general laws set the contribution rates for participating plan employees at 9.5% of salary. Annual contributions by both employers and the State on behalf of those employees are determined by actuaries and assessed as percentage of participants' payroll. The School Department was required to contribute 13.23%, 11.25%, and 11.25% for all full-time certified employees for fiscal years 2012, 2011, and 2010, respectively. The required contributions include (a) normal costs; (b) payments to amortize the unfunded frozen actuarial accrued liability as of June 30, 1999 over 30 years; and (c) interest on the unfunded frozen actuarial liability. (As noted above, effective June 30, 2011 the amortization period has been revised to be 25 years from June 30, 2010.) Normal cost is determined using the entry age normal cost method with frozen initial liability. A variety of significant actuarial assumptions are used to determine the standardized measure of the pension benefit obligation and these assumptions are summarized below:

(a) ***Mortality*** – RP-2000 Combined Mortality Tables
(b) ***Investment return*** – 7.5 percent, compounded annually.
(c) ***Salary increase*** - Salaries will increase at a rate of 4.0 – 12.75 percent, compounded annually.
(d) ***Retirement age*** – 75% of Schedule B members who reach the age of 59 with 29 years of service before age 65 are assumed to retire when first eligible. 75% of other members are expected to retire when first eligible, at age 65 with 10 years of service. Because of enactment of Article 7 in 2009, the retirement assumption was modified for members not eligible for retirement by October 1, 2009. Members who would have been assumed to retire prior to age 62 under the rules in effect before the enactment of Article 7 are assumed to retire when first eligible for an unreduced benefit under Article 7.
(e) ***Cost of living adjustments*** – 2.0%

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10. DEFINED BENEFIT PENSION PLANS (Continued)

(d) Teacher's Pension Plan (Continued)

As prescribed by Rhode Island general law, the State pays the entire portion of the annual required contribution attributable to the costs of contributions deferred by the State in prior years plus 40% of contributions assessed to employers on payroll not reimbursable through Federal programs. For fiscal year 2012, actuarial required contributions were 22.32% of the participant's salary. This resulted in contribution rates paid by the State on behalf of the School Department of 9.09% of non-federally reimbursable payrolls totaling $1,431,474 for the fiscal year ended June 30, 2012. The School Department contributed the remaining 13.23% of the required 22.32%.

The School Department does not have any investments or related party investments with the State Plan. The School Department's contributions for the year ended June 30, 2011 represented approximately 1.7% of total contributions required of all participating local employers for the fiscal year ended June 30, 2011 (latest available information).

The amounts contributed to the plan were as follows:

Years Ending June 30,	Employee	Town's Portion of Annual Required Contributions	Percentage Contributed
2012	$1,564,800	$2,214,000	100%
2011	$1,573,000	$1,906,800	100%
2010	$1,586,300	$2,013,700	100%

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

Trend information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented in the State of Rhode Island's Employee Retirement System's June 30, 2011 annual financial report, which may be obtained from the administrative offices of the State of Rhode Island Retirement Board, 50 Service Ave, Warwick, Rhode Island. This report is the most recent report available from the State, who administers the Plan.

(e) Police Pension Trust (a Fiduciary Fund)

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

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

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10. DEFINED BENEFIT PENSION PLANS (Continued)

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

For the fiscal year ended June 30, 2012 the Town contributed $1,048,000 to this plan. The actuarial determined annual required contribution for the year ended June 30, 2012 was $1,894,932. 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, 2012.

The Town's annual pension cost (APC) and net pension obligation (NPO) for the police pension trust fund as of and for the year ended June 30, 2012 was as follows:

Annual Required Contribution (ARC)	$1,894,932
Interest on NPO	(115,970)
Amortization of NPO	147,215
Annual Pension Cost	1,926,177
Actual contributions made	1,048,000
Increase in NPO	878,177
NPO (asset) at beginning of year	(1,364,352)
Net Pension Obligation, June 30, 2012	($ 486,175)

The net pension obligation noted above represents a net pension obligation asset at June 30, 2012 and is recorded in the government-wide statement of net assets. This net pension obligation asset is netted against the net pension benefit obligation of the Town's Fire Pension Trust Fund due to the fact that both obligations are related to pension plans administered by the Town through a private insurer.

Trend Information

Fiscal Year Ending	Town Contributions	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2012	$1,048,000	$1,926,177	54.4%	($486,175)
6/30/2011	$1,048,000	$1,972,824	53.1%	($1,364,352)

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

Funded Status of Plan

The required supplementary information which follows the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Listed below are the details of the funding progress of the Retirement Plan for Former Employees of the Police Department of the Town of Smithfield with a valuation date of July 1, 2012.

Actuarial value of assets - $4,151,787	Actuarial Accrued Liability (AAL) - $24,708,082
Unfunded AAL - $20,556,295	Funded Ratio – 16.8%
Covered Payroll – N/A	Unfunded AAL as % of Payroll – N/A

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10. DEFINED BENEFIT PENSION PLANS (Continued)

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

The actuarial methods and assumptions utilized for the valuation of the police pension fund as of a valuation date of July 1, 2012 were as follows (unaudited):

Valuation interest rate	7.75%
Mortality tables	RP-2000 Mortality Table
Plan Administrative Expenses	4% increase from prior year
Actuarial Cost Method	Unit Credit Method
Asset Valuation Method	IPG assets at book value all other at market
Amortization period	Level dollar amount over 20-year period starting July 1, 2012

(f) Fire Pension Trust (a Fiduciary Fund)

Plan Description

Fire Department employees hired prior to July 1, 2011 are covered under a single employer defined benefit pension plan which is administered by a private insurer. Plan participation commences on the first day of the month following the date the employee is hired. At July 1, 2012 the plan was comprised of 82 participants: 47 active; 4 terminated vested; 5 disabled; and 26 retirees and beneficiaries.

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

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

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

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10. DEFINED BENEFIT PENSION PLANS (Continued)

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

Contributions Required and Contributions Made

The payroll for employees covered under this Town administered fire pension plan for the year ended June 30, 2012 was approximately $2,878,900 and the Town wide payroll was approximately $33,210,000. At June 30, 2012 the plan included 82 participants which were comprised of the following: 47 active participants; 4 terminated and vested participants; 5 disabled participants; and 26 retirees and beneficiaries.

Police personnel are required by the plan document and contractual obligations to contribute 8% of their base earnings, not including overtime pay. The collective bargaining agreement between the Town and fire department personnel provides that the Town will contribute no more than 19.6% of the covered fire department to the plan. During the year ended June 30, 2012 total contributions to the plan were approximately $779,000 which was comprised of employee contributions totaling approximately $225,800 and employer contributions of approximately $553,200.

The annual required contribution (ARC) for the Town for the fiscal year ended June 30, 2012 was $1,477,037 for fire personnel covered by this Town administered plan. As noted above the Town's contribution to the plan was approximately $553,200 or 37.5% of the ARC.

The Town's annual pension cost (APC) and net pension obligation (NPO) for the fire pension trust fund as of and for the year ended June 30, 2012 was as follows:

Annual Required Contribution (ARC)	$1,477,037
Interest on NPO	294,639
Amortization of NPO	(383,409)
Annual Pension Cost	1,388,267
Actual contributions made	553,221
Increase in NPO	835,046
NPO at beginning of year	3,628,325
Net Pension Obligation, June 30, 2012	$4,463,371

The net pension obligation noted above represents a net pension obligation (long-term obligation) at June 30, 2012 and is recorded in the government-wide statement of net assets. This net pension obligation has been netted against the NPO Asset of the Police Pension Trust Fund due to the fact that both obligations are related to pension plans administered by the Town through a private insurer.

Trend Information

Fiscal Year Ending	Town Contributions	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2012	$553,221	$1,388,267	39.8%	$4,463,371
6/30/2011	$570,359	$1,504,353	37.9%	$3,628,325
6/30/2010	$570,270	$1,385,873	41.2%	$2,694,331

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10. DEFINED BENEFIT PENSION PLANS (Continued)

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

Funded Status of Plan

The required supplementary information which follows the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Listed below are the details of the funding progress of the Town administered Fire Department Pension Plan for the Town of Smithfield with a valuation date of July 1, 2012.

Actuarial value of assets - $14,054,671	Actuarial Accrued Liability (AAL) - $20,931,277
Unfunded AAL - $6,876,606	Funded Ratio – 67.1%
Covered Payroll – $2,413,424	Unfunded AAL as % of Payroll – 284.9%

The actuarial methods and assumptions utilized for the valuation of the Town administered Fire Department Pension Plan as of a valuation date of July 1, 2012 were as follows (unaudited):

Valuation interest rate	8.5%
Mortality tables	RP-2000 Mortality Table
Compensation increase rate	5.5% per annum
Retirement age	65% 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	19 years
Asset Valuation Method	IPG assets at book value all others at market

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

11. OTHER POST EMPLOYMENT BENEFITS

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 are accounted for on a pay-as-you go basis as the Town has not yet established a OPEB Trust Fund. The benefits included in these contracts are for continued full family or individual health care for employee groups as described below. Retiree medical coverage is only to age 65, while dental coverage continues post-65. 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.

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11. OTHER POST EMPLOYMENT BENEFITS (Continued)

The benefits, by employee group are described below:

Town Employees (all departments)

Eligibility for these benefits is upon retirement of the employee after 20 years of service or any years of service when retirement is the result of accidental disability. 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 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, 2012 there were approximately 560 participants included in the valuation analysis completed by the Town's actuary. The participants consisted of the following: 198 Town employees including Smithfield Ice Rink and Water Fund (151 active and 47 retirees and spouses); 362 School employees (309 active and 53 retirees and spouses).

Funding Policy

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

The ARC for the fiscal year ended June 30, 2012 was calculated as follows:

Past service cost	$ 1,790,088
Normal cost	1,196,655
Interest	51,818
ARC for fiscal year ended June 30, 2012	$3,038,561

The ARC was allocated as follows: $2,557,671 to the Town Departments and $480,890 to the School Department.

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11. OTHER POST EMPLOYMENT BENEFITS (Continued)

Funding Policy (Continued)

The Town and School Department pays for other post-employment benefits in a pay-as-you-go basis. For the fiscal year ended June 30, 2012 these pay-as-you-go benefits were estimated to be $1,342,124 which consisted of approximately $787,803 for Town personnel and $554,321 for School personnel. The estimated pay-as-you-go benefits represented 44.2% of the ARC for fiscal 2012. The Town is deemed to have funded approximately 31% of the ARC while the School Department funded approximately 115% of the ARC.

The Town's annual OPEB cost and net OPEB obligation (NOO) as of and for the year ended June 30, 2012 was as follows:

Annual Required Contribution (ARC)	$3,038,561
Interest on NOO	114,927
Adjustment to ARC	(178,535)
Annual OPEB Cost	2,974,953
Actual contributions made	1,342,124
Increase in NOO	1,632,829
Change in estimate for beginning NOO	866,103
NOO at beginning of year (original estimate)	2,417,525
Net OPEB Obligation, June 30, 2012	$4,916,457

The net OPEB obligation noted above is reported as a long-term obligation in the Government-Wide Statement of Net Assets at June 30, 2012. During the fiscal year ended June 30, 2012 the Town's actuary made some revisions to the assumptions and previous OPEB valuation reports. The change in assumptions related to the funding of the OPEB Plan and assumed rates of interest. As a result of these revisions the estimated NOO as of June 30, 2011 was increased by $866,103. Due to the fact that the change in the obligation was the result of a change in estimate and assumptions, the increase in the obligation was reported as a fiscal 2012 expense in the Government-wide Statement of Activities.

As of June 30, 2012 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 Assets rather than in the Business Activities and the Fund Statements of the Proprietary Funds.

Trend Information

Fiscal year	Annual OPEB Cost	% of OPEB Contributed	Net OPEB Obligation	Covered Payroll
2010	$2,337,207	58.1%	$1,853,617	$32,276,437
2011	$2,894,923	50.6%	$3,283,628	$32,311,568
2012	$2,974,953	45.1%	$4,916,457	$33,209,399

(CONTINUED)

11. OTHER POST EMPLOYMENT BENEFITS (Continued)

Funded Status of Plan

The required supplementary information which follows the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Listed below are the details of the funding progress of the OPEB Plan with a valuation date of July 1, 2011 which is the most recent report available from the Town of Smithfield's Actuary.

- Actuarial value of assets - $0
- Accrued liability - $35,141,509
- Unfunded accrued liability (UAL) - $35,141,509
- Funded Ratio – 0%
- Annual covered payroll – $33,209,399
- UAL as percentage of payroll – 105.82%

Actuarial Assumptions

The following actuarial assumptions were utilized in completing the actuarial valuation as of June 30, 2012:

a. **Actuarial Method:** Projected Unit Credit attributed to benefit eligibility.
b. **Interest Rate:** 3.5% (previous valuations utilized a 5% rate)
c. **Mortality Rates:** The RP-2000 Combined Healthy Fully Generational table. For the period after disability retirement, the RP-2000 Combined Healthy Fully Generational table set forward 2 years is used.
d. **Amortization Period:** 30 year level dollar, open basis.
e. **Participation:** 100% for future retirees of all non-school employees. For School employees, 100% for future retirees expecting to receive full coverage and 85% for future retirees without full coverage.
f. **Medical Care Inflation:** Ranges from 9.0% in 2012 to 4.5% in 2021 and after.
    - Inflation rate represents the premium increases from July 1st annually.
    - For School retirees hired before June 20, 1989 who did not meet the age or length of service requirements their benefits are frozen at the time of retirement and the employee is required to cover all rate increases. Accordingly, there is no post-retirement inflation adjustment for these personnel.

12. DEFERRED COMPENSATION PLAN

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

(CONTINUED)

13. 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, 2012 management does not believe that there are any incurred but not reported claims that are required to be accrued in the Fund Statements of the Government-Wide Statement of Net Assets.

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, 2012, the Town paid premiums of approximately $160,000 and $250,000, for its workers' compensation and property and liability coverage, respectively. At June 30, 2012 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, 2012 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 Assets.

(CONTINUED)

14. COMMITMENTS AND CONTINGENCIES

Liabilities for legal cases and other claims against governmental funds are recorded in the governmental funds when the ultimate liability can be estimated and such cases are expected to be settled with available expendable financial resources. At June 30, 2012 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 Assets at June 30, 2012 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.

15. RESTATEMENT

Net Assets of the Business-Type Activities have been restated as of June 30, 2011 to reflect the implementation of GASB Statement #61 – *The Financial Reporting Entity.* Implementation of this Standard resulted in the removal of the Net Assets of the Greenville Public Library, East Smithfield Public Library, and the East Smithfield Neighborhood Center. These entities were reported as component units as of and for the fiscal year ended June 30, 2011. However, it was determined that these separate legal entities do not meet the requirements to be reported as a component unit of the Town of Smithfield as of June 30, 2012. The following reflects the effect of implementation of GASB Statement #61:

Net Assets - Business-Type Activities, June 30, 2011	$25,364,480
Less: Net Assets, Greenville Public Library	1,904,139
Less: Net Assets, East Smithfield Public Library	439,267
Less: Net Assets, East Smithfield Neighborhood Center	1,714
Net Assets - Business-Type Activities, June 30, 2011 as restated	$23,019,360

In addition to the restatement noted above, certain fund balance amounts reported for the Governmental Funds have been reclassified to properly reflect the Fund classification based on the implementation of GASB Statement #54 which became effective for the fiscal year ended June 30, 2011. This reclassification did not impact the total fund balance of the Governmental Funds rather it changes the classification of fund balance between major funds and non-major funds.

(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, 2012

	Original Budget	Revised Budget	Carryover of Prior Year Balance	Final Budget	Actual Revenues	Positive (Negative) Variance
General property taxes						
Property taxes	$ 48,664,778	$ 48,664,778	$ -	$ 48,664,778	$ 49,180,933	$ 516,155
Total general property taxes	48,664,778	48,664,778	-	48,664,778	49,180,933	516,155
Intergovernmental revenues						
State aid for education	4,742,584	4,742,584	-	4,742,584	4,734,817	(7,767)
Federal revenue - SFSF	223,988	223,988	-	223,988	227,297	3,309
School housing aid	250,000	250,000	-	250,000	319,778	69,778
Payment-in-Lieu of taxes	444,580	444,580	-	444,580	558,237	113,657
State hotel and meals tax	522,939	522,939	-	522,939	669,119	146,180
Motor vehicle phase-out	281,936	281,936	-	281,936	274,622	(7,314)
Other federal and state grants	-	-	-	-	79,252	79,252
Public utilities tax	223,182	223,182	-	223,182	241,202	18,020
Total intergovernmental revenues	6,689,209	6,689,209	-	6,689,209	7,104,324	415,115
Licenses, fees and permits	460,000	460,000	-	460,000	844,967	384,967
Interest income:						
Interest - short-term investments	100,000	100,000	-	100,000	31,418	(68,582)
Interest on taxes	240,000	240,000	-	240,000	336,960	96,960
Total interest income	340,000	340,000	-	340,000	368,378	28,378
Departmental revenue:						
School department	350,000	350,000	-	350,000	360,844	10,844
Miscellaneous	92,000	92,000	-	92,000	69,648	(22,352)
Total departmental revenues	442,000	442,000	-	442,000	430,492	(11,508)
Total revenues before other financing sources	56,595,987	56,595,987	-	56,595,987	57,929,094	1,333,107
Other financing sources						
Appropriated fund balance	850,000	850,000	2,492,361	3,342,361	3,342,361	-
RUBS budgeted for capital and operations	1,115,000	1,115,000	-	1,115,000	1,115,000	-
Transfer from other funds	3,381,500	3,381,500	-	3,381,500	2,779,995	(601,505)
Total other financing sources	5,346,500	5,346,500	2,492,361	7,838,861	7,237,356	(601,505)
Total revenue and other financing sources	61,942,487	61,942,487	2,492,361	64,434,848	65,166,450	731,602

(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, 2012

	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	726,624	101,350	827,974	838,717	119,576	958,293	(130,319)
Building Inspectors Office	302,805	-	302,805	215,235	-	215,235	87,570
Tax Assessor's Office	203,879	-	203,879	173,127	-	173,127	30,752
Treasurer / Tax Collectors Office	464,757	-	464,757	526,864	-	526,864	(62,107)
Town Clerks Office	273,950	-	273,950	242,190	-	242,190	31,760
Town Hall expense	195,700	46,314	242,014	137,165	53,436	190,601	51,413
Municipal Planners Office & Town Engineer	341,112	252,365	593,477	278,006	285,178	563,184	30,293
Board of Canvassers/Elections	9,400	-	9,400	9,722	-	9,722	(322)
Conservation Commission/Green Acre	17,000	-	17,000	14,150	-	14,150	2,850
Town Boards and Commissions	29,830	-	29,830	16,368	-	16,368	13,462
Total General Government	2,565,057	400,029	2,965,086	2,451,544	458,190	2,909,734	55,352
Public Safety:							
Police Department	4,431,763	-	4,431,763	4,438,760	-	4,438,760	(6,997)
Fire Department	4,481,601	-	4,481,601	4,642,255	-	4,642,255	(160,654)
Animal Control	117,078	-	117,078	112,000	-	112,000	5,078
Civil Defense	8,497	3,726	12,223	8,537	4,299	12,836	(613)
Total Public Safety	9,038,939	3,726	9,042,665	9,201,552	4,299	9,205,851	(163,186)
Public Works:							
Payroll and operating expense	1,371,195	32,320	1,403,515	1,146,508	18,159	1,164,667	238,848
Rubbish and garbage collection	995,000	-	995,000	962,254	-	962,254	32,746
Street lights	261,000	-	261,000	266,196	-	266,196	(5,196)
Hydrant service	185,000	93,066	278,066	190,065	88,001	278,066	-
Highway resurfacing	125,000	273,100	398,100	196,664	201,436	398,100	-
Highway drainage	50,000	111,309	161,309	9,967	151,342	161,309	-
Landfill program	250,000	143,635	393,635	227,676	165,959	393,635	-
Total Public Works	3,237,195	653,430	3,890,625	2,999,330	624,897	3,624,227	266,398
Public Health and Assistance:							
General Public Assistance	6,355	-	6,355	7,450	-	7,450	(1,095)
Total Public Health and Assistance	6,355	-	6,355	7,450	-	7,450	(1,095)

(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, 2012

	Original Budgeted Expenditures	Carryover of Prior Year Balance	Revised Budgeted Expenditures	Actual Expenditures	GAAP Reclass Budgetary Entries RUBS	Budget Basis Actual Expenditures	Positive (Negative) Variance
Recreation:							
Parks and Recreation Department	398,577	32,817	431,394	421,067	33,292	454,359	(22,965)
Debt Service:							
Redemption of Bonds and Notes	2,025,000	366,431	2,391,431	1,870,000	521,431	2,391,431	-
Financing cost and other use	-	2,632	2,632	12,028	2,332	14,360	(11,728)
Interest on Bonds and Notes	662,275	707,861	1,370,136	553,863	816,273	1,370,136	-
Total Debt Service	2,687,275	1,076,924	3,764,199	2,435,891	1,340,036	3,775,927	(11,728)
Miscellaneous - Town:							
Retirement Fund	2,522,000	-	2,522,000	2,436,103	-	2,436,103	85,897
Computer services	70,000	18,807	88,807	57,195	31,612	88,807	-
Technology coordinator	35,800	113,772	149,572	35,800	113,772	149,572	-
Computer operations	25,000	87,145	112,145	3,718	108,427	112,145	-
Social Security Taxes	930,000	-	930,000	885,181	-	885,181	44,819
Audit services	60,000	-	60,000	61,505	-	61,505	(1,505)
Unemployment Compensation	30,000	-	30,000	6,256	-	6,256	23,744
Insurance	500,000	-	500,000	593,510	-	593,510	(93,510)
Blue Cross/Delta Dental	3,550,000	-	3,550,000	3,522,676	-	3,522,676	27,324
Postage	42,000	-	42,000	26,956	-	26,956	15,044
Town aided programs	102,234	-	102,234	102,484	-	102,484	(250)
Greenville Library Capital Reimb	5,500	-	5,500	5,500	-	5,500	-
Sewer Assessments	2,000	91,096	93,096	930	92,166	93,096	-
Senior Activities Center	326,838	14,615	341,453	298,595	14,506	313,101	28,352
Handicapped Access	-	-	-	2,436	-	2,436	(2,436)
Reserve for Unpaid Taxes and Abatements	100,000	-	100,000	-	-	-	100,000
Capital Reserve	325,000	-	325,000	-	-	-	325,000
Total Miscellaneous - Town	8,626,372	325,435	8,951,807	8,038,845	360,483	8,399,328	552,479
Municipal Capital Improvements	944,000	-	944,000	762,173	-	762,173	181,827

(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, 2012

	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	27,264,432	-	27,264,432	27,264,432	-	27,264,432	-
School miscellaneous revenue	350,000	-	350,000	360,844	-	360,844	(10,844)
State aid for education	4,742,584	-	4,742,584	4,734,817	-	4,734,817	7,767
Federal revenue - SFSF	223,988	-	223,988	227,297	-	227,297	(3,309)
East Smithfield Neighborhood Center	19,979	-	19,979	19,979	-	19,979	-
East Smithfield Neighborhood Public Library	457,885	-	457,885	457,885	-	457,885	-
Greenville Public Library	729,849	-	729,849	729,849	-	729,849	-
Municipal Escrow	300,000	-	300,000	-	-	-	300,000
Post Employment Escrow	100,000	-	100,000	100,000	-	100,000	-
Revaluation Escrow	25,000	-	25,000	25,000	-	25,000	-
Merit Escrow	125,000	-	125,000	-	-	-	125,000
Retirement Escrow	50,000	-	50,000	50,000	-	50,000	-
Economic Corridor Evaluation	50,000	-	50,000	-	-	-	50,000
Transfer to Other Funds	-	-	-	228,830	-	228,830	(228,830)
Total transfers	34,438,717	-	34,438,717	34,198,933	-	34,198,933	239,784
Unused RUB appropriation available for 2013	-	-	-	-	1,115,000	1,115,000	(1,115,000)
Total Expenditures and other financing uses	61,942,487	2,492,361	64,434,848	60,516,785	3,936,197	64,452,982	(18,134)
Excess (deficiency) of revenues and other financing sources							
over (under) expenditures and other financing uses	$ -	$ -	$ -	$ 4,649,665	$ (3,936,197)	$ 713,468	$ 713,468

(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, 2012

Excess of revenues and other financing sources over expenditures and other financing uses, budgetary basis (Exhibit RSI-1)	$ 713,468
Less reappropriation of fund balance and prior year RUBS which are reported as revenue for budget purposes but not reported in accordance with GAAP.	(4,457,361)
Add amounts reported as expenditures for budget purposes but which represent RUBS for carryover to future years. These are not GAAP expenditures.	3,936,197
Add net increase in fund balance for the fiscal year ended June 30, 2012 for the following Funds which are not considered part of the General Fund for budgetary purposes but which are consolidated into the General Fund in accordance with GAAP and Governmental Accounting Standards Board Statement #54.	
Inspection Fees Fund	137
Review Fees Fund	5,241
Post Employment Escrow Fund	118,579
Excess of revenues and other financing sources over expenditures and other financing uses, GAAP basis (Exhibit B-2)	$ 316,261

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, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
State aid - Intergovernmental	$ 4,734,817	$ 4,734,817	$ 4,734,817	$ -
Education Jobs Funding - Intergovernmental	223,988	227,297	227,297	-
Medicaid, Tuition, and Miscellaneous	350,000	350,000	360,844	10,844
Total revenues	5,308,805	5,312,114	5,322,958	10,844
Expenditures:				
Salaries	20,180,968	19,994,525	19,840,424	154,101
Employee benefits	7,824,225	7,116,440	7,125,985	(9,545)
Purchased services	4,354,314	4,382,669	3,900,285	482,384
Supplies and materials	1,126,585	1,352,099	1,306,740	45,359
Other	31,130	34,495	32,379	2,116
Capital outlay	310,010	353,056	318,792	34,264
Total expenditures	33,827,232	33,233,284	32,524,605	708,679
Excess of revenues over (under) expenditures before other financing sources (uses)	(28,518,427)	(27,921,170)	(27,201,647)	719,523
Other financing sources (uses):				
Operating transfer from Town appropriation	26,814,432	26,814,432	26,814,432	-
Operating transfer from Town for capital	450,000	450,000	450,000	-
Use of June 30, 2011 fund balance	1,253,995	656,738	656,738	-
Total other financing sources (uses)	28,518,427	27,921,170	27,921,170	-
Excess of revenues and other financing sources over expenditures and other financing uses	$ -	$ -	$ 719,523	$ 719,523

Reconciliation of Budgetary Basis to GAAP Basis:

Excess of revenues and other financing sources over expenditures and other financing uses - Budgetary Basis (RSI-2)	$ 719,523
Less use of June 30, 2011 fund balance	(656,738)
Excess of revenues and other financing sources over expenditures and other financing uses - GAAP Basis (Exhibit B-2)	$ 62,785

TOWN OF SMITHFIELD, RHODE ISLAND

Required Supplementary Information
Schedule of Funding Progress For Pension Plans
June 30, 2012
UNAUDITED

		Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Funding Excess (Deficit)	Funded Ratio	Covered Payroll	Funding Excess (Deficit) as A percentage of Covered Payroll
General municipal employees pension plan	A	6/30/2006	$ 18,912,050	$ 17,786,263	$ 1,125,787	106.3%	$ 5,728,180	19.7%
		6/30/2007	$ 20,947,094	$ 19,690,529	$ 1,256,565	106.4%	$ 6,269,152	20.0%
		6/30/2008	$ 22,825,218	$ 21,713,420	$ 1,111,798	105.1%	$ 6,505,290	17.1%
		6/30/2009	$ 23,381,340	$ 23,635,519	$ (254,179)	98.9%	$ 6,589,627	-3.9%
		6/30/2010	$ 22,814,374	$ 28,267,632	$ (5,453,258)	80.7%	$ 6,655,421	-81.9%
		6/30/2011	$ 23,019,787	$ 23,924,610	$ (904,823)	96.2%	$ 6,884,885	-13.1%
Municipal police pension plan	A	6/30/2006	$ 753,241	$ 768,948	$ (15,707)	98.0%	$ 935,323	-1.7%
		6/30/2007	$ 2,300,407	$ 5,658,675	$ (3,358,268)	40.7%	$ 2,269,775	-148.0%
		6/30/2008	$ 3,379,943	$ 6,647,186	$ (3,267,243)	50.8%	$ 2,376,903	-137.5%
		6/30/2009	$ 4,219,709	$ 7,180,764	$ (2,961,055)	58.8%	$ 2,345,796	-126.2%
		6/30/2010	$ 8,029,314	$ 10,474,428	$ (2,445,114)	76.7%	$ 2,513,161	-97.3%
		6/30/2011	$ 9,109,231	$ 8,376,120	$ 733,111	108.8%	$ 2,602,473	28.2%
Municipal fire pension plan	A	6/30/2011	**The Town of Smithfield, Rhode Island entered into this plan effective July 1, 2011.**					
Town Administered former police employees pension plan	B	6/30/2007	$ 7,536,420	$ 19,663,020	$ (12,126,600)	38.3%	N/A	N/A
		6/30/2008	$ 5,629,265	$ 19,745,411	$ (14,116,146)	28.5%	N/A	N/A
		6/30/2009	$ 3,574,925	$ 19,943,328	$ (16,368,403)	17.9%	N/A	N/A
		6/30/2010	$ 2,476,804	$ 21,677,153	$ (19,200,349)	11.4%	N/A	N/A
		6/30/2011	$ 4,524,755	$ 22,525,995	$ (18,001,240)	20.1%	N/A	N/A
		6/30/2012	$ 4,151,787	$ 24,708,082	$ (20,556,295)	16.8%	N/A	N/A
Town Administered fire pension plan		6/30/2007	$ 14,635,156	$ 16,971,729	$ (2,336,573)	86.2%	$ 2,504,806	-93.3%
		6/30/2008	$ 12,908,897	$ 15,302,994	$ (2,394,097)	84.4%	$ 2,635,945	-90.8%
		6/30/2009	$ 9,793,908	$ 12,587,404	$ (2,793,496)	77.8%	$ 2,691,863	-103.8%
		6/30/2010	$ 10,862,060	$ 14,658,283	$ (3,796,223)	74.1%	$ 2,622,842	-144.7%
		6/30/2011	$ 13,291,142	$ 18,593,127	$ (5,301,985)	71.5%	$ 2,688,882	-197.2%
		6/30/2012	$ 14,054,671	$ 20,931,277	$ (6,876,606)	67.1%	$ 2,413,424	-284.9%

A - The information included in this schedule of funding progress was obtained from the annual actuarial valuation report of the State of Rhode Island's Employee Retirement System for each of the dates indicated. The June 30, 2011 report is the most recent report available as of the date of the audited financial statements. The State of Rhode Island's Employee Retirement System is currently in the process of compiling the information to complete the June 30, 2012 report.

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

TOWN OF SMITHFIELD, RHODE ISLAND

Required Supplementary Information
Schedule of Funding Progress OPEB Plan
June 30, 2012
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	6/30/2009	$ -	$ 26,277,277	$ (26,277,277)	0%	$ 31,424,385	83.6%
	6/30/2010	$ -	$ 26,748,967	$ (26,748,967)	0%	$ 32,276,437	82.9%
	6/30/2011	$ -	$ 31,168,449	$ (31,168,449)	0%	$ 32,311,568	96.5%
	6/30/2012	$ -	$ 35,141,509	$ (35,141,509)	0%	$ 33,209,399	105.8%

The unfunded actuarial accrued liability (UAAL) at June 30, 2012 is attributable to the following departments of the Town:

General Government - Town	$ 28,256,910
School Department	5,957,979
Water Department	602,932
Ice Rink	323,688
Total UAAL	$ 35,141,509

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, 2012	$ 2,476,320	$ 31,135	$ 50,216	$ 480,890	$ 3,038,561
Fiscal year ended June 30, 2011	$ 2,469,560	$ 18,552	$ 16,102	$ 426,616	$ 2,930,830

The information included in this schedule of funding progress was obtained from the actuarial valuation report dated November 2012 prepared by Buck Consultants, an ACS Company. This valuation report revised assumptions and the discount rate which resulted in revising amounts previously reported for June 30, 2011 and 2010.

TOWN OF SMITHFIELD

OTHER SUPPLEMENTARY INFORMATION

TOWN OF SMITHFIELD

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

- **Mann School Road Drainage**
- **Fanning Lane Road Construction**
- **Green Acres Acquisition Fund**
- **Highway Drainage**
- **Smithfield Historic Landmark**
- **Impact Fees**
- **Land Acq. Open Space Bond**
- **Log Road Fund**
- **Middle School Additions**
- **Open Space & Rec. Area**
- **Police Equipment**
- **Road Resurfacing 2007**
- **Esmond Street Enhancement**
- **Water District Improvement Fee**
- **Handicap Accessibility**
- **Special Projects Fund**
- **Capital Reserve Fund**
- **Land Trust Fund**
- **Salt Barn Property**

(CONTINUED)

TOWN OF SMITHFIELD

NONMAJOR GOVERNMENTAL FUNDS (Continued)

PERMANENT FUNDS

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

- **Cemetery Fund**

(CONCLUDED)

TOWN OF SMITHFIELD, RHODE ISLAND

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012

	SPECIAL REVENUE FUNDS							
	Active Shooter Training Fund	Animal Control Fund	Animal Control Spay & Neuter	Bulletproof Vest Grant	Byrne Grant	Police Restricted Revenue	CDBG	Document Preservation & Tech Upgrades
ASSETS								
Cash and cash equivalents		$ 22,384						$ 80,242
Investments								
Accounts and other receivable								
Due from federal & state governments				$ 1,625	$ 3,990		$ 24,556	
Prepaids								
Due from other funds			$ 1,277		-	$ 90,819	-	5,805
TOTAL ASSETS	$ -	$ 22,384	$ 1,277	$ 1,625	$ 3,990	$ 90,819	$ 24,556	$ 86,047
LIABILITIES								
Accounts payable						$ 2,518	$ 4,927	
Retainage payable								
Accrued liabilities		$ 1,423						
Due to federal & state governments								
Due to other funds		1,721		$ 1,625	$ 3,990		18,040	
Deferred revenue							1,589	
TOTAL LIABILITIES	$ -	3,144	$ -	1,625	3,990	2,518	24,556	$ -
FUND BALANCES								
Restricted	-	-	-	-	-	-	-	86,047
Committed	-	19,240	1,277	-	-	88,301		
Unassigned	-	-	-	-	-	-	-	-
TOTAL FUND BALANCES	-	19,240	1,277	-	-	88,301	-	86,047
TOTAL LIABILITIES AND FUND BALANCES	$ -	$ 22,384	$ 1,277	$ 1,625	$ 3,990	$ 90,819	$ 24,556	$ 86,047

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012

	SPECIAL REVENUE FUNDS								
	EMA Radio	Energy Conservation Block Grant	Fire Prevention	Historical Records	Municipal Contingency Escrow	Operation Blue Riptide	Police Confiscated Funds	Tri Town III Police Grant	FDA Tobacco Compliance
ASSETS									
Cash and cash equivalents	$ 5,230		$ 27,010	$ 32,455	$ 1,312,359		$ 17,343		
Investments									
Accounts and other receivable									
Due from federal & state governments						$ 2,487		$ 3,249	$ 240
Prepaids									
Due from other funds				1,002					
TOTAL ASSETS	$ 5,230	$ -	$ 27,010	$ 33,457	$ 1,312,359	$ 2,487	$ 17,343	$ 3,249	$ 240
LIABILITIES									
Accounts payable									
Retainage payable									
Accrued liabilities									
Due to federal & state governments							$ 13,393		
Due to other funds					$ 300,000	$ 2,487	3,950	$ 3,206	$ 240
Deferred revenue								43	
TOTAL LIABILITIES	$ -	$ -	$ -	$ -	300,000	2,487	17,343	3,249	240
FUND BALANCES									
Restricted	5,230	-	27,010	33,457		-	-		
Committed					1,012,359			-	-
Unassigned	-	-	-	-		-	-	-	-
TOTAL FUND BALANCES	5,230	-	27,010	33,457	1,012,359	-	-	-	-
TOTAL LIABILITIES AND FUND BALANCES	$ 5,230	$ -	$ 27,010	$ 33,457	$ 1,312,359	$ 2,487	$ 17,343	$ 3,249	$ 240

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012

	SPECIAL REVENUE FUNDS								
	Wal-Mart Grant	Retirement Escrow	Revaluation Escrow	RI DOH Alcohol Grant	RI DOH Tobacco Grant	RI DOT Children Passenger Safety	RI DOT Click it or Ticket	Scholarship Fund	Senior Center Grant
ASSETS									
Cash and cash equivalents		$ 867,327	$ 503,075					$ 4,486	
Investments									
Accounts and other receivable									
Due from federal & state governments						$ 2,379	$ 2,326		
Prepaids									
Due from other funds	$ 423		78						$ 52,464
TOTAL ASSETS	$ 423	$ 867,327	$ 503,153	$ -	$ -	$ 2,379	$ 2,326	$ 4,486	$ 52,464
LIABILITIES									
Accounts payable			$ 20,079						$ 100
Retainage payable									
Accrued liabilities		$ 55,910							8,461
Due to federal & state governments									
Due to other funds		133,686				$ 2,379	$ 2,326		
Deferred revenue									
TOTAL LIABILITIES	$ -	189,596	20,079	$ -	$ -	2,379	2,326	$ -	8,561
FUND BALANCES									
Restricted	423		-	-	-	-	-	4,486	43,903
Committed		677,731	483,074						
Unassigned	-		-	-	-	-	-	-	-
TOTAL FUND BALANCES	423	677,731	483,074	-	-	-	-	4,486	43,903
TOTAL LIABILITIES AND FUND BALANCES	$ 423	$ 867,327	$ 503,153	$ -	$ -	$ 2,379	$ 2,326	$ 4,486	$ 52,464

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012

	SPECIAL REVENUE FUNDS							
	Smithfield Fire Rescue	Senior Center Memorial Donations	Police Memorial Fund	General Public Assistance	Senior Center Expansion Donations	Tri Town II Police Grant	School Restricted Funds	Total Special Revenue Funds
ASSETS								
Cash and cash equivalents	$ 1,331,790		$ 758		$ 5,412			$ 4,209,871
Investments								-
Accounts and other receivable								-
Due from federal & state governments							$ 392,063	432,915
Prepaids								-
Due from other funds		$ 330		$ 55,781			67,896	275,875
TOTAL ASSETS	$ 1,331,790	$ 330	$ 758	$ 55,781	$ 5,412	$ -	$ 459,959	$ 4,918,661
LIABILITIES								
Accounts payable	$ 7,126							$ 34,750
Retainage payable								-
Accrued liabilities								65,794
Due to federal & state governments								13,393
Due to other funds	347,375				$ 2,542		$ 389,261	1,212,828
Deferred revenue							70,698	72,330
TOTAL LIABILITIES	354,501	$ -	$ -	$ -	2,542	$ -	459,959	1,399,095
FUND BALANCES								
Restricted	-	330	758	0	2,870	-	-	204,514
Committed	977,289	-	-	55,781	-	-	-	3,315,052
Unassigned	-	-	-	-	-	-	-	-
TOTAL FUND BALANCES	977,289	330	758	55,781	2,870	-	-	3,519,566
TOTAL LIABILITIES AND FUND BALANCES	$ 1,331,790	$ 330	$ 758	$ 55,781	$ 5,412	$ -	$ 459,959	$ 4,918,661

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012

	CAPITAL PROJECT FUNDS							
	Mann School Road Drainage	Fanning Lane Road Construction	Green Acres Acquisition Fund	Highway Drainage	Smithfield Historic Landmark	Impact Fees	Land Acq. Open Space Bond	Log Road Fund
ASSETS								
Cash and cash equivalents			$ 97,777	$ 2,211	$ 882	$ 640,040		
Investments								
Accounts and other receivable								
Due from federal & state governments		$ 64,031						
Prepaids								
Due from other funds			2,849	-			$ 318,325	$ 14,414
TOTAL ASSETS	$ -	$ 64,031	$ 100,626	$ 2,211	$ 882	$ 640,040	$ 318,325	$ 14,414
LIABILITIES								
Accounts payable		$ 423						
Retainage payable								
Accrued liabilities								
Due to federal & state governments								
Due to other funds		77,587		$ 2,211		$ 226,427		
Deferred revenue								
TOTAL LIABILITIES	$ -	78,010	$ -	2,211	$ -	226,427	$ -	$ -
FUND BALANCES								
Restricted								14,414
Committed	-	-	100,626	-	882	413,613	318,325	
Unassigned	-	(13,979)	-	-	-	-	-	
TOTAL FUND BALANCES	-	(13,979)	100,626	-	882	413,613	318,325	14,414
TOTAL LIABILITIES AND FUND BALANCES	$ -	$ 64,031	$ 100,626	$ 2,211	$ 882	$ 640,040	$ 318,325	$ 14,414

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012

	CAPITAL PROJECT FUNDS							
	Middle School Additions	Open Space & Rec. Area	Police Equipment	Road Resurfacing 2007	Esmond Street Enhancement	Water District Improvement Fee	Handicap Accessibility	Special Projects Fund
ASSETS								
Cash and cash equivalents		$ 4,537	$ 140,919			$ 18,732	$ 10,786	$ 114,733
Investments								
Accounts and other receivable								
Due from federal & state governments			9,646		$ 47,338			
Prepaids								
Due from other funds	$ 5,124		-		9,663			
TOTAL ASSETS	$ 5,124	$ 4,537	$ 150,565	$ -	$ 57,001	$ 18,732	$ 10,786	$ 114,733
LIABILITIES								
Accounts payable					$ 17,077			
Retainage payable					39,924			
Accrued liabilities								
Due to federal & state governments								
Due to other funds			$ 58,456					$ 14,100
Deferred revenue								
TOTAL LIABILITIES	$ -	$ -	58,456	$ -	57,001	$ -	$ -	14,100
FUND BALANCES								
Restricted								-
Committed	5,124	4,537	92,109	-	-	18,732	10,786	100,633
Unassigned	-	-	-	-	-	-	-	-
TOTAL FUND BALANCES	5,124	4,537	92,109	-	-	18,732	10,786	100,633
TOTAL LIABILITIES AND FUND BALANCES	$ 5,124	$ 4,537	$ 150,565	$ -	$ 57,001	$ 18,732	$ 10,786	$ 114,733

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012

	CAPITAL PROJECT FUNDS				PERMANENT FUNDS	
	Capital Reserve Fund	Land Trust	Salt Barn Property	Total Capital Project Funds	Cemetery Fund	Total Nonmajor Governmental Funds
ASSETS						
Cash and cash equivalents		$ 1,718,147		$ 2,748,764	$ 63,626	$ 7,022,261
Investments				-		-
Accounts and other receivable				-		-
Due from federal & state governments				121,015		553,930
Prepaids				-		-
Due from other funds	$ 531,489	75,304		957,168		1,233,043
TOTAL ASSETS	$ 531,489	$ 1,793,451	$ -	$ 3,826,947	$ 63,626	$ 8,809,234
LIABILITIES						
Accounts payable		$ 225		$ 17,725		$ 52,475
Retainage payable				39,924		39,924
Accrued liabilities				-		65,794
Due to federal & state governments				-		13,393
Due to other funds			$ 992,896	1,371,677		2,584,505
Deferred revenue				-		72,330
TOTAL LIABILITIES	$ -	225	992,896	1,429,326	$ -	2,828,421
FUND BALANCES						
Restricted	-	-	-	14,414	63,626	282,554
Committed	531,489	1,793,226	-	3,390,082	-	6,705,134
Unassigned	-	-	(992,896)	(1,006,875)	-	(1,006,875)
TOTAL FUND BALANCES	531,489	1,793,226	(992,896)	- 2,397,621	63,626	5,980,813
TOTAL LIABILITIES AND FUND BALANCES	$ 531,489	$ 1,793,451	$ -	$ 3,826,947	$ 63,626	$ 8,809,234

(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, 2012

	SPECIAL REVENUE FUNDS							
	Active Shooter Training Fund	Animal Control Fund	Animal Control Spay & Neuter	Bulletproof Vest Grant	Byrne Grant	Police Restricted Revenue	CDBG	Document Preservation & Tech Upgrades
REVENUES:								
Intergovernmental	$ 6,629			$ 1,625	$ 11,607		$ 33,884	
Fees, Fines, Charges and Assessments		$ 1,576	$ 336			$ 149,991		$ 19,990
Interest and investment income		12						59
Contributions and grants								
Other								
Total revenues	6,629	1,588	336	1,625	11,607	149,991	33,884	20,049
EXPENDITURES:								
Current:								
Recreation and Community Development							33,884	
Education								
Public Safety	6,629	346	787	1,625	11,607	84,553		
Other expenses								61,273
Debt Service:								
Bond issuance cost								
Capital outlays								
Total expenditures	6,629	346	787	1,625	11,607	84,553	33,884	61,273
Excess (deficiency) of revenues over (under) expenditures	-	1,242	(451)	-	-	65,438	-	(41,224)
OTHER FINANCING SOURCES (USES)								
Proceeds from bond issuance								
Transfers in								
Transfers out								
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Net change in fund balances	-	1,242	(451)	-	-	65,438	-	(41,224)
Fund balances, beginning of year	-	17,998	1,728	-	-	22,863	-	127,271
Fund balances, end of year	$ -	$ 19,240	$ 1,277	$ -	$ -	$ 88,301	$ -	$ 86,047

(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, 2012

	SPECIAL REVENUE FUNDS								
	EMA Radio	Energy Conservation Block Grant	Fire Prevention	Historical Records	Municipal Contingency Escrow	Operation Blue Riptide	Police Confiscated Funds	Tri Town III Police Grant	FDA Tobacco Compliance
REVENUES:									
Intergovernmental		$ 216,902				$ 8,407			$ 240
Fees, Fines, Charges and Assessments			$ 7,105	$ 3,453				$ 9,219	
Interest and investment income	$ 6		127	13	$ 401				
Contributions and grants									
Other									
Total revenues	6	216,902	7,232	3,466	401	8,407	$ -	9,219	240
EXPENDITURES:									
Current:									
Recreation and Community Development									
Education									
Public Safety	1,500		4,745			8,407		9,219	240
Other expenses									
Debt Service:									
Bond issuance cost									
Capital outlays		216,902						-	
Total expenditures	1,500	216,902	4,745	-	-	8,407	-	9,219	240
Excess (deficiency) of revenues over (under) expenditures	(1,494)	-	2,487	3,466	401	-	-	-	-
OTHER FINANCING SOURCES (USES)									
Proceeds from bond issuance									
Transfers in									
Transfers out					(300,000)				
Total other financing sources (uses)	-	-	-	-	(300,000)	-	-	-	-
Net change in fund balances	(1,494)	-	2,487	3,466	(299,599)	-	-	-	-
Fund balances, beginning of year	6,724	-	24,523	29,991	1,311,958	-	-	-	-
Fund balances, end of year	$ 5,230	$ -	$ 27,010	$ 33,457	$ 1,012,359	$ -	$ -	$ -	$ -

(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, 2012

	SPECIAL REVENUE FUNDS								
	Wal-Mart Grant	Retirement Escrow	Revaluation Escrow	RI DOH Alcohol Grant	RI DOH Tobacco Grant	RI DOT Children Passenger Safety	RI DOT Click it or Ticket	Scholarship Fund	Senior Center Grant
REVENUES:									
Intergovernmental				$ 406	$ 791	$ 10,002	$ 4,770		
Fees, Fines, Charges and Assessments									$ 15,121
Interest and investment income		$ 1,814	$ 282					$ 3	
Contributions and grants									
Other									
Total revenues	$ -	1,814	282	406	791	10,002	4,770	3	15,121
EXPENDITURES:									
Current:									
Recreation and Community Development									13,883
Education									
Public Safety	194			406	791	10,002	4,770		
Other expenses		189,596	59,508						
Debt Service:									
Bond issuance cost									
Capital outlays									
Total expenditures	194	189,596	59,508	406	791	10,002	4,770	-	13,883
Excess (deficiency) of revenues over (under) expenditures	(194)	(187,782)	(59,226)	-	-	-	-	3	1,238
OTHER FINANCING SOURCES (USES)									
Proceeds from bond issuance									
Transfers in			25,000						
Transfers out									
Total other financing sources (uses)	-	-	25,000	-	-	-	-	-	-
Net change in fund balances	(194)	(187,782)	(34,226)	-	-	-	-	3	1,238
Fund balances, beginning of year	617	865,513	517,300	-	-	-	-	4,483	42,665
Fund balances, end of year	$ 423	$ 677,731	$ 483,074	$ -	$ -	$ -	$ -	$ 4,486	$ 43,903

(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, 2012

	SPECIAL REVENUE FUNDS							
	Smithfield Fire Rescue	Senior Center Memorial Donations	Police Memorial Fund	General Public Assistance	Senior Center Expansion Donations	Tri Town II Police Grant	School Restricted Funds	Total Special Revenue Funds
REVENUES:								
Intergovernmental				$ 16,016		$ 2,594	$ 1,142,348	$ 1,456,221
Fees, Fines, Charges and Assessments	$ 978,365							1,185,156
Interest and investment income	3,689		$ 2		$ 7			6,415
Contributions and grants		$ 86	105				47,008	47,199
Other								-
Total revenues	982,054	86	107	16,016	7	$ 2,594	1,189,356	2,694,991
EXPENDITURES:								
Current:								
Recreation and Community Development		1,429		5,936	3,611			58,743
Education							993,107	993,107
Public Safety	76,433					2,594		224,848
Other expenses								310,377
Debt Service:								
Bond issuance cost								-
Capital outlays							196,249	413,151
Total expenditures	76,433	1,429	-	5,936	3,611	2,594	1,189,356	2,000,226
Excess (deficiency) of revenues over (under) expenditures	905,621	(1,343)	107	10,080	(3,604)	-	-	694,765
OTHER FINANCING SOURCES (USES)								
Proceeds from bond issuance								-
Transfers in								25,000
Transfers out	(350,000)							(650,000)
Total other financing sources (uses)	(350,000)	-	-	-	-	-	-	(625,000)
Net change in fund balances	555,621	(1,343)	107	10,080	(3,604)	-	-	69,765
Fund balances, beginning of year	421,668	1,673	651	45,701	6,474	-	-	3,449,801
Fund balances, end of year	$ 977,289	$ 330	$ 758	$ 55,781	$ 2,870	$ -	$ -	$ 3,519,566

(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, 2012

	CAPITAL PROJECT FUNDS							
	Mann School Road Drainage	Fanning Lane Road Construction	Green Acres Acquisition Fund	Highway Drainage	Smithfield Historic Landmark	Impact Fees	Land Acq. Open Space Bond	Log Road Fund
REVENUES:								
Intergovernmental	$ 94,784	$ 150,000						
Fees, Fines, Charges and Assessments						$ 94,301		
Interest and investment income			$ 48	$ 41	$ 1	334		
Contributions and grants								
Other								
Total revenues	94,784	150,000	48	41	1	94,635	$ -	$ -
EXPENDITURES:								
Current:								
Recreation and Community Development								
Education								
Public Safety								
Other expenses								
Debt Service:								
Bond issuance cost								
Capital outlays	223,770	163,979					44,709	
Total expenditures	223,770	163,979	-	-	-	-	44,709	-
Excess (deficiency) of revenues over (under) expenditures	(128,986)	(13,979)	48	41	1	94,635	(44,709)	-
OTHER FINANCING SOURCES (USES)								
Proceeds from bond issuance								
Transfers in	225,981		2,850					
Transfers out	(96,995)			(2,211)		(235,000)		
Total other financing sources (uses)	128,986	-	2,850	(2,211)	-	(235,000)	-	-
Net change in fund balances	-	(13,979)	2,898	(2,170)	1	(140,365)	(44,709)	-
Fund balances, beginning of year	-	-	97,728	2,170	881	553,978	363,034	14,414
Fund balances, end of year	$ -	$ (13,979)	$ 100,626	$ -	$ 882	$ 413,613	$ 318,325	$ 14,414

(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, 2012

	CAPITAL PROJECT FUNDS							
	Middle School Addition	Open Space & Rec. Area	Police Equipment	Road Resurfacing 2007	Esmond Street Enhancement	Water District Improvement Fee	Handicap Accessbility	Special Projects Fund
REVENUES:								
Intergovernmental			$ 100,225		$ 291,156			
Fees, Fines, Charges and Assessments								$ 104,317
Interest and investment income		$ 3	91			$ 11	$ 6	888
Contributions and grants								
Other								
Total revenues	$ -	3	100,316	$ -	291,156	11	6	105,205
EXPENDITURES:								
Current:								
Recreation and Community Development								
Education								79,342
Public Safety								-
Other expenses								
Debt Service:								
Bond issuance cost				4,376				
Capital outlays					291,156			49,829
Total expenditures	-	-	-	4,376	291,156	-	-	129,171
Excess (deficiency) of revenues over (under) expenditures	-	3	100,316	(4,376)	-	11	6	(23,966)
OTHER FINANCING SOURCES (USES)								
Proceeds from bond issuance				5,000,000				
Transfers in								
Transfers out			(75,000)					
Total other financing sources (uses)	-	-	(75,000)	5,000,000	-	-	-	-
Net change in fund balances	-	3	25,316	4,995,624	-	11	6	(23,966)
Fund balances, beginning of year	5,124	4,534	66,793	(4,995,624)		18,721	10,780	124,599
Fund balances, end of year	$ 5,124	$ 4,537	$ 92,109	$ -	$ -	$ 18,732	$ 10,786	$ 100,633

(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, 2012

	CAPITAL PROJECT FUNDS				PERMANENT FUNDS	
	Capital Reserve Fund	Land Trust	Salt Barn Property	Total Capital Project Funds	Cemetery Fund	Total Nonmajor Governmental Funds
REVENUES:						
Intergovernmental				$ 636,165		$ 2,092,386
Fees, Fines, Charges and Assessments		$ 330		198,948		1,384,104
Interest and investment income		760		2,183	$ 50	8,648
Contributions and grants		30,000		30,000		77,199
Other				-		-
Total revenues	$ -	31,090	$ -	867,296	50	3,562,337
EXPENDITURES:						
Current:						
Recreation and Community Development				-		58,743
Education				-		993,107
Public Safety				79,342		304,190
Other expenses		23,954		23,954		334,331
Debt Service:						
Bond issuance cost				4,376		4,376
Capital outlays				773,443		1,186,594
Total expenditures	-	23,954	-	881,115	-	2,881,341
Excess (deficiency) of revenues over (under) expenditures	-	7,136	-	(13,819)	50	680,996
OTHER FINANCING SOURCES (USES)						
Proceeds from bond issuance				5,000,000		5,000,000
Transfers in	150,653	75,327		454,811		479,811
Transfers out	(250,000)			(659,206)		(1,309,206)
Total other financing sources (uses)	(99,347)	75,327	-	4,795,605	-	4,170,605
Net change in fund balances	(99,347)	82,463	-	4,781,786	50	4,851,601
Fund balances, beginning of year	630,836	1,710,763	(992,896)	(2,384,165)	63,576	1,129,212
Fund balances, end of year	$ 531,489	$ 1,793,226	$ (992,896)	$ 2,397,621	$ 63,626	$ 5,980,813

(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 ISLAND

Statement of Changes in Assets and Liabilities
Agency Funds
Year ended June 30, 2012

	Beginning Balance	Additions	Deductions	Ending Balance
Student Activity Funds				
ASSETS:				
Cash	$ 168,430	$ 511,115	$ 518,477	$ 161,068
TOTAL ASSETS	$ 168,430	$ 511,115	$ 518,477	$ 161,068
LIABILITIES:				
Deposits held in custody for others	$ 168,430	$ 511,115	$ 518,477	$ 161,068
TOTAL LIABILITIES	$ 168,430	$ 511,115	$ 518,477	$ 161,068
Probate Court				
ASSETS:				
Cash	$ 95,923	$ 58	$ -	$ 95,981
TOTAL ASSETS	$ 95,923	$ 58	$ -	$ 95,981
LIABILITIES:				
Deposits held in custody for others	$ 95,923	$ 58	$ -	$ 95,981
TOTAL LIABILITIES	$ 95,923	$ 58	$ -	$ 95,981
Street Lighting				
ASSETS:				
Cash	$ 20,570	$ 16	$ -	$ 20,586
TOTAL ASSETS	$ 20,570	$ 16	$ -	$ 20,586
LIABILITIES:				
Deposits held in custody for others	$ 20,570	$ 16	$ -	$ 20,586
TOTAL LIABILITIES	$ 20,570	$ 16	$ -	$ 20,586
Soil Erosion				
ASSETS:				
Cash	$ 293,898	$ 142	$ 212,368	$ 81,672
Other receivables	-	21,025	19,750	1,275
TOTAL ASSETS	$ 293,898	$ 21,167	$ 232,118	$ 82,947
LIABILITIES:				
Deposits held in custody for others	$ 73,030	$ 21,167	$ 11,250	$ 82,947
Other liabilities	220,868	-	220,868	-
TOTAL LIABILITIES	$ 293,898	$ 21,167	$ 232,118	$ 82,947
Total - All Agency Funds				
ASSETS:				
Cash	$ 578,821	$ 511,331	$ 730,845	$ 359,307
Other receivables	-	21,025	19,750	1,275
TOTAL ASSETS	$ 578,821	$ 532,356	$ 750,595	$ 360,582
LIABILITIES:				
Deposits held in custody for others	$ 357,953	$ 532,356	$ 529,727	$ 360,582
Other liabilities	220,868	-	220,868	-
TOTAL LIABILITIES	$ 578,821	$ 532,356	$ 750,595	$ 360,582

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TOWN OF SMITHFIELD

OTHER EXHIBITS

EXHIBIT - 4

TOWN OF SMITHFIELD, RHODE ISLAND

Combining Balance Sheet
Funds Which Comprise the Town's General Fund
June 30, 2012

	General Fund	Inspection Fee Fund	Review Fees Fund	Post Employment Escrow Fund	Total General Fund
ASSETS:					
Cash and cash equivalents	$ 11,407,484	$ 61,945	$ 15,644	$ 776,140	$ 12,261,213
Investments	2,897,608				2,897,608
Taxes, net	3,878,032				3,878,032
Other receivables	326,367				326,367
Due from federal and state governments	20,967				20,967
Due from other funds	4,077,499				4,077,499
TOTAL ASSETS	$ 22,607,957	$ 61,945	$ 15,644	$ 776,140	$ 23,461,686
LIABILITIES AND FUND BALANCES:					
LIABILITIES:					
Accounts payable	$ 420,571				$ 420,571
Accrued liabilities	729,870	$ 53,825			783,695
Due to other funds	4,172,434		(A) $ (1,874)	(A) $ (100,000)	4,070,560
Deferred revenues	1,807,485				1,807,485
TOTAL LIABILITIES	7,130,360	53,825	(1,874)	(100,000)	7,082,311
FUND BALANCES:					
Non-Spendable	260,580				260,580
Restricted	187,006				187,006
Committed	8,271,602	8,120	17,518	876,140	9,173,380
Assigned	3,655,987				3,655,987
Unassigned	3,102,422				3,102,422
TOTAL FUND BALANCES	15,477,597	8,120	17,518	876,140	16,379,375
TOTAL LIABILITIES AND FUND BALANCES	$ 22,607,957	$ 61,945	$ 15,644	$ 776,140	$ 23,461,686

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

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

EXHIBIT - 5

TOWN OF SMITHFIELD, RHODE ISLAND

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Funds Which Comprise the Town's General Fund
For the Year the Ended June 30, 2012

	General Fund	Inspection Fee Fund	Review Fees Fund	Post Employment Escrow Fund	Total General Fund
REVENUES:					
General property taxes	$ 49,180,933				$ 49,180,933
Intergovernmental	2,142,210				2,142,210
Licenses, fees and permits	844,967		$ 5,153		850,120
Interest income taxes and investments	368,378	$ 137	88	$ 398	369,001
Other miscellaneous	69,648			18,181	87,829
TOTAL REVENUES	52,606,136	137	5,241	18,579	52,630,093
EXPENDITURES:					
Current:					
General Government	2,451,544				2,451,544
Public Safety	9,201,552				9,201,552
Public Works	2,999,330				2,999,330
Public Health and Assistance	7,450				7,450
Recreation, Senior and Neighborhood Center	739,641				739,641
Libraries	1,187,734				1,187,734
Miscellaneous	7,790,250				7,790,250
Debt Service:					
Principal	1,870,000				1,870,000
Interest and other costs	565,891				565,891
Capital:					
Capital outlays	538,403				538,403
TOTAL EXPENDITURES	27,351,795	-	-	-	27,351,795
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	25,254,341	137	5,241	18,579	25,278,298
OTHER FINANCING SOURCES (USES)					
Transfers in	2,779,995		-		2,779,995
Transfers out	(27,842,032)			(A) 100,000	(27,742,032)
TOTAL OTHER FINANCING SOURCES (USES)	(25,062,037)	-	-	100,000	(24,962,037)
NET CHANGE IN FUND BALANCES	192,304	137	5,241	118,579	316,261
FUND BALANCE AT BEGINNING OF YEAR	15,285,293	7,983	12,277	757,561	16,063,114
FUND BALANCE AT END OF YEAR	$ 15,477,597	$ 8,120	$ 17,518	$ 876,140	$ 16,379,375

(A) - This item represents a transfer in from the Town's General Fund and therefore was reported on the transfer out line so that it would offset the Transfer out reported in the General Fund column.

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, 2012

Year	Real Property Mill Rate	Property Taxes Receivable July 1, 2011	Current Year Assessment	Transfers Addendums (Net)	Refunds and Adjustments	Abatements and Adjustments	Amount to be Collected	Collections	Property Taxes Receivable June 30, 2012
2011	$15.85		$ 49,357,148	$ 209,112	$ 19,341	$ 60,869	$ 49,524,732	$ 45,733,515	$ 3,791,217
2010	$15.59	$ 4,677,544		681	28,827	1,932	4,705,120	4,438,780	266,340
2009	$13.98	228,740			313		229,053	22,765	206,288
2008	$13.68	261,437				7	261,430	4,353	257,077
2007	$13.23	147,465				306	147,159	3,499	143,660
2006	$15.40	107,914				122	107,792	5,106	102,686
2005	$14.68	102,037				16	102,021	1,202	100,819
2004	$13.95	126,447			1,409		127,856	206	127,650
2003	$21.40	165,328					165,328	63	165,265
2002	$19.68	245,708					245,708	392	245,316
Prior	various	3,040,578				898,152	2,142,426	3,650	2,138,776
Subtotal		9,103,198	$ 49,357,148	$ 209,793	$ 49,890	$ 961,404	$ 57,758,625	$ 50,213,531	7,545,094
Less: estimated allowance for uncollectable accounts		4,626,584							3,667,062
Net property taxes receivable		$ 4,476,614							$ 3,878,032

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

SCHEDULE OF PROPERTY TAXES RECEIVABLE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Schedule of Net Assessed Property Value by Category
Assessed December 31, 2010

Description of Property	Valuations	Levy
Real Property	$ 2,455,862,000	
Exemptions on Real Property	(17,233,155)	
Net assessed value - Real Property	2,438,628,845	$ 37,768,170
Motor Vehicles	187,192,042	
Exemptions on Motor Vehicles	(29,049,304)	
Net assessed value - Motor Vehicles	158,142,738	6,167,390
Tangible property	93,588,610	5,421,588
Net assessed value	$ 2,690,360,193	$ 49,357,148

Reconciliation of Current Year Property Tax Revenue

Current year collections	$ 50,213,531
Revenue received 60 days subsequent to fiscal year ending June 30, 2012	2,331,802
Subtotal	52,545,333
Prior year revenue received in current year fiscal year ending June 30, 2011 - 60 day rule	(3,305,262)
Other adjustments - tax lien deferral etc.	(59,138)
Current year property tax revenue	$ 49,180,933

(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.

SCHEDULE 1

TOWN OF SMITHFIELD, RHODE ISLAND

NET ASSETS BY COMPONENT
LAST NINE FISCAL YEARS

	Fiscal Year ended June 30								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities									
Invested in capital assets, net of related debt	$ 9,283,598	$ 10,481,689	$ 11,847,660	$ 15,714,930	$ 19,460,357	$ 22,780,778	$ 27,277,016	$ 24,860,537	$ 20,860,670
Restricted	8,331,876	7,497,123	3,943,034	6,159,108	6,907,769	-	-	-	-
Unrestricted	7,554,625	6,450,626	8,064,521	7,690,795	4,956,251	12,201,744	9,083,365	12,823,795	13,694,278
Total governmental activities net assets	25,170,099	24,429,438	23,855,215	29,564,833	31,324,377	34,982,522	36,360,381	37,684,332	34,554,948
Business-type activities									
Invested in capital assets, net of related debt	14,095,661	16,282,443	19,462,765	18,745,736	17,449,695	19,932,798	19,206,025	18,805,250	16,128,289
Unrestricted	4,742,358	5,286,771	6,033,377	6,352,272	7,166,588	7,165,904	7,278,605	6,559,230	5,951,450
Total business-type activities net assets	18,838,019	21,569,214	25,496,142	25,098,008	24,616,283	27,098,702	26,484,630	25,364,480	22,079,739
Primary government									
Invested in capital assets, net of related debt	23,379,259	26,764,132	31,310,425	34,460,666	36,910,052	42,713,576	46,483,041	43,665,787	36,988,959
Restricted	8,331,876	7,497,123	3,943,034	6,159,108	6,907,769	-	-	-	-
Unrestricted	12,296,983	11,737,397	14,097,898	14,043,067	12,122,839	19,367,648	16,361,970	19,383,025	19,645,728
Total primary government net assets	$ 44,008,118	$ 45,998,652	$ 49,351,357	$ 54,662,841	$ 55,940,660	$ 62,081,224	$ 62,845,011	$ 63,048,812	$ 56,634,687

Note: Fiscal 2003 was prior to implementation of GASB 34 and as such the information is not available for that period.

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.

SCHEDULE 2

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

	Fiscal Year Ended June 30								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses									
Governmental activities:									
General government	$ 8,226,182	$ 9,470,673	$ 9,423,100	$ 9,230,373	$ 11,227,855	$ 11,582,978	$ 7,165,831	$ 5,493,158	$ 7,752,644
Public safety	7,755,503	7,585,295	8,593,527	8,734,533	9,194,453	9,669,768	15,133,585	14,998,929	17,429,845
Public works	3,423,977	3,973,204	3,939,646	3,776,856	3,707,364	3,774,761	4,048,196	4,156,445	4,351,841
Public Health and Assistance	38,100	38,712	38,811	38,849	39,070	510,567	590,711	7,434	7,450
Public libraries (A)	-	-	-	-	-	-	-	-	1,187,734
Education	25,945,633	27,507,323	29,756,361	31,981,580	32,980,815	33,482,943	34,340,402	33,695,301	35,543,656
Recreation and Senior Activities	502,967	481,510	363,559	499,394	510,959	149,687	118,263	558,232	945,504
Interest on long-term debt	890,253	794,182	718,819	607,413	655,052	687,665	580,558	482,819	705,511
Total governmental activities	46,782,615	49,850,899	52,833,823	54,868,998	58,315,568	59,858,369	61,977,546	59,392,318	67,924,185
Business-type activities:									
Sewer Authority	2,010,078	1,922,068	2,251,112	2,376,756	2,277,808	2,454,077	2,353,160	2,634,652	2,568,654
Water Supply Board	789,363	728,222	770,658	940,214	1,052,921	1,037,189	1,007,849	1,114,814	1,127,768
Smithfield Ice Rink	-	-	-	-	-	-	-	617,141	613,405
School Lunch Program	-	-	-	-	-	-	-	643,678	687,068
Component Units (CU's) (A)	-	-	-	-	-	-	-	1,626,870	-
Smithfield Ice Rink, School Lunch & CU's	2,401,434	2,578,945	2,659,385	2,879,294	2,919,757	2,978,442	2,855,100	-	687,068
Total business-type activities	5,200,875	5,229,235	5,681,155	6,196,264	6,250,486	6,469,708	6,216,109	6,637,155	5,683,963
Total primary government expense	$ 51,983,490	$ 55,080,134	$ 58,514,978	$ 61,065,262	$ 64,566,054	$ 66,328,077	$ 68,193,655	$ 66,029,473	$ 73,608,148
Program Revenues									
Governmental activities:									
Charges for services:									
General government	$ 1,510,073	$ 1,440,426	$ 1,539,620	$ 1,792,535	$ 1,387,709	$ 1,164,132	$ 1,029,120	$ 821,074	$ 1,055,693
Public safety	593,256	513,218	727,656	866,113	755,979	1,138,000	1,208,704	967,990	1,259,316
Public works	-	-	-	-	-	-	-	258,141	-
Public Health and Assistance	-	-	-	-	-	-	-	15,940	-
Education	430,249	425,814	350,655	327,020	-	-	-	-	360,844
Recreation and Senior Activities	-	-	-	-	-	-	-	19,375	330
Operating grants and contributions	8,546,776	8,818,307	9,003,676	9,505,923	11,074,157	9,429,523	9,491,613	7,434,000	8,085,850
Capital grants and contributions	146,091	145,230	700,344	727,546	-	164,612	1,260,360	846,585	883,067
Total governmental activities program revenues	11,226,445	11,342,995	12,321,951	13,219,137	13,217,845	11,896,267	12,989,797	10,363,105	11,645,100
Business-type activities:									
Charges for services:									
Sewer Authority	2,336,656	2,305,730	2,439,771	2,444,586	2,335,381	2,594,049	2,583,188	2,652,442	2,831,540
Water Supply Board	759,027	801,197	1,025,992	1,024,187	1,328,927	1,203,932	1,134,487	1,396,329	1,377,136
Smithfield Ice Rink	-	-	-	-	-	-	-	658,208	665,086
School Lunch Program	-	-	-	-	-	-	-	472,713	458,299
Smithfield Ice Rink, School Lunch & CU's (A)	1,660,854	1,731,322	1,719,335	1,833,318	1,499,239	1,484,425	1,651,349	95,848	182,508
Operating grants and contributions	-	-	-	-	361,042	3,694,645	246,309	455,474	182,508
Total business-type activities	4,756,537	4,838,249	5,185,098	5,302,091	5,524,589	8,977,051	5,615,333	5,731,014	5,697,077
Total primary government program revenues	$ 15,982,982	$ 16,181,244	$ 17,507,049	$ 18,521,228	$ 18,742,434	$ 20,873,318	$ 18,605,130	$ 16,094,119	$ 17,342,177

(Continued)

SCHEDULE 2

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

	Fiscal Year Ended June 30								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
Net (Expense)/Revenue									
Governmental activities	$ (35,556,170)	$ (38,507,904)	$ (40,511,872)	$ (41,649,861)	$ (45,097,723)	$ (47,962,102)	$ (48,987,749)	$ (49,029,213)	$ (56,279,085)
Business-type activities	(444,338)	(390,986)	(496,057)	(894,173)	(725,897)	2,507,343	(600,776)	(906,141)	13,114
Total primary government net expense	$ (36,000,508)	$ (38,898,890)	$ (41,007,929)	$ (42,544,034)	$ (45,823,620)	$ (45,454,759)	$ (49,588,525)	$ (49,935,354)	$ (56,265,971)
General Revenues and Other Changes in Net Assets									
Governmental activities:									
Property taxes	$ 38,596,955	$ 38,477,384	$ 41,549,207	$ 43,501,514	$ 45,449,278	$ 49,119,278	$ 49,509,411	$ 48,534,831	$ 50,114,109
State Revenue Sharing and other general grants	4,524,558	1,346,867	1,792,773	1,881,701	1,607,243	742,742	-	-	-
Motor vehicle phase-out taxes	-	-	-	-	-	-	-	275,060	274,622
Public Utilities (Telephone) tax	-	-	-	-	-	-	-	223,182	241,202
Hotel, meals, and beverage tax	-	-	-	-	-	-	-	632,104	669,119
Unrestricted investment earnings	181,552	271,356	402,377	550,834	547,245	678,890	503,420	423,200	377,649
Other miscellaneous	-	-	-	-	32,354	30,383	188,973	-	-
Transfers	397,733	(1,684,220)	(4,159,315)	(176,899)	30,065	203,145	163,804	264,787	1,473,000
Total governmental activities	43,700,798	38,411,387	39,585,042	45,757,150	47,666,185	50,774,438	50,365,608	50,353,164	53,149,701
Business-type activities:									
Unrestricted investment earnings	75,412	135,374	263,670	319,140	274,237	178,221	150,508	50,778	15,705
Transfers	(397,733)	1,684,220	4,159,315	176,899	(30,065)	(203,145)	(163,804)	(264,787)	(1,473,000)
Total business type activities	(322,321)	1,819,594	4,422,985	496,039	244,172	(24,924)	(13,296)	(214,009)	(1,457,295)
Total primary government	$ 43,378,477	$ 40,230,981	$ 44,008,027	$ 46,253,189	$ 47,910,357	$ 50,749,514	$ 50,352,312	$ 50,139,155	$ 51,692,406
Change in Net Assets									
Governmental activities	$ 8,144,628	$ (96,517)	$ (926,830)	$ 4,107,289	$ 2,568,462	$ 2,812,336	$ 1,377,859	$ 1,323,951	$ (3,129,384)
Business-type activities	(766,659)	1,428,608	3,926,928	(398,134)	(481,725)	2,482,419	(614,072)	(1,120,150)	(1,444,181)
Total primary government	$ 7,377,969	$ 1,332,091	$ 3,000,098	$ 3,709,155	$ 2,086,737	$ 5,294,755	$ 763,787	$ 203,801	$ (4,573,565)

Note: Fiscal 2003 was prior to implementation of GASB 34 and as such the information is not available for that period.

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

(Concluded)

SCHEDULE 3

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

	Fiscal Year Ended June 30								
	2004	2005	2006	2007	2008	2009	2010	2011 **	2012 **
General Fund									
Reserved	$ 2,385,611	$ 3,219,830	$ 3,777,906	$ 5,245,410	$ 5,945,301	$ 6,710,951	$ 8,136,064	$ -	$ -
Unreserved	5,259,494	4,832,027	6,435,803	7,090,793	7,964,714	7,558,830	6,857,080	-	11,661,554
Nonspendable								149,209	260,580
Restricted								225,980	187,006
Committed								850,000	9,173,380
Assigned								10,962,980	3,655,987
Unassigned								3,097,124	3,102,422
Total general fund	$ 7,645,105	$ 8,051,857	$ 10,213,709	$ 12,336,203	$ 13,910,015	$ 14,269,781	$ 14,993,144	$ 15,285,293	$ 28,040,929
All Other Governmental Funds									
Reserved	$ 5,496,265	$ 4,277,293	$ 165,128	$ 913,698	$ 962,468	$ 748,535	$ 1,394,335	$ -	$ 23,737,218
Unreserved, reported in:									
Special revenue funds	337,926	4,096,002	4,099,566	3,722,601	4,317,298	7,066,616	8,389,693	-	5,318,787
Capital project funds	3,957,550	2,732,700	2,340,506	(220,485)	(2,874,510)	(4,769,791)	(8,485,437)	-	3,376,356
Nonspendable								-	72,363
Restricted								63,576	282,554
Committed								4,801,598	9,653,697
Unassigned								-	(1,006,875)
Total all other governmental funds	$ 9,791,741	$ 11,105,995	$ 6,605,200	$ 4,415,814	$ 2,405,256	$ 3,045,360	$ 1,298,591	$ 4,865,174	$ 41,434,100

** 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									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues:										
Property Taxes	$ 34,816,220	$ 36,132,748	$ 38,487,365	$ 40,753,963	$ 43,244,359	$ 46,089,144	$ 48,402,854	$ 49,599,927	$ 48,535,833	$ 49,180,933
Intergovernmental revenues	8,504,339	9,187,777	9,447,575	10,507,554	10,647,869	10,754,099	8,282,974	7,787,533	8,386,146	10,628,184
Licenses, Fees, Charges, Fines...	859,909	1,105,577	1,927,577	1,899,853	2,123,022	1,447,837	1,682,407	1,573,297	1,378,608	2,234,224
Investment Income	126,380	181,552	271,356	402,377	550,834	830,690	678,890	503,420	423,200	377,649
Other Revenue	2,020,608	2,492,977	1,548,997	1,912,773	2,540,088	2,339,707	2,673,628	3,628,967	1,418,406	525,872
Total revenues	46,327,456	49,100,631	51,682,870	55,476,520	59,106,172	61,461,477	61,720,753	63,093,144	60,142,193	62,946,862
Expenditures:										
Current:										
General Government	2,879,998	2,395,357	2,521,855	2,531,717	2,202,635	2,851,217	2,986,427	2,887,792	2,804,763	2,451,544
Public Safety	7,145,315	7,518,593	7,324,594	8,119,241	7,900,652	9,002,213	9,646,412	9,954,701	9,414,729	9,505,742
Public Works	2,590,970	3,222,301	2,934,086	3,076,619	2,853,597	2,931,036	2,970,915	2,781,149	3,041,941	2,999,330
Education	25,597,252	26,103,001	26,808,027	28,812,232	31,142,113	32,975,348	33,576,394	34,602,933	33,767,167	34,630,394
Libraries (A)	-	-	-	-	-	-	-	-	-	1,187,734
Public Health and Assistance	38,265	38,100	38,712	38,811	38,849	39,070	45,058	38,334	7,434	7,450
Recreation, Senior & Neighborhood Center	349,991	477,369	451,874	337,408	460,941	495,196	570,794	552,910	464,250	798,384
Miscellaneous	7,380,494	5,749,149	7,054,668	6,614,323	6,766,122	7,809,494	6,736,425	6,998,640	7,812,770	8,124,581
Capital Expenditures	3,496,646	3,309,641	3,500,909	6,141,528	4,686,181	3,424,691	2,853,201	4,301,472	2,645,309	2,043,789
Debt Service:										
Principal	966,836	1,657,972	2,028,540	1,985,355	1,730,000	1,740,000	1,685,000	1,570,000	3,670,000	3,470,000
Debt Financing Costs	-	-	-	-	687,005	-	37,043	88,148	50,227	-
Interest	398,791	869,370	841,121	767,272		666,491	662,168	504,275	519,658	637,712
Total expenditures	50,844,558	51,340,853	53,504,386	58,424,506	58,468,095	61,934,756	61,769,837	64,280,354	64,198,248	65,856,660
Excess of revenues over (under) expenditures	(4,517,102)	(2,240,222)	(1,821,516)	(2,947,986)	638,077	(473,279)	(49,084)	(1,187,210)	(4,056,055)	(2,909,798)
Other Financing Sources (Uses):										
Proceeds from debt issuance	8,008,597	8,608,466	138,000	335,000	71,510	-	-	-	7,650,000	5,000,000
Proceeds from refunding bond issuance					-	-	-	-	-	4,520,000
Payment to refunded bond escrow agent					-	-	-	-	-	(2,852,555)
Transfers in	25,962,429	28,267,737	29,086,908	29,720,658	32,065,961	34,272,688	36,635,177	37,127,324	36,690,847	30,524,238
Transfers out	(26,898,984)	(27,920,004)	(29,132,386)	(29,799,222)	(32,201,510)	(34,236,155)	(36,432,032)	(36,963,520)	(36,426,060)	(29,051,238)
Total other financing sources (uses)	7,072,042	8,956,199	92,522	256,436	(64,039)	36,533	203,145	163,804	7,914,787	8,140,445
Net change in fund balances	$ 2,554,940	$ 6,715,977	$ (1,728,994)	$ (2,691,550)	$ 574,038	$ (436,746)	$ 154,061	$ (1,023,406)	$ 3,858,732	$ 5,230,647
Debt service as a percentage of noncapital expenditures (1)	2.97%	5.55%	6.09%	5.56%	4.71%	4.29%	4.22%	3.74%	6.94%	6.41%

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 37 (fiscal 2012). 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

Fisal Year[1] Ended June 30	Real Property Assessed Value[2]	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 Value[2] as a Percentage of Actual Value
2003	$ 1,530,005,176	$ 250,245,447	$ 375,280,448	$ 48,456,363	$ 1,356,513,812	$ 23.46	$ 1,780,250,623	100.00%
2004	$ 1,460,342,303	$ 248,758,509	$ 228,796,385	$ 51,476,507	$ 1,428,827,920	$ 23.61	$ 2,185,830,428	78.19%
2005	$ 2,409,081,480	$ 262,685,715	$ 461,433,233	$ 52,464,225	$ 2,157,869,737	$ 16.39	$ 2,803,827,469	95.29%
2006	$ 2,288,585,859	$ 277,910,215	$ 183,804,055	$ 54,059,985	$ 2,328,632,034	$ 16.29	$ 2,944,580,168	87.16%
2007	$ 2,313,642,249	$ 292,248,770	$ 184,214,089	$ 75,488,537	$ 2,346,188,393	$ 16.99	$ 3,255,329,193	80.05%
2008	$ 3,065,382,958	$ 288,728,199	$ 394,607,759	$ 76,381,312	$ 2,883,122,086	$ 14.56	$ 3,626,066,116	92.50%
2009	$ 3,096,542,569	$ 259,788,795	$ 377,154,889	$ 76,381,409	$ 2,902,795,066	$ 15.18	$ 3,532,980,383	95.00%
2010	$ 3,218,987,988	$ 249,427,396	$ 379,352,117	$ 75,510,837	$ 3,013,552,430	$ 15.32	$ 3,650,963,564	95.00%
2011	$ 2,746,949,039	$ 274,339,993	$ 360,935,982	$ 27,673,250	$ 2,632,679,800	$ 18.32	$ 3,114,751,580	97.00%
2012	$ 2,801,505,058	$ 280,780,652	$ 362,876,213	$ 29,049,304	$ 2,690,360,193	$ 18.35	$ 3,175,977,032	97.05%

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

[1] Revalutions were conducted for Fiscal Years 2002, 2005, 2008 and 2011

[2] Includes tax-exempt property

SCHEDULE 6

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

Fiscal Year	Town Operating Millage	School Operating Millage	Debt Service Millage	Total Direct Tax Rate
2003	$ 10.08	$ 12.54	$ 0.84	$ 23.46
2004	$ 10.25	$ 12.59	$ 0.77	$ 23.61
2005	$ 6.92	$ 8.71	$ 0.75	$ 16.39
2006	$ 6.90	$ 8.72	$ 0.67	$ 16.29
2007	$ 7.36	$ 9.00	$ 0.64	$ 16.99
2008	$ 6.24	$ 7.79	$ 0.53	$ 14.56
2009	$ 6.53	$ 8.09	$ 0.56	$ 15.18
2010	$ 6.69	$ 8.27	$ 0.36	$ 15.32
2011	$ 7.94	$ 9.95	$ 0.43	$ 18.32
2012	$ 8.01	$ 9.79	$ 0.55	$ 18.35

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, 2012

	2012			2003		
Taxpayer	**Taxable Assessed Value**	**Rank**	**Percentage of Total Taxable Assessed Value**	**Taxable Assessed Value**	**Rank**	**Percentage of Total Taxable Assessed Value**
Fidelity Corporate Real Estate	$ 169,497,600	1	6.19%	$ 50,280,980	1	3.40%
W/S Smithfield Associates, LLC	57,519,900	2	2.10			-
National Grid (Electricity)	22,606,780	3	0.83	10,939,130	4	0.74
Smithfield Office Park	21,298,500	4	0.78			-
Village at Waterman Lake	17,031,600	5	0.62	16,989,600	3	1.15
Target Corp.	12,030,700	6	0.44			-
FGX International Inc.	7,265,600	7	0.27			-
Sperian Eye & Face Protection	5,436,300	8	0.20			-
National Grid (Gas)	3,817,390	9	0.14			
Cox Communications	3,770,200	10	0.14			-
Interchange Realty Corporation				34,595,520	2	2.34
Home Depot				8,862,710	5	0.60
Apple Valley Mall, LLC.				7,258,800	6	0.49
RA Smithfield LLC				6,695,450	7	0.45
Elan Diagnostics				6,304,530	8	0.43
Norman Realty Corp				5,613,500	9	0.38
Healyn Associates				5,387,730	10	0.36
	$ 320,274,570		11.70%	$ 152,927,950		10.34%
Total assessed valuation (gross)	$ 2,736,642,652			$ 1,479,351,963		

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
2003	$ 31,823,783	$ 27,462,597	86.30%	$ 4,115,870	$ 31,578,467	99.23%
2004	$ 33,739,654	$ 31,036,315	91.99%	$ 2,538,074	$ 33,574,389	99.51%
2005	$ 35,369,460	$ 33,142,577	93.70%	$ 2,099,233	$ 35,241,810	99.64%
2006	$ 37,936,492	$ 35,204,633	92.80%	$ 2,631,024	$ 37,835,657	99.73%
2007	$ 39,873,408	$ 35,907,818	90.05%	$ 3,862,919	$ 39,770,737	99.74%
2008	$ 41,966,302	$ 37,655,824	89.73%	$ 4,166,818	$ 41,822,642	99.66%
2009	$ 44,064,149	$ 39,986,080	90.75%	$ 3,820,992	$ 43,807,072	99.42%
2010	$ 46,156,583	$ 43,822,439	94.94%	$ 2,127,863	$ 45,950,302	99.55%
2011	$ 48,233,107	$ 43,814,774	90.84%	$ 4,151,993	$ 47,966,767	99.45%
2012	$ 49,357,148	$ 45,733,515	92.66%	$ -	$ 45,733,515	92.66%

SCHEDULE 9

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

	Governmental Activites			Business-Type Activities			
Fiscal Year	General Obligation Bonds	Lease Participation Certificates	Capital Leases	General Obligation Bonds	Notes Payable	Total Primary Government	Per Capita[1]
2003	$ 7,301,867	$ 7,350,000	$ 361,425	$ 118,133	$ 399,096	**$ 15,530,521**	$ 726
2004	$ 14,943,895	$ 6,650,000	$ 209,524	$ 76,105	$ 318,274	**$ 22,197,798**	$ 1,020
2005	$ 13,585,355	$ 5,980,000	$ 221,458	$ 34,645	$ 236,890	**$ 20,058,348**	$ 922
2006	$ 12,280,000	$ 5,300,000	$ 459,295	$ -	$ 184,990	**$ 18,224,285**	$ 853
2007	$ 11,245,000	$ 4,605,000	$ 420,521	$ -	$ 132,686	**$ 16,403,207**	$ 771
2008	$ 10,210,000	$ 3,900,000	$ 315,894	$ -	$ 929,525	**$ 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	$ -	$ 5,138,000	**$ 23,376,105**	$ 1,091

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

SCHEDULE 10

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

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value[1] of Property	Per Capita[2]
2003	$ 7,301,867	-	$ 7,301,867	0.41%	$ 341
2004	$ 14,943,895	-	$ 14,943,895	0.68%	$ 686
2005	$ 13,585,355	-	$ 13,585,355	0.48%	$ 624
2006	$ 12,280,000	-	$ 12,280,000	0.42%	$ 575
2007	$ 11,245,000	-	$ 11,245,000	0.35%	$ 528
2008	$ 10,210,000	-	$ 10,210,000	0.28%	$ 482
2009	$ 9,250,000	-	$ 9,250,000	0.26%	$ 436
2010	$ 8,420,000	-	$ 8,420,000	0.23%	$ 396
2011[3]	$ 13,170,000	-	$ 13,170,000	0.42%	$ 615
2012	$ 17,330,000		$ 17,330,000	0.55%	$ 809

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

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

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

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

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

SCHEDULE 11

TOWN OF SMITHFIELD, RHODE ISLAND

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

As of June 30, 2012

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 2012

Net Assessed Value	$	2,690,360,193
Debt Limit (3%)		80,710,806
		-
Legal debt margin	$	80,710,806

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Debt Limit	$ 80,710,806	$ 78,980,394	$ 90,406,573	$ 87,083,852	$ 86,493,663	$ 70,385,661	$ 69,692,910	$ 64,768,128	$ 42,864,838	$ 40,199,021
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	$ 80,710,806	$ 78,980,394	$ 90,406,573	$ 87,083,852	$ 86,493,663	$ 70,385,661	$ 69,692,910	$ 64,768,128	$ 42,864,838	$ 40,199,021
Total net debt applicable to the limit as a percentage of the debt limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Note: In 2005 the Town underwent a full property revaluation
In 2002, 2008 and 2011 the Town underwent a statistical revaluation.
The Town has no debt issues outstanding under the Mazimum Aggregate Indebtedness provision (3% Debt Limit) - Rhode Island General Law 45-12-2
All other Town debt has been incurred through special statutory authority which consists of approval by the legislature and voter referendum.

TOWN OF SMITHFIELD, RHODE ISLAND
DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN FISCAL YEARS

Fiscal Year Ended June 30	Population[1]	Median Family Income[1]	Median Home Price[1]	Personal Income[2] (amounts expressed it thousands)	Per Capita Personal Income[2]	Median Age[2]	School Enrollment[3]	Unemployment Rate[4]
2003	21,386	$ 67,026	$ 259,950	*	*	*	2,703	4.70%
2004	21,773	$ 67,646	$ 309,000	*	*	*	2,615	4.70%
2005	21,754	$ 68,322	$ 309,950	*	*	*	2,659	4.30%
2006	21,368	$ 66,320	$ 335,000	*	*	*	2,625	4.60%
2007	21,279	$ 66,320	$ 286,000	*	*	*	2,609	4.40%
2008	21,181	$ 71,803	$ 242,750	$ 629,139	$ 29,703	38.7	2,599	5.50%
2009	21,205	*	$ 230,000	*	*	*	2,555	8.70%
2010	21,270	$ 94,754	$ 227,000	*	*	*	2,504	11.60%
2011	21,430	$ 94,930	$ 238,500	$ 643,286	$ 30,018	42.0	2,470	10.40%
2012	21,430	*	$ 228,000	$ 687,082	$ 32,062	42.7	2,569	9.80%

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

	2012			2003		
Employer	Employees	Rank	Percentage of Total Town Employment	Employees	Rank	Percentage of Total Town Employment
Fidelity Investments	2,434	1	18.60%	1,600	1	14.31%
Benny's Home & Auto Stores, Inc.	623	2	4.76%	500	3	4.47%
Bryant University	600	3	4.59%	550	2	4.92%
Town of Smithfield	491	4	3.75%	452	4	4.04%
Citizens Bank of RI	400	5	3.06%	-		-
FGX International	375	6	2.87%	275	5	2.46%
Sperian Protection Americas	301	7	2.30%	340	6	3.04%
The Stop & Shop Company, Inc.	300	8	2.29%	225	8	2.01%
Village at Waterman Lake	212	9	1.62%	160	9	1.43%
Target Stores	200	10	1.53%	150	10	1.34%
The Home Depot				250	7	2.24%
Total	5,936		45.37%	4,502		40.26%

Source: Rhode Island Economic Development Corporation

SCHEDULE 15

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

	Full-time Equivalent Employees as of June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Function										
General Government	29	29	30	30	31	34	34	32	29	29
Public Safety										
Police										
Officers	39	40	39	40	40	41	41	41	41	41
Civilians	13	14	13	13	13	13	13	12	12	12
Fire										
Firefighters and Officers	40	40	40	40	40	48	48	48	48	48
Civilians	6	6	6	6	6	6	6	6	5	5
Ice Rink	3	3	3	3	3	3	3	3	3	3
Parks	3	3	3	3	4	4	4	4	4	4
Public Works	18	18	18	18	18	18	18	18	16	16
Senior Services	4	4	4	4	4	4	4	4	4	4
Sewer	1	1	1	1	1	1	1	1	1	1
Water	2	2	2	2	2	2	2	2	2	2
Total	158	160	159	160	162	174	174	171	165	165

Source: Finance Department

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Function										
Police										
Physical Arrests	1,215	971	1,018	1,053	1,015	947	861	822	801	704
Parking Violations	302	275	286	203	291	454	261	164	156	144
Traffic Violations	4,329	4,637	4,648	5,662	4,933	4,432	4,665	3,859	3,795	4,142
Fire										
Total Incidents	3,325	3,503	3,640	3,723	3,832	3,914	3,850	4,160	4,038	4,427
Commercial Inspections	190	182	163	150	152	173	204	157	175	164
Residential Inspections	384	416	414	340	304	313	305	178	227	146
Commercial Plan Review	39	58	73	85	92	82	102	59	49	67
Residential Plan Review	96	102	101	94	93	59	33	48	43	26
Highway and Street										
Street Resurfacing (miles)	1.89	1.36	1.04	0.21	8.15	2.90	3.88	2.73	1.92	0.00
Sanitation										
Refuse Collected (tons/day)	*	23.25	24.66	25.79	24.39	21.04	17.65	24.10	25.23	25.95
Paper Recyclables Collected (tons/day)	*	3.74	3.89	3.71	3.72	3.91	3.91	4.74	4.93	5.06
Mixed Recyclables Collected (tons/day	*	2.16	2.18	2.10	2.26	2.88	2.47	3.51	3.63	3.65
Wastewater										
Average Daily Sewage Treatment (thousands of gallons)	2,020	1,800	1,990	2,100	1,900	2,090	1,960	1,998	1,893	1,858

Sources: Various Town departments

SCHEDULE 17

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Function										
Public Safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	*	*	*	*	*	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
Culture and recreation										
Parks	8	8	8	8	8	8	8	8	8	8
Skating Arenas	1	1	1	1	1	1	1	1	1	1
Tennis Courts	7	7	7	7	7	7	7	7	7	7
Ball Diamonds	13	13	13	13	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
2003	$ 966,836	$ 398,791	$ 1,365,627	$ 45,866,739	2.98%
2004	$ 1,657,972	$ 869,370	$ 2,527,342	$ 48,159,938	5.25%
2005	$ 2,028,540	$ 841,121	$ 2,869,661	$ 51,058,947	5.62%
2006	$ 1,985,355	$ 767,272	$ 2,752,627	$ 52,474,432	5.25%
2007	$ 1,730,000	$ 687,005	$ 2,417,005	$ 54,631,064	4.42%
2008	$ 1,740,000	$ 666,491	$ 2,406,491	$ 57,914,632	4.16%
2009	$ 1,685,000	$ 662,168	$ 2,347,168	$ 61,769,837	3.80%
2010	$ 1,570,000	$ 504,275	$ 2,074,275	$ 64,280,354	3.23%
2011	$ 1,600,000	$ 519,658	$ 2,119,658	$ 64,198,249	3.30%
2012	$ 1,870,000	$ 552,463	$ 2,422,463	$ 65,856,660	3.68%

Notes:

[1] Includes General, Special Revenue and Capital Project Funds.

SMITHFIELD PUBLIC SCHOOLS
Miscellaneous Statistics
June 30, 2012

BUILDINGS

Administration	1
Maintenance	0
Elementary Schools	4
Middle School	1
High School	1
Total	7

STUDENTS

	Elementary	Secondary	Total
2012	1,134	1,435	2,569
2011	1,051	1,419	2,470
2010	1,060	1,444	2,504
2009	1,088	1,467	2,555
2008	1,099	1,500	2,599
2007	1,119	1,490	2,609
2006	1,104	1,521	2,625
2005	1,125	1,534	2,659
2004	1,048	1,567	2,615
2003	1,169	1,534	2,703
2002	1,228	1,459	2,687
2001	1,220	1,484	2,704
2000	1,254	1,481	2,735

Administrative	15.0
Certified Staff:	
Instructional	150.2
ESL	0.5
Special Education	40.3
Other (Librarians, Counselors, Nurses,etc.)	23.0
Total Certified Staff	214.0
Non- Certified Staff	
Secretary and Clerical	19.0
Building and Maintenance	27.0
Teacher Assistants	35.0
Supervisory Aides	0.0
Technicians	3.0
Bus Monitors	0.0
Attendance Officer	0.5
	84.5
Total FTE's	313.5

Data collected from School Department

TOWN OF SMITHFIELD, RHODE ISLAND
Miscellaneous Statistics
June 30, 2012

Founded:	1636
Town Incorporation:	1730
Type of Government:	Council / appointed Town Manager
Fiscal Year begins:	July 1

Population:

Official US Census	
1950	6,690
1960	9,442
1970	13,468
1980	16,886
1990	19,163
2000	20,613
2010	21,430

Area of Town:	27.8 square miles
Land Area:	26.7 square miles

Miles of Streets	
Local Paved	140
State Paved	40
Private Paved	2.5
Elections - November 2010	
Registered Voters	14,847
Number of Votes Cast	8,273
Percentage Voting	55.72%
Fire Protection	
# Fire Stations:	3
Employees :	
Uniformed	48
Civilian(s)	5
Library	
Full Time Employees	9
Part Time Employees	35

Data collected from various Town departments

Police Protection	
Buildings:	1
Employees:	
Law Enforcement	41
Civilian	
Full Time	12
Part Time	6
Crossing Guard	7
Recreation	
Parks	8
Playgrounds	5
Ball Diamonds	14
Soccer/Football Fields	6
Volleyball Courts	0
Skating Arenas	1
Basketball Courts	8
Walking Paths	7
Running Tracks	1
Tennis Courts	7
Historical Cemeteries	116
Municipal Buildings:	
Town Hall	1
Senior Center	1
Public Works Garage	1
Parks & Recreation	2
Other Municipal Employees:	59

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TOWN OF SMITHFIELD

SINGLE AUDIT SECTION

This section contains information regarding federal grant activity for the year ended June 30, 2012, 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."

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number		Pass-Through Grantor's Number	Expenditures
U.S. Department of Agriculture				
Passed through Rhode Island Department of Education:				
National School Lunch Program	10.555	*	None	$ 153,844
National School Breakfast Program	10.553	*	None	20,483
Food Commodities	10.550	*	None	10,182
Total U.S. Department of Agriculture				184,509
U.S. Department of Housing and Urban Development				
Passed through Rhode Island Office of Housing and Community Development				
Community Development Block Grant	14.228		Various	33,884
Total U.S. Department of Housing and Urban Development				33,884
U.S. Department of Justice				
Passed through Rhode Island Department of Justice				
Bulletproof Vest Partnership Program	16.607		BUBX08043723	1,625
Enforcing Underage Drinking Laws Program	16.727		None	1,197
Edward Byrne Memorial Justice Assistance Grant Program	16.738		Various	11,607
Total U.S. Department of Justice				14,429
U.S. Department of Transportation				
Passed through Rhode Island Department of Transportation				
Highway Planning and Construction	20.205		TEA2-013	455,135
Click it or Ticket Program	20.602		None	4,770
Operation Blue Riptide Program	20.608		None	8,407
Child Passenger Safety Grant	20.600		None	10,002
Total U.S. Department of Transportation				478,314
U.S. Environmental Protection Agency				
Passed through Rhode Island Department of Environmental Management				
Nonpoint Source Implementation Grant	66.460		02-Water(NPS)-22	223,770
Total U.S. Environmental Protection Agency				223,770
U.S. Department of Energy				
Passed through Rhode Island Office of Energy				
State Energy Program	81.041		GR-8684	216,902
Total U.S. Department of Energy				216,902
U.S. Department of Homeland Security				
Passed through Rhode Island Emergency Management Agency				
State and Local Homeland Security National Training Program	97.005		31-108-FY2011 SH	6,629
Total U.S. Department of Homeland Security				6,629
U.S. Department of Health and Human Services				
Passed through Tri-Town Community Action Agency				
Alcohol Research Program	93.276		None	9,219
Total U.S. Department of Health and Human Services				9,219
U.S. Department of Education				
Passed through Rhode Island Department of Education				
Title I - Part A - Disadvantaged Youth	84.010		2725-11702-201	142,848
Title II - Part A - Teacher Quality	84.367		2725-16402-201	89,901
Project IDEA - Part B	84.027	**	2725-13202-201	598,908
Project IDEA - Part B - ARRA	84.391	**	4572-10202-101	142,410
Project IDEA Preschool	84.173	**	2725-13502-201	21,273
Project IDEA Preschool - ARRA	84.392	**	4572-10802-101	12,462
Education Jobs Fund - ARRA	84.410		4572-13102-101	227,297
Race To the Top Fund - ARRA	84.395		None	22,343
Perkins - Career and Technical Education	84.048		2725-15302-201	98,070
Total U.S. Department of Education				1,355,512
Total Expenditures of Federal Awards				$ 2,523,168

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

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2012

1. General

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

2. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting. The accompanying Schedule of Expenditures of Federal Awards also includes $10,182 for the value of food commodities which is reported as a component of the Federal School Lunch Program Cluster. These commodities are not reported in revenue or expenses of the Business-Type Activities for financial statement purposes.

3. Determination of Major Programs

The determination of major federal financial assistance programs was based upon the overall level of expenditures for all federal programs for the Town of Smithfield. As such, the threshold for determining Type A and Type B programs is defined as those with program expenditures greater than $300,000 or 3 percent of total expenditures when the total expenditures are over $10,000,000. For the fiscal year ended June 30, 2012, the following programs were considered major programs:

Highway Planning and Construction	CFDA #20.205
Project IDEA – Part B *	CFDA #84.027
Project IDEA – Part B – ARRA *	CFDA #84.391
Project IDEA Preschool *	CFDA #84.193
Project IDEA Preschool – ARRA *	CFDA #84.392

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

Braver PC
Accountants & Advisors

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

To the Honorable Town Council
Town of Smithfield, Rhode Island

We have audited 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, as of and for the year ended June 30, 2012, which collectively comprise the Town of Smithfield's basic financial statements and have issued our report thereon dated December 21, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Town of Smithfield is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Town of Smithfield's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Smithfield's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Smithfield's internal control over financial reporting.

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

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

mgi BUSINESS SOLUTIONS WORLDWIDE
155 South Main Street, Suite 100, Providence, RI 02903 T 401.421.2710 F 401.274.5230 www.thebravergroup.com
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Compliance and Other Matters

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

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

Braver PC

Providence, Rhode Island
December 21, 2012

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Honorable Town Council
Town of Smithfield, Rhode Island

Compliance

We have audited the Town of Smithfield'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 the Town of Smithfield's major federal programs for the year ended June 30, 2012. The Town of Smithfield's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs is the responsibility of the Town of Smithfield's management. Our responsibility is to express an opinion on the Town of Smithfield's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Smithfield's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Town of Smithfield's compliance with those requirements.

In our opinion, the Town of Smithfield, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2012.

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Internal Control Over Compliance

Management of the Town of Smithfield is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Town of Smithfield's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance 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'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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as described above.

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

Braver PC

Providence, Rhode Island
December 21, 2012

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expressed an unqualified opinion on the basic financial statements of the Town of Smithfield, Rhode Island.

2. No significant deficiencies relating to the audit of the financial statement were reported in the Independent Auditor's Report.

3. No instances of noncompliance material to the financial statements of the Town of Smithfield were disclosed during the audit.

4. No significant deficiencies relating to the audit of the major federal award programs were reported.

5. The auditor's report on compliance for the major federal award programs for the Town of Smithfield expresses an unqualified opinion.

6. Audit findings relative to the major federal award programs for the Town of Smithfield are reported in Part C of this schedule.

7. The programs tested as major programs were:

   Highway Planning and Construction ..... CFDA #20.205
   Project IDEA – Part B * ..... CFDA #84.027
   Project IDEA – Part B – ARRA * ..... CFDA #84.391
   Project IDEA Preschool * ..... CFDA #84.193
   Project IDEA Preschool – ARRA * ..... CFDA #84.392

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

8. The threshold for distinguishing Type A and B programs is described in Note 3 to the Schedule of Expenditures of Federal Awards.

9. The Town of Smithfield, Rhode Island was determined to be a low-risk auditee.

B. FINDINGS -- RELATED TO AUDIT OF FINANCIAL STATEMENTS

Current Year Findings:

None noted.

Prior Year Findings:

None noted.

(CONTINUED)

C. FINDINGS AND QUESTIONED COSTS RELATING TO FEDERAL AWARDS

Current Year Findings:

None noted.

Prior Year Findings:

None noted.

(CONCLUDED)

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2012

NONE NOTED

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