THE TOWN OF SMITHFIELD, RHODE ISLAND

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
JUNE 30, 2006

TABLE OF CONTENTS

	Schedule	Page(s)
INTRODUCTORY SECTION:		
Letter of Transmittal		i - v
List of Town Officials		vi
FINANCIAL SECTION:		
Independent Auditor's Report		1 - 2
Management's Discussion and Analysis		3 - 9
Basic Financial Statements:		
Government-wide Financial Statements:		
Statement of Net Assets	A-1	10 - 11
Statement of Activities	A-2	12
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	B-1	13 - 14
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	B-1	15
Statement of Revenues, Expenditures, Other Financing Sources (Uses), and Changes in Fund Balances	B-2	16 - 17
Reconciliation of the Statement of Revenues, Expenditures, Other Financing Sources (Uses), and Changes in Fund Balances of Governmental Funds (B-2) to the Statement of Activities (A-2)	B-3	18
Proprietary Funds:		
Statement of Net Assets	C-1	19 - 20
Statement of Revenues, Expenses and Changes in Net Assets	C-2	21
Statement of Cash Flows	C-3	22 - 23
Fiduciary Funds:		
Statement of Fiduciary Net Assets	D-1	24
Statement of Changes in Fiduciary Net Assets	D-2	25
Notes to Basic Financial Statements		26 - 58
Required Supplementary Information:		
Schedule of Funding Progress for Pension Plans	E-1	59 - 62
Schedule of Revenues, Expenditures, Other Financing Sources (Uses), and Changes in Fund Balance (Non-GAAP Budgetary Basis) Budget and Actual - General Fund	E-2	63
Schedule of Budget Estimates and Actual Revenues (Budgetary Basis)	E-3	64 - 65
Schedule of Appropriations and Actual Expenditures (Budgetary Basis)	E-4	66 - 69
Schedule of Revenues, Expenditures, Other Financing Sources and Changes in Fund Balance (Non-GAAP Budgetary Basis) Budget and Actual - School General Fund	E-5	70
Notes to Required Supplementary Information		71
Other Supplementary Information:		
Combining Financial Statements:		
Non-Major Governmental Funds:		
Combining Balance Sheet	F-1	72 - 81
Statement of Revenues, Expenditures, Other Financing Sources (Uses), and Changes in Fund Balance	F-2	82 - 91

(CONTINUED)

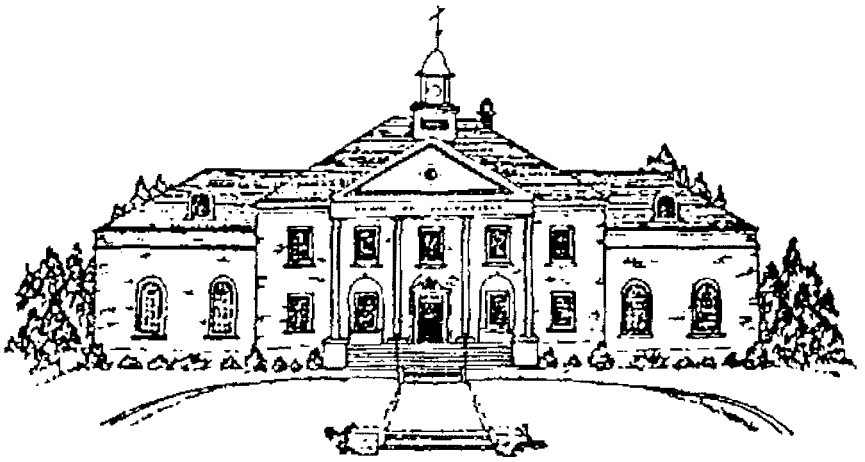
TABLE OF CONTENTS

	Schedule	Page(s)
FINANCIAL SECTION (Continued):		
Proprietary Funds:		
Combining Statement of Net Assets	G-1	92 - 93
Combining Statement of Revenues, Expenses and Changes in Net Assets	G-2	94
Combining Statement of Cash Flows	G-3	95 - 96
Agency Funds:		
Combining Statement of Changes in Assets and Liabilities	H-1	97 - 98
SINGLE AUDIT SECTION:		
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		99 - 100
Report on Compliance with Requirements Applicable to Each Major Program and On Internal Control Over Compliance in Accordance with OMB Circular A-133		101 - 102
Schedule of Expenditures of Federal Awards		103
Notes to Schedule of Expenditures of Federal Awards		104
Schedule of Findings and Questioned Costs		105
Summary Schedule of Prior Audit Findings		106
STATISTICAL SECTION:		
Net Assets By Component – Last Four Fiscal Years		107
Changes in Net Assets – Last Four Fiscal Years		108 – 110
Changes in Fund Balance, Governmental Funds, Last Ten Fiscal Years		111 - 112
Fund Balances, Governmental Funds –Last Four Fiscal Years		113
Property Tax Rates – Last Ten Fiscal Years		114
Property Tax Levies and Collections - Last Ten Fiscal Years		115
Net Assessed Value of Taxable Property - Last Ten Fiscal Years		116
Ratio of Annual Debt Service Expenditures to Total General Fund Expenditures - Last Ten Fiscal Years		117
Demographic Statistics - Last Ten Fiscal Years		118
Principal Taxpayers		119
Public School Enrollments - Actual and Projected – Last Ten Fiscal Years		120

(CONCLUDED)

TOWN OF SMITHFIELD, RHODE ISLAND

INTRODUCTORY SECTION



TOWN OF SMITHFIELD

64 Farnum Pike • Esmond, RI 02917

Town Treasurer & Tax Collector
DENNIS G. FINLAY
(401) 233-1005 • FAX (401) 232-7244

January 12, 2007

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

The Comprehensive Annual Financial Report for the fiscal year ended June 30, 2006 for the Town of Smithfield is hereby submitted for your review. The responsibility for the accuracy, fairness and completeness of presentation rests with the Town of Smithfield. The data presented herein is accurate in all material aspects and presents fairly the financial position and results of operations of the Town, including all the various funds of the Town. All disclosures necessary to enable the reader to gain an understanding of the Town's financial activities have been included.

Through the joint efforts of the Town and its auditors, Cayer Caccia, LLP, we are hopeful that this presentation will enable readers to gain a fuller understanding of the Town's fiscal affairs for the year ended June 30, 2006

Town of Smithfield

Location

The Town, primarily a residential community, comprises 26.7 square miles of land, 1.1 square miles of water, and is situated approximately 11 miles northwest of Providence, the State capital. The Town is bounded by the Town of North Smithfield on the north, by the Towns of North Providence and Johnston on the south, by the Town of Lincoln on the east, and the Town of Glocester on the west.

Government

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

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

Government (Continued)

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

The Town Manager is appointed by the Town Council and serves at its pleasure as the administrative head of government and is responsible for all departments except the School Department. Mr. Stanley J. Usovicz, Jr. is currently serving in this capacity.

Legislative and policy-making powers are vested in the five (5) member Town Council. Members are elected at-large for two (2) year terms. The present Town Council members as of June 30, 2006, were elected in November, 2004 and their terms ended November, 2006.

Government Services

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

Police Department

The police department consists of 40 full-time police officers and approximately 3 reserve officers. In addition, there are 12 civilian full-time employees and 3 civilian part time employees within the department. For fiscal year 2005/2006, the approved budget was $3,564,183 and the approved capital budget was $316,220. For fiscal year 2006/2007, the approved operations budget was $3,895,099, and the approved capital budget is $300,156.

Fire Department

The fire department consists of 40 full-time and 12 on-call members. There are 6 other civilian employees. There are 3 fire stations located in the Town. For fiscal year 2005/2006, the approved operations budget was $3,448,301, and the approved capital budget was $172,471. For fiscal year 2006/2007, the approved operations budget is $3,940,890, and the approved capital budget is $132,971.

Sanitation

The Town provides weekly rubbish and garbage collection through the use of private contractors. For fiscal year 2005/2006, the Public Works Department's budget for this service was $850,000. For fiscal year 2006/2007, the approved budget is $860,000.

Sanitation (Continued)

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

Sewers

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

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

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

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

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

Public Libraries

The Town operates two public libraries. For fiscal year 2005/2006, the Town's budget for libraries was $1,005,809. For fiscal year 2006/2007, the approved budget amount is $1,046,043.

Special Services

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

Senior Center

In fiscal year 1994/1995, the Town completed construction of a new senior center at Deerfield Park Recreational complex. This senior center commenced operations during fiscal year 1995/1996. During the fiscal year 2004/2005, an addition was completed which doubled the size of the building at a cost of approximately $1.2 million. For fiscal year 2005/2006, the approved budget amount was $322,469 and the approved capital budget was $11,000. For fiscal year 2006/2007, the approved budget amount is $306,091 and the approved capital budget is $17,000.

Education

The general administration of the Town's school system is the responsibility of the School Committee within the provisions and powers and duties delegated in the Rhode Island General Laws. The five members of the School Committee are elected at-large at regular Town elections and serve four-year terms. Powers and duties of the Committee include: the preparation and submission of estimates and recommendations for the amount necessary for the support of the public schools to be appropriated at the Financial Town Meeting, the administration of all funds designated for school purposes, and the selection of all school personnel. The fiscal 2005/2006 budget was $27,239,151 For fiscal year 2006/2007, the approved budget is $28,618,974.

The school system includes four elementary schools, a middle school and a senior high school. Total capacity within these facilities is 3,310 students. Currently, there are 239 full-time teachers. A science wing addition was constructed at the high school and renovations were completed in fiscal year 2003/2004.

Summary of Fund Activity

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

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

INDEPENDENT AUDIT

State law requires an annual audit of the Town finances by certified public accountants. The accounting firm of Cayer Caccia, LLP was chosen to conduct the Town's audit for fiscal year ending June 30, 2006. The auditors' report on the general purpose financial statements is included in the financial section of this report.

ACKNOWLEDGMENTS

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

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

Sincerely,

Stanley J. Usovicz, Jr., Town Manager

Dennis G. Finlay
Treasurer/Tax Collector/Finance Director

TOWN OF SMITHFIELD, RHODE ISLAND

TOWN COUNCIL

Richard A. Poirier, President
Michael J. Flynn, Vice-President
Maxine A. Cavanagh
Ronald F. Manni
Stephen G. Tocco

TOWN MANAGER

Stanley J. Usovicz, Jr.

DEPARTMENT DIRECTORS

Animal Control Warden	*Thomas B. Taylor*
Building Official	*Alfred T. DeCorte, CBO*
Emergency Management Director	*Todd S. Manni*
Engineer	*Richard B. Geldard, P. E.*
Finance Director	*Dennis G. Finlay*
Fire Chief	*Joseph P. Mollo III*
Human Resources/Personnel	*Susan Pilkington*
Library Director (East Smithfield)	*Elodie E. Blackmore*
Library Director (Greenville)	*Christopher LaRoux*
Recreation and Ice Rink Manager	*Thomas Tullie*
Planning and Economic Development Director	*Fred J. Presley*
Police Chief	*William A. McGarry*
Public Welfare Director	*Vivian Auerbach*
Public Works Director/Water Superintendent	*B. James Suzman*
Senior Center Director	*Janet Prairie*
School Superintendent	*Robert O'Brien*
Tax Assessor	*Suzanne P. Kogut*
Town Clerk	*Dianne L. Ady*
Town Solicitor	*Edmund Alves, Jr., Esq.*

TOWN OF SMITHFIELD, RHODE ISLAND

FINANCIAL SECTION

CAYER CACCIA LLP

Certified Public Accountants and Business Consultants

INDEPENDENT AUDITOR'S REPORT

To the Honorable Town Council
Smithfield, Rhode Island

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Smithfield, Rhode Island, as of and for the year ended June 30, 2006, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Smithfield, Rhode Island's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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, 2006, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,* we have also issued our report dated January 12, 2007, on our consideration of the Town of Smithfield, Rhode Island's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

405 Promenade Street, Providence, RI 02908 (401) 421-7700 FAX (401) 421-5252
100 Plaza Center 68 Cumberland Street, Woonsocket, RI 02895 (401) 766-8100

The Management's Discussion and Analysis, historical pension information and budgetary comparison information on pages 3 through 9 and 59 through 71 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

January 12, 2007

Cayer Caccia, LLP

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

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

Highlights

Financial Highlights

The Town's net assets increased by $3,000,098 (or 6.5%). Governmental net assets decreased by $926,830 (or 3.7%) while the business type activities net assets increased by $3,926,928 (or 18.2%).

Governmental activities revenues for the year ending June 30, 2006 totaled $56,066,308 including charges for services at $2,617,931, operating grants and contributions $9,003,676 capital grants and contributions $700,344, with the balance of revenue from property taxes, revenue sharing, investment interest and miscellaneous of $43,744,357.

Business-type activities revenues for the year ending June 30, 2006 totaled $9,608,083 including charges for services of $4,732,944, operating grants and contributions of $435,202, capital grants and contributions of $16,952, investment income of $263,670 and transfers of $4,159,315.

Governmental fund expenditures and transfers for the fiscal year totaled $56,993,138. Business-type activities expenditures for the fiscal year totaled $5,681,155.

On the GAAP basis expenditures and transfers were 52,474,432 for the general fund; $28,421,003 for the School Department; $4,185,771 for the Wastewater Treatment Facility Improvements; and $3,142,522 in the non-major governmental funds.

Use of the Annual Report

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

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

Reporting the Town as a whole:

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

Reporting the Town as a whole (Continued):

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

Significant Funds:

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

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

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

Town as a Whole

Government Wide Statements

Statement of Net Assets
As of June 30:

	Governmental Activities		*Business Type Activities*		*Total Primary Government*	
	2006	2005	2006	2005	2006	2005
Current and Other Assets	$22,444,038	$23,754,355	$ 6,551,136	$ 5,889,648	$28,995,174	$29,644,003
Capital Assets	29,886,955	30,268,502	19,647,755	16,553,978	49,534,710	46,822,480
Total Assets	52,330,993	54,022,857	26,198,891	22,443,626	78,529,884	76,466,483
Current Liabilities	9,283,496	9,303,406	554,348	663,166	9,837,844	9,966,572
Long Term Liabilities	19,192,282	20,290,013	148,401	211,246	19,340,683	20,501,259
Total Liabilities	28,475,778	29,593,419	702,749	874,412	29,178,527	30,467,831
Invested in Capital Assets Net of Related Debt	11,847,660	10,481,689	19,462,765	16,282,443	31,310,425	26,764,132
Restricted for Other Purpose	3,943,034	7,497,123			3,943,034	7,497,123
Unrestricted	8,064,521	6,450,626	6,033,377	5,286,771	14,097,898	11,737,397
Total Net Assets	$23,885,215	$24,429,438	$25,496,142	$21,569,214	$49,351,357	$45,998,652

Net Assets equals Total Assets less Liabilities

Changes in Net Assets
For fiscal Year Ended June 30

	Governmental Activities		Business-type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program Revenue:						
Charges for Services	$ 2,617,931	$ 2,379,458	$ 4,732,944	$ 4,364,825	$ 7,350,875	$ 6,744,283
Operating Grants & Contributions	9,003,676	8,818,307	435,202	430,762	9,438,878	9,249,069
Capital Grants & Contributions	700,344	145,230	16,952	42,662	717,296	187,892
Total Revenue	12,321,951	11,342,995	5,185,098	4,838,249	17,507,049	16,181,244
General Revenues:						
Property Taxes	41,549,207	38,477,384			41,549,207	38,477,384
State Revenue Sharing	1,792,773	1,346,867			1,792,773	1,346,867
Unrestricted Investment Earnings	402,377	271,356	263,670	135,374	666,047	406,730
Transfers			4,159,315	1,684,220	4,159,315	1,684,220
Total General Revenues	43,744,357	40,095,607	4,422,985	1,819,594	48,167,342	41,915,201
Total Revenues	56,066,308	51,438,602	9,608,083	6,657,843	65,674,391	58,096,445
Expenses:						
General Government	2,754,935	2,416,005			2,754,935	2,416,005
Public Safety	8,593,527	7,585,295			8,593,527	7,585,295
Public Works	3,939,646	3,973,204			3,939,646	3,973,204
Education	29,756,361	27,507,323			29,756,361	27,507,323
Recreation	332,377	357,994			332,377	357,994
Public Health & Asst	38,811	38,712			38,811	38,712
Community Development	31,182	123,516			31,182	123,516
Other	6,668,165	7,054,668	5,681,155	5,229,235	12,349,320	12,283,903
Interest on Long-Term Debt	718,819	794,182			718,819	794,182
Transfers	4,159,315	1,684,220			4,159,315	1,684,220
Total Expenses	56,993,138	51,535,119	5,681,155	5,229,235	62,674,293	56,764,354
Change in Net Assets	(926,830)	(96,517)	3,926,928	1,428,608	3,000,098	1,332,091
Net Assets Beginning, as Restated	24,782,045	24,525,955	21,569,214	20,140,606	46,351,259	44,666,561
Ending Net Assets	$23,855,215	$24,429,438	$25,496,142	$21,569,214	$49,351,357	$45,998,652

This is the third year Smithfield is reporting fixed assets in its financials and only infrastructure additions are included. The remaining infrastructure, roads, culverts, bridges, etc. will be done at a future time. It is required by fiscal year 2007.

Normal Impacts:

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

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

Changes in net assets of governmental activities as a whole is $(926,830) resulting from the difference between expenses and revenues during fiscal year 2006. Expenses net of their pertinent revenues were $40,511,872, while revenue not attributed to any activity in the government was $43,744,357 and transfers out were $4,159,315, therefore netting a decrease of $926,830 in net assets.

Business type Activities:

The change in net assets for the business type activities for fiscal year 2006 was a positive $3,926,928.

Town's Funds:

General Fund & Other Governmental Funds:

2006

At the end of June 2006, the general fund balance sheet showed a fund balance of $10,213,709. This figure results from all assets allocated to this fund less its liabilities, as presented on page 13. Of this total $3,777,906 is reserved for RUBS, capital expenditures and other. In addition, $2,870,235 is designated to supplement future tax assessments. The School Department showed a fund balance of $1,798,982; and the Wastewater Treatment Facility Improvements showed $106,317. Other governmental funds had a fund balance of $4,699,901. The total fund balance for the aforementioned funds is $16,818,909. See schedule B-1.

2005

At the end of June 2005 the general fund balance sheet showed a fund balance of $8,051,857. This figure results from all assets allocated to this fund less its liabilities. Of this total $3,219,830 is reserved for RUBS, capital expenditures and other. In addition, $2,179,033 is designated to supplement future tax assessments. The School Department showed a fund balance of $2,004,051; and the Wastewater Treatment Facility Improvements showed $4,219,991. Other governmental funds had a fund balance of $4,881,953. The total fund balance for the aforementioned funds is $19,157,852. See schedule B-1.

Business type Activity:

2006

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

Business type Activity (Continued):

2005

The major business type activities for the Town are the Sewer Authority and the Water Supply Board. These two entities combined had total net assets of $17,935,361 of which $13,581,951 is invested in capital assets, net of related debt, and $4,353,410 is unrestricted.

Required Supplemental Information

In addition to this MD& A and the basic financial statements, this report also presents certain Required Supplemental Information. For the Town of Smithfield, this Required Supplemental Information includes the Budgetary Comparison Schedule for the General Fund that can be found on "Schedule E-2" on page 63. The presentation under GASB 34 requires disclosure of both the original and final budget. The original budget is the first complete appropriated budget. The final budget is the original budget adjusted by all reserves, transfers, allocations, supplemental appropriations and other legally authorized legislative and executive changes applicable to the fiscal year.

Analysis of Significant Budget Variations in the General Fund

2006

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

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

- → Property taxes: positive variance of the $829,673 is due to favorable tax collections.
- → Licenses, fees, and permits: the positive variance of $630,087 is primarily due to an unanticipated increase in building permit fees and recording fees.
- → Redemption of bonds and notes: the positive variance of $485,931 is primarily due to the reappropriation of prior year unexpended balance.
- → Interest on bonds and notes: the positive variance of $767,272 is primarily due to the reappropriation of prior year unexpended balance.

2005

For the year ended June 30, 2005, the General Fund Revenues exceeded budget projections by $1,887,542 or 3.7%. General Fund Expenditures were more than the budget by $50,603 or 0.1%. This resulted in a $1,836,939 budgetary surplus in the General Fund for the year ending June 30, 2005.

- → State hotel and meals tax: the positive variance of the $475,229 is due to the newly enacted 1% tax on meals, which has not been budgeted for.
- → Licenses, fees, and permits: the positive variance of $581,236 is primarily due to an unanticipated increase in building permit fees and recording fees.
- → Municipal escrow: the negative variance of $899,604 is primarily due to the accrual of retroactive payroll due to police and fir employees as the result of the settlement of the union contracts.
- → Redemption of bonds and notes: the positive variance of $451, 2896 is primarily due to the reappropriation of the prior year unexpended balance.
- → Interest bonds and notes: the positive variance of $475,975 is primarily due to the reappropriation of prior year unexpended balance.

Capital Assets and Long-Term Debt

Capital Assets

The Town of Smithfield's investment in capital assets for its governmental and business type activities as of June 30, 2006 and 2005 amounted to $49.5 and $46.8 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, motor vehicles, equipment and infrastructure.

The presentation below for the current fiscal year lists the major categories of capital assets for governmental activities and business-type activities. Infrastructure assets, assets that are long-lived and can be preserved for a significantly greater number of years than most capital assets and that normally are stationary in nature such as streets, sidewalks and curbing are subject to different rules under the standards established by GASB 34. For the fiscal year ended June 30, 2006, the Town is required to report all activity relating to infrastructure assets that occurred in that fiscal year. Retroactive reporting of all other infrastructure assets is not required until four years after the effective date of the basic provision.

Capital Assets at Year-End
(In Millions)

	Governmental Activities		Business-Type Activities		Totals	
	2006	2005	2006	2005	2006	2005
Motor Vehicles	$ 4.9	$ 4.5	$ 0.1	$ 0.1	$ 5.0	$ 4.6
Equipment	1.8	1.8	10.1	5.9	11.9	7.7
Infrastructure	71.0	70.8	16.9	16.9	87.9	87.7
Buildings and Improvements	23.4	23.3	12.5	12.5	35.9	35.8
Land and Land Improvements	4.7	4.7	0.5	0.5	5.2	5.2
Construction-in-Progress	0.7	0.1			0.7	0.1
Total Assets	106.5	105.2	40.1	35.9	146.6	141.1
Less: Accumulated Depreciation	(76.6)	(74.9)	(20.5)	(19.4)	(97.1)	(94.3)
Net Capital Assets	$ 29.9	$ 30.3	$ 19.6	$16.5	$ 49.5	$ 46.8

The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2006 was $146.6 million less accumulated depreciation of $97.1 million for a net investment in capital assets of $49.5 million.

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

- $4.1 million in Wastewater Treatment Facility Improvements

Additional information on the Town's capital assets can be found on Note 6 on pages 40 - 41 of this report.

Long Term Debt

2006

As of June 30, 2006, the Town had total long-term liabilities of $21.4 million. Of that, $12.3 million related to bonded debt guaranteed by the Town's assets, $5.3 million related to lease participation certificates; $0.2 million related to unpaid pension contributions; $3.1 million related to compensated absences; and $0.5 million related to leases payable. See Note 7 for further explanation of the Town's long-term liabilities.

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

Long Term Debt (Continued)

2005

As of June 30, 2005, the Town had total long-term liabilities of $22.9 million. Of that, $13.6 million related to bonded debt guaranteed by the Town's assets, $6.0 million related to lease participation certificates; $0.2 million related to unpaid pension contributions; $2.9 million related to compensated absences; and $0.2 million related to leases payable. See Note 7 for further explanation of the Town's long-term liabilities.

The business-type activities had long-term liabilities of $330,891.

The Town's bond ratings are as follows:

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

TOWN OF SMITHFIELD, RHODE ISLAND

BASIC FINANCIAL STATEMENTS

TOWN OF SMITHFIELD, RHODE ISLAND

STATEMENT OF NET ASSETS
JUNE 30, 2006

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Current Assets:			
Cash and cash equivalents	$ 18,859,883	$ 5,972,009	$ 24,831,892
Investments		244,667	244,667
Receivables:			
Taxes, net	2,232,975		2,232,975
Water and sewer assessments and user fees, net		193,804	193,804
Other receivables	181,810	42,980	224,790
Town-held tax liens	60,379		60,379
Due from:			
Other governments	986,316	8,460	994,776
Agency funds	2		2
Internal balances	122,673	(122,673)	
Accrued interest receivable		1,069	1,069
Other assets		149	149
Inventory		23,853	23,853
Total Current Assets	22,444,038	6,364,318	28,808,356
Noncurrent Assets:			
Capital assets:			
Non-depreciable	5,339,537	399,923	5,739,460
Depreciable, net	24,547,418	19,247,832	43,795,250
Sewer assessment fees		181,277	181,277
Asset restricted to investment in building		5,000	5,000
Prepaid sewer assessment escrow		541	541
Total Noncurrent Assets	29,886,955	19,834,573	49,721,528
TOTAL ASSETS	52,330,993	26,198,891	78,529,884
LIABILITIES:			
Current Liabilities:			
Accounts payable	770,129	159,833	929,962
Accrued payroll	792,694	44,276	836,970
Accrued interest	170,107		170,107
Accrued liabilities		7,320	7,320
Retainage payable	918,580		918,580
Bond anticipation note payable	310,000		310,000
Due to:			
Other governments	113,073		113,073
Employee retirement plans	1,194,013		1,194,013
Current portion of long term debt	2,177,223	101,600	2,278,823
Unearned revenue	2,551,236	241,319	2,792,555
Other liabilities	286,441		286,441
Total Current Liabilities	9,283,496	554,348	9,837,844

(CONTINUED)

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF SMITHFIELD, RHODE ISLAND

STATEMENT OF NET ASSETS
JUNE 30, 2006

	Governmental Activities	Business-type Activities	Total
LIABILITIES (Continued):			
Noncurrent Liabilities:			
Long term debt, net	19,192,282	89,990	19,282,272
Accrued vacation and sick leave		58,411	58,411
Total Noncurrent Liabilities	19,192,282	148,401	19,340,683
TOTAL LIABILITIES	28,475,778	702,749	29,178,527
NET ASSETS:			
Invested in capital assets, net of related debt	11,847,660	19,462,765	31,310,425
Restricted for other purposes	3,943,034		3,943,034
Unrestricted	8,064,521	6,033,377	14,097,898
TOTAL NET ASSETS	$ 23,855,215	$ 25,496,142	$ 49,351,357

(CONCLUDED)

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF SMITHFIELD, RHODE ISLAND

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006

Functions/Programs:	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets – Primary Government: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets – Primary Government: Business-type Activities	Net (Expense) Revenue and Changes in Net Assets – Primary Government: Total
Governmental activities:							
General government	$ 2,754,935	$ 1,539,128	$ 1,151,851		$ (63,956)		$ (63,956)
Public safety	8,593,527	727,656	21,911	$ 414,249	(7,429,711)		(7,429,711)
Public works	3,939,646				(3,939,646)		(3,939,646)
Education	29,756,361	350,655	7,771,982	15,170	(21,618,554)		(21,618,554)
Recreation	332,377			270,925	(61,452)		(61,452)
Public health and assistance	38,811				(38,811)		(38,811)
Community development	31,182	492	56,182		25,492		25,492
Other	6,668,165		1,750		(6,666,415)		(6,666,415)
Interest on long-term debt	718,819				(718,819)		(718,819)
Total governmental activities	52,833,823	2,617,931	9,003,676	700,344	(40,511,872)		(40,511,872)
Business-type activities:							
Sewer Authority	2,251,112	2,439,771				$ 188,659	188,659
Water Supply Board	770,658	1,025,992				255,334	255,334
School Lunch	661,393	563,511	110,519			12,637	12,637
Smithfield Ice Rink	591,683	643,320				51,637	51,637
East Smithfield Public Library	545,151	8,852	98,071	16,952		(421,276)	(421,276)
Greenville Public Library	815,266	34,294	226,612			(554,360)	(554,360)
East Smithfield Neighborhood Center	45,892	17,204				(28,688)	(28,688)
Total business-type activities	5,681,155	4,732,944	435,202	16,952	0	(496,057)	(496,057)
Total	$ 58,514,978	$ 7,350,875	$ 9,438,878	$ 717,296	(40,511,872)	(496,057)	(41,007,929)
General revenues:							
Property taxes					41,549,207		41,549,207
State revenue sharing					1,792,773		1,792,773
Unrestricted investment earnings					402,377	263,670	666,047
Transfers					(4,159,315)	4,159,315	
Total general revenues and transfers					39,585,042	4,422,985	44,008,027
Change in Net Assets					(926,830)	3,926,928	3,000,098
Net Assets - beginning, as restated					24,782,045	21,569,214	46,351,259
Net Assets - ending					$ 23,855,215	$ 25,496,142	$ 49,351,357

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF SMITHFIELD, RHODE ISLAND

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006

	General Fund	School Department	Wastewater Treatment Facility Improvements	Other Governmental Funds	Total Governmental Funds
ASSETS:					
Cash and cash equivalents	$ 14,346,186	$ 413,567	$ 978,229	$ 3,121,901	$ 18,859,883
Receivables:					
Taxes, net	2,232,975				2,232,975
Other	154,246	9,339		18,225	181,810
Town-held tax liens	60,379				60,379
Due from:					
Other funds	185,367	2,021,454		3,402,149	5,608,970
Other governments	652,950	49,205		284,161	986,316
TOTAL ASSETS	$ 17,632,103	$ 2,493,565	$ 978,229	$ 6,826,436	$ 27,930,333
LIABILITIES AND FUND BALANCES:					
LIABILITIES:					
Accounts payable	$ 380,897	$ 206,532	$ 182,700		$ 770,129
Accrued payroll and benefits	350,258	442,436			792,694
Retainage payable			689,212	$ 229,368	918,580
Bond anticipation note payable				310,000	310,000
Due to:					
Other funds	5,411,412	3,250		1,265,646	6,680,308
Other governments	113,073				113,073
Deferred revenues	1,139,237			307,977	1,447,214
Other liabilities	23,517	42,365		13,544	79,426
TOTAL LIABILITIES	7,418,394	694,583	871,912	2,126,535	11,111,424

(CONTINUED)

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF SMITHFIELD, RHODE ISLAND

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006

	General Fund	School Department	Wastewater Treatment Facility Improvements	Other Governmental Funds	Total Governmental Funds
FUND BALANCES:					
Reserved for Town-held tax liens	60,379				60,379
Reserved for amounts not due within one year	95,963				95,963
Reserved for capital improvements	100,000				100,000
Reserved for capital expenditures	1,795,460				1,795,460
Reserved for subsequent year's expenditures (RUBS)	1,693,604				1,693,604
Reserved for encumbrances	32,500		106,317		138,817
Reserved for perpetual care				58,811	58,811
Unreserved: designated to supplement future tax assessments	2,870,235				2,870,235
Unreserved: designated for Capital Reserve	548,180				548,180
Unreserved: designated for Land Trust	269,999				269,999
Unreserved: designated for capital outlay		40,797			40,797
Unreserved: designated for restricted state aid		16,768			16,768
Unreserved, reported in:					
General fund	2,747,389				2,747,389
Special revenue funds		1,741,417		2,300,584	4,042,001
Capital project funds				2,340,506	2,340,506
TOTAL FUND BALANCES	10,213,709	1,798,982	106,317	4,699,901	16,818,909
TOTAL LIABILITIES AND FUND BALANCES	$ 17,632,103	$ 2,493,565	$ 978,229	$ 6,826,436	$ 27,930,333

(CONTINUED)

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF SMITHFIELD, RHODE ISLAND

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS GOVERNMENTAL FUNDS JUNE 30, 2006

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

Total Fund Balances (B-1)	$ 16,818,909
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	29,886,955
Long-term liabilities (including bond premium) are not due and payable in the current period and therefore are not reported in the funds.	(21,576,520)
Deferred revenues (net of an allowance for uncollectibles) are recorded in the funds, but are not deferred under the measurement focus employed in the Statement of Net Assets.	(1,104,022)
Accrued interest payable is recorded in governmental activities, but is not recorded in the funds.	(170,107)
Total Net Assets (A-1)	$ 23,855,215

(CONCLUDED)

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF SMITHFIELD, RHODE ISLAND

STATEMENT OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES (USES) AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006

	General Fund	School Department	Wastewater Treatment Facility Improvements	Other Governmental Funds	Total Governmental Funds
REVENUES:					
General property taxes	$ 40,753,963				$ 40,753,963
Intergovernmental	8,720,985			$ 1,786,569	10,507,554
Licenses, fees and permits	1,081,003				1,081,003
Investment income	303,268		$ 72,097	27,012	402,377
Departmental	818,850				818,850
Other	205,456	$ 937,356		769,961	1,912,773
TOTAL REVENUES	51,883,525	937,356	72,097	2,583,542	55,476,520
EXPENDITURES:					
Current:					
General government	2,518,880			12,837	2,531,717
Public safety	7,831,859			287,382	8,119,241
Public works	3,021,599		55,020		3,076,619
Education		27,801,920		1,010,312	28,812,232
Public health and assistance	38,811				38,811
Parks and recreation	306,226				306,226
Community development				31,182	31,182
Other	6,614,323				6,614,323
Debt Service:					
Principal	1,985,355				1,985,355
Interest and other costs	767,272				767,272
Capital:					
Capital outlay	692,037	619,083	4,130,751	699,657	6,141,528
TOTAL EXPENDITURES	23,776,362	28,421,003	4,185,771	2,041,370	58,424,506
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	28,107,163	(27,483,647)	(4,113,674)	542,172	(2,947,986)

(CONTINUED)

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF SMITHFIELD, RHODE ISLAND

STATEMENT OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES (USES) AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006

	General Fund	School Department	Wastewater Treatment Facility Improvements	Other Governmental Funds	Total Governmental Funds
OTHER FINANCING SOURCES (USES)					
Proceeds from leasing	335,000				335,000
Transfers in	2,065,152	27,278,578		376,928	29,720,658
Transfers out	(28,698,070)			(1,101,152)	(29,799,222)
NET OTHER FINANCING SOURCES (USES)	(26,297,918)	27,278,578	0	(724,224)	256,436
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	1,809,245	(205,069)	(4,113,674)	(182,052)	(2,691,550)
FUND BALANCE AT BEGINNING OF YEAR, AS RESTATED	8,404,464	2,004,051	4,219,991	4,881,953	19,510,459
FUND BALANCE AT END OF YEAR	$ 10,213,709	$ 1,798,982	$ 106,317	$ 4,699,901	$ 16,818,909

(CONCLUDED)

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF SMITHFIELD, RHODE ISLAND

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES (USES), AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS (B-2) TO THE STATEMENT OF ACTIVITIES (A-2) YEAR ENDED JUNE 30, 2006

Net Change in Fund Balances - Total Governmental Funds (B-2):	$	(2,691,550)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		(381,547)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences.		1,539,078
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds.		589,788
Adjustment to accrued interest payable related to general obligation bonds which is required to be recorded for government-wide financial statement presentation.		17,401
Change in Net Assets of Governmental Activities in the Statement of Activities (A-2)	$	(926,830)

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF SMITHFIELD, RHODE ISLAND

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2006

	Sewer Authority	Water Supply Board	Non-major Enterprise Funds	Totals
ASSETS:				
Current Assets:				
Cash and cash equivalents	$ 4,648,493	$ 389,948	$ 933,568	$ 5,972,009
Investments			244,667	244,667
Receivables, net			42,980	42,980
Water and sewer assessments and user fees, net	128,261	65,543		193,804
Prepaid expenses			149	149
Due from:				
Other funds			15,645	15,645
Other governments			8,460	8,460
Accrued interest receivable	1,069			1,069
Inventory		19,600	4,253	23,853
Total Current Assets	4,777,823	475,091	1,249,722	6,502,636
Noncurrent Assets:				
Sewer assessment fees	181,277			181,277
Asset restricted to investment in building			5,000	5,000
Net capital assets	14,064,733	2,716,660	2,866,362	19,647,755
Prepaid sewer assessment escrow	541			541
Total Noncurrent Assets	14,246,551	2,716,660	2,871,362	19,834,573
TOTAL ASSETS	19,024,374	3,191,751	4,121,084	26,337,209

(CONTINUED)

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF SMITHFIELD, RHODE ISLAND

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2006

	Sewer Authority	Water Supply Board	Non-major Enterprise Funds	Totals
LIABILITIES:				
Current Liabilities:				
Accounts payable	16,498	53,917	89,418	159,833
Accrued payroll			44,276	44,276
Due to other funds	13,473	71,865	52,980	138,318
Accrued liabilities			7,320	7,320
Deferred revenue	240,767		552	241,319
Current portion of long term debt		3,200	98,400	101,600
Total Current Liabilities	270,738	128,982	292,946	692,666
Noncurrent Liabilities:				
Long-term debt, net			89,990	89,990
Accrued vacation and sick leave		28,319	30,092	58,411
Total Noncurrent Liabilities	0	28,319	120,082	148,401
TOTAL LIABILITIES	270,738	157,301	413,028	841,067
NET ASSETS:				
Invested in capital assets, net of related debt	14,064,733	2,716,660	2,681,372	19,462,765
Unrestricted	4,688,903	317,790	1,026,684	6,033,377
TOTAL NET ASSETS	$ 18,753,636	$ 3,034,450	$ 3,708,056	$ 25,496,142

(CONCLUDED)

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF SMITHFIELD, RHODE ISLAND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2006

	Sewer Authority	Water Supply Board	Non-major Enterprise Funds	Totals
OPERATING REVENUES:				
Charges for usage and service	$ 2,439,671	$ 1,003,248	$ 662,583	$ 4,105,502
Food sales			563,511	563,511
Miscellaneous	100	22,744	41,087	63,931
Total Operating Revenues	2,439,771	1,025,992	1,267,181	4,732,944
OPERATING EXPENSES:				
Operations	168,679	556,322	1,383,916	2,108,917
Personnel	45,313	139,853	1,080,692	1,265,858
Contract payments, net	1,144,347			1,144,347
Depreciation	892,773	73,181	186,145	1,152,099
Total Operating Expenses	2,251,112	769,356	2,650,753	5,671,221
OPERATING INCOME (LOSS)	188,659	256,636	(1,383,572)	(938,277)
NONOPERATING REVENUES (EXPENSES):				
Interest expense		(426)	(8,632)	(9,058)
Investment income	238,997	2,984	21,689	263,670
Amortization		(876)		(876)
Town appropriation			992,564	992,564
Transfer from Wastewater Treatment Facility	4,130,751			4,130,751
Transfer to General Fund	(904,000)	(60,000)		(964,000)
Intergovernmental			404,277	404,277
Grants			47,877	47,877
Net Nonoperating Revenues (Expenses)	3,465,748	(58,318)	1,457,775	4,865,205
CHANGE IN NET ASSETS	3,654,407	198,318	74,203	3,926,928
TOTAL NET ASSETS - BEGINNING	15,099,229	2,836,132	3,633,853	21,569,214
TOTAL NET ASSETS - ENDING	$ 18,753,636	$ 3,034,450	$ 3,708,056	$ 25,496,142

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF SMITHFIELD, RHODE ISLAND

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2006

	Sewer Authority	Water Supply Board	Non-major Enterprise Funds	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	$ 2,466,724	$ 959,220	$ 1,242,527	$ 4,668,471
Cash received from providing services		22,744	16,914	39,658
Cash received from vendor for operations			9,634	9,634
Cash paid to suppliers		(568,499)	(1,383,673)	(1,952,172)
Cash paid to employees	(45,313)	(142,146)	(1,058,640)	(1,246,099)
Cash paid for other operating expenses	(1,323,753)			(1,323,753)
Net cash provided by (used for) operating activities	1,097,658	271,319	(1,173,238)	195,739
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Nonoperating grants received			433,428	433,428
(Increase) decrease in due from other funds	371		(15,645)	(15,274)
Increase (decrease) in due to other funds	13,473	(7,767)	(9,629)	(3,923)
Net cash provided by (used for) noncapital financing activities	13,844	(7,767)	408,154	414,231
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition of capital assets			(115,127)	(115,127)
Town appropriation			992,564	992,564
Nonoperating grants received			30,925	30,925
Transfer to General Fund	(904,000)	(60,000)		(964,000)
Principal paid on long-term debt obligations		(34,645)	(51,900)	(86,545)
Interest paid on long-term debt obligations		(1,472)	(11,929)	(13,401)
Net cash provided by (used for) capital and related financing activities	(904,000)	(96,117)	844,533	(155,584)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest on investments	238,997	2,984	17,687	259,668
Net purchases of investments			(10,000)	(10,000)
Net cash provided by investing activities	238,997	2,984	7,687	249,668

(CONTINUED)

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF SMITHFIELD, RHODE ISLAND

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2006

	Sewer Authority	Water Supply Board	Non-major Enterprise Funds	Totals
NET INCREASE IN CASH AND CASH EQUIVALENTS	446,499	170,419	87,136	704,054
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	4,201,994	219,529	846,432	5,267,955
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 4,648,493	$ 389,948	$ 933,568	$ 5,972,009
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	$ 188,659	$ 256,636	$ (1,383,572)	$ (938,277)
Adjustments to reconcile:				
Depreciation	892,773	73,181	186,145	1,152,099
(Increase) decrease in accounts receivable	101,619	(44,028)	5,719	63,310
Increase in inventory			(383)	(383)
Decrease in prepaid expenses			39	39
Increase in prepaid sewer assessment escrow	(275)			(275)
Increase (decrease) in accounts payable	(10,727)	(12,177)	777	(22,127)
Increase in accrued payroll			15,056	15,056
Increase (decrease) in accrued vacation and sick leave		(2,293)	7,948	5,655
Decrease in accrued expenses			(1,142)	(1,142)
Decrease in deferred revenue	(74,391)		(3,825)	(78,216)
Net cash provided by (used for) operating activities	$ 1,097,658	$ 271,319	$ (1,173,238)	$ 195,739

(CONCLUDED)

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF SMITHFIELD, RHODE ISLAND

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2006

	Employee Retirement Funds				
	Police Pension Trust	Fire Pension Trust	Accrued Retirement Plan	Total Employee Retirement Funds	Agency Funds
ASSETS:					
Cash and cash equivalents			$ 656,272	$ 656,272	$ 558,110
Investments	$ 6,969,854	$ 12,396,482		19,366,336	
Due from other funds	1,084,685	59,328	50,000	1,194,013	
Total assets	8,054,539	12,455,810	706,272	21,216,621	558,110
LIABILITIES:					
Due to other funds					2
Deposits held in custody for others					558,108
Total liabilities	0	0	0	0	$ 558,110
NET ASSETS:					
Held in trust for pension benefits	$ 8,054,539	$ 12,455,810	$ 706,272	$ 21,216,621	

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

TOWN OF SMITHFIELD, RHODE ISLAND

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2006

	Employee Retirement Funds			
	Police Pension Trust	Fire Pension Trust	Accrued Retirement Plan	Total Employee Retirement Funds
ADDITIONS:				
Contributions:				
Employee	$ 189,023	$ 171,646		$ 360,669
Employer	1,583,170	480,608		2,063,778
Transfers In			$ 50,000	50,000
Total contributions	1,772,193	652,254	50,000	2,474,447
Investment income:				
Interest and dividends	173,713	141,423	15,593	330,729
Net realized and unrealized losses on investments	332,181	833,393		1,165,574
Total investment income	505,894	974,816	15,593	1,496,303
Total additions	2,278,087	1,627,070	65,593	3,970,750
DEDUCTIONS:				
Benefits	1,315,091	526,466		1,841,557
Administrative expenses	70,453	33,015		103,468
Total deductions	1,385,544	559,481	0	1,945,025
CHANGE IN NET ASSETS	892,543	1,067,589	65,593	2,025,725
Net Assets - beginning	7,161,996	11,388,221	640,679	19,190,896
Net Assets - ending	$ 8,054,539	$ 12,455,810	$ 706,272	$ 21,216,621

SEE NOTES TO THE BASIC FINANCIAL STATEMENTS.

1. REPORTING ENTITY

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

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

Primary Government

The Town is a municipal corporation governed by a Council/Town Manager form of government with a five-member Town Council headed by a Council President.

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

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

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

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

The following entities were considered for classification as component units for fiscal year 2006:

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

(CONTINUED)

1. REPORTING ENTITY (Continued)

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

The Greenville Public Library issues a separate financial statement. The information for the Greenville Public Library was taken from the audited financial statements dated July 31, 2006.

The Greenville Public Library

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

East Smithfield Public Library

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

East Smithfield Neighborhood Center

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

(CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Standards

The Town has implemented GASB Statement No. 42 – Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries, effective for the Town's fiscal year ending June 30, 2006. The Town also implemented GASB Statement No. 46 - Net Assets Restricted by Enabling Legislation, an amendment of GASB Statement No. 34, GASB Statement No. 47 - Accounting for Termination Benefits, and GASB Statement No. 44 - Economic Condition Reporting: The Statistical Section - an amendment of NCGA Statement 1, effective for the Town's year ending June 30, 2006. The adoption of these statements did not have a significant impact on the Town's financial position or results of operation. The Town will adopt the following new accounting pronouncement in future years:

→ GASB Statement No. 45 - Accounting and Financial Reporting by Employees for Post-employment Benefits Other Than Pensions, effective for the Town's fiscal year ending June 30, 2009.

The impact of this pronouncement on the Town's financial statements has not been determined.

Basis of Presentation

Government-Wide Financial Statements

The statement of net assets and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds and component units that are fiduciary in nature. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, receivables and payables.

Fund Financial Statements

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

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

(CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Fund Financial Statements (Continued)

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

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

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

Special Revenue Funds

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

Capital Project Funds

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

Permanent Fund

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

Proprietary Fund

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

(CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiduciary Funds (Not included in government-wide statements)

Agency Funds

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

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

Major and Non-Major Funds

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

Fund	Brief Description
Major:	
General:	See above for description
Special Revenue:	School Department: accounts for the general operations of the Smithfield Public Schools.
Capital Project:	Wastewater Treatment Facility Improvements: accounts for capital improvements of the Wastewater Treatment Plant and the associated infrastructure components.
Proprietary:	Sewer Authority: accounts for the overseeing of the sewer operations of the Town of Smithfield including the administration of the ten-year contract with Veolia Water, Inc.
	Water Supply Board: responsible for supplying water service for approximately one-third of the Town and also a certain area in the Town of North Providence.

(CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Major and Non-Major Funds (Continued)

Non-Major:

Special Revenue:	School Restricted Grants, Fire Apparatus, Municipal Contingency Escrow, Revaluation Fund, Smithfield Fire Rescue, Scholarship Fund, Recreation Capital, Review Fees, Animal Control Fund, Hazardous Material, Animal Control Spay Neuter, CDBG Grant Funds, Inspection Fees, Senior Center, Capital Reserve, Land Trust, Historical Records, EMA – EOP, Police Christmas Fund, Document Preservation & Tech Upgrades, Police Confiscated Funds, EMA-Radio, Senior Center, Chief's Challenge Incentive, Revolving Loan Fund, Senator Lincoln Chafee Grant, Byrne Grant, Bulletproof Vest Program, RIDOT Click It or Ticket, COPS That Care, Operation Blue Riptide, COPS Grant, Homeland Security IV, Homeland Security III, and RIDOT Child Safety Station.
Capital Projects:	Highway Resurfacing, Building Maintenance, Special Drainage, Handicap Accessibility, Senior Center, Highway Drainage, Sewer Contingency, Green Acres Acquisition Fund, Police Equipment, Impact Fees, Capital Improvement, State Sewer Projects, Open Space and Recreation Area, Drainage, Deerfield Park, Smithfield Historic Landmark, Middle School Additions, Water District Improvement Fee, Deerfield Park Addition, Senior Center Addition, High School Addition, and Fire Department Headquarters.
Permanent Fund:	Cemetery Fund

Measurement Focus

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

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

(a) All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period. The Town considers property taxes as available if they are collected within 60 days after year end.

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

(CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

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

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

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

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

Investments

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

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

Accounts Receivable

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

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

(CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

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

Vacation, Sick Leave and Other Compensated Absences

It is the policy of the Town to permit employees to accumulate a limited amount of earned but unused vacation and sick leave benefits, which will be paid to the employees upon separation from Town service. Compensated absences that are expected to be liquidated with expendable available financial resources are reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts not expected to be liquidated with expendable available resources are reported as long-term debt in the government-wide financial statements. Long-term debt and other obligations financed by the proprietary funds are reported as liabilities in the appropriate funds.

Bond Issuance Cost

Bond issuance costs in the Water Supply Board Enterprise Fund are being amortized over the life of the bond issues. Amortization expense for the year ended June 30, 2006, was $876.

Short-Term Interfund Receivable/Payables

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

Advances to Other Funds

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

Fund Balance Transactions

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

Prepaid Items

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

(CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, Plant and Equipment

Property, Plant and Equipment

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

Government-Wide Statements

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

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

Buildings and improvements	5 - 60 years
Land improvements	10 - 15 years
Equipment	3 - 60 years
Sewer lines and treatment and pumping plant	5 - 60 years
Vehicles	8 - 15 years
Infrastructure	20 - 65 years

Fund Financial Statements

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

Equity Classifications

Government-Wide Statements

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

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

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

(CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity Classifications (Continued)

Government-Wide Statements (Continued)

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

Fund Statements

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

Budgetary Process

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

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

The Town Moderator, who is appointed by the Council, conducts the Financial Town Meeting. The Town Council sits as the Budget Committee, and responds to questions along with the Town Manager and staff regarding the recommended municipal budget. The moderator conducts the meeting, ensures that the Rules of Order are enforced, and provides adequate opportunity for discussion upon each issue.

Based on state statutes, the School Committee is authorized to spend funds up to the total amount appropriated for the Unrestricted Fund, which is considered the fund level. The budget of the School Unrestricted Fund is prepared annually and submitted to the School Committee for approval. The amount of the annual transfer from the Town's General Fund to the School Unrestricted Fund is ultimately determined through the adoption of the General Fund budget.

Town ordinances require an annual budget for the General Fund. The practices used in the preparation of budget differ in certain respects from the presentation of the actual results of operations prepared in accordance with GAAP. The actual results of operations, for purposes of the Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual on Budgetary Basis - General Fund has been adjusted to a basis consistent with the Town's budget.

Certain annual appropriations are carried over to next year's budget. There were no supplemental budgetary appropriations made during the fiscal year ended June 30, 2006.

(CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Process (Continued)

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

	Revenues and Transfers	Expenditures and Transfers
General Fund:		
Statement of Revenues and Expenditures (Non-GAAP Budgetary Basis) (E-2)	$57,043,573	$54,207,363
Less: Fund Balance Reappropriated (RUBS)	(1,358,474)	
Less: Revenue for capital projects - prior year fund balance carryover	(1,431,771)	
Less: Capital Project appropriation available for future years. Considered a 2006 expenditure for budgetary purposes		(1,795,460)
Add: Transfers to special revenue funds utilizing prior year designated fund balance		64,680
Add: Revenues recorded as transfers in for GAAP purposes, but as expenditure offsets for budgetary purposes	30,349	30,349
Less: Current year encumbrances		(32,500)
Statement of Revenues, Expenditures, and Changes in Fund Balance (B-2)	$54,283,677	$52,474,432

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

	Revenues and Transfers	Expenditures and Transfers
Statement of Revenues, Expenditures and Other Financing Sources (Non-GAAP Budgetary Basis) Budget and Actual (E-5)	$28,737,357	$27,629,758
Transfer from fund balance to revenue for current year	(1,318,287)	
Adjustment for pension contribution made by State of Rhode Island on behalf of employees	937,356	937,356
Transfer to Literacy – Special Revenue Fund	(140,492)	(146,111)
Statement of Revenues, Expenditures, and Changes in Fund Balances (B-2)	$28,215,934	$28,421,003

(CONTINUED)

4. TAXES AND ASSESSMENTS RECEIVABLE (Continued)

During the year ended June 30, 2006, the Town received $3,089,250 from the State of Rhode Island as payment in accordance with legislation regarding the phase-out of motor vehicle tax. Under the law, excise tax on motor vehicles and trailers are being phased out over an eight-year period commencing with fiscal year 1999-2000. The phase-out program freezes the tax rate at $39.00 which was the rate in fiscal year 1997-1998.

The State of Rhode Island has also passed legislation to phase-out wholesale and retail inventory tax over a ten-year period effective July 1, 1999. The phase-out of this tax will be supplemented through an increase in General State Aid. The General State Aid will be increased from the effective rate of 1% on June 30, 1998 to 4.7% on June 30, 2009. The rate at June 30, 2006 was 3.65%.

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

The allowance for uncollectible accounts of the Sewer Authority ($22,300) is based on that portion of sewer assessment and user charges and miscellaneous accounts receivable which is estimated to be doubtful of collection, or which may be abated due to appeals now under consideration.

5. INTERGOVERNMENTAL RECEIVABLE AND PAYABLE

Amounts due from and to the Federal Government and State of Rhode Island consisted of the following at June 30, 2006:

	Due From	Due To
Governmental activities:		
State of Rhode Island:		
Major funds:		
General Fund	$652,950	$113,073
Non-major funds	10,158	
Total	663,108	113,073
Federal government:		
Major funds:		
School Department	49,205	
Non-major funds	274,003	
Total	323,208	0
Total governmental activities	$986,316	$113,073

(CONTINUED)

5. INTERGOVERNMENTAL RECEIVABLE AND PAYABLE (Continued)

	Due From	Due To
Business-type activities:		
State of Rhode Island:		
Non-major funds	$ 8,640	$ 0
Total business-type activities	$ 8,640	$ 0

6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2006 was as follows:

	PRIMARY GOVERNMENT			
	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land and improvements	$ 4,666,125	$ 10,000		$ 4,676,125
Construction in progress	66,458	596,954		663,412
Total capital assets not being depreciated	4,732,583	606,954	$ 0	5,339,537
Other capital assets:				
Buildings and improvements	23,267,166	168,745		23,435,911
Equipment	1,795,239	424,867	(371,986)	1,848,120
Vehicles	4,500,263	481,670	(36,795)	4,945,138
Infrastructure	70,840,287	112,535		70,952,822
Total other capital assets at historical cost	100,402,955	1,187,817	(408,781)	101,181,991
Less: accumulated depreciation for:				
Buildings and improvements	(8,206,315)	(800,448)		(9,006,763)
Equipment	(1,239,833)	(226,235)	306,526	(1,159,542)
Vehicles	(3,625,453)	(299,722)	35,211	(3,889,964)
Infrastructure	(61,795,435)	(782,869)		(62,578,304)
Total accumulated depreciation	(74,867,036)	(2,109,274)	341,737	(76,634,573)
Other capital assets, net	25,535,919	(921,457)	(67,044)	24,547,418
Governmental activities capital assets, net	$30,268,502	$ (314,503)	$ (67,044)	$29,886,955

(CONTINUED)

6. CAPITAL ASSETS (Continued)

	PRIMARY GOVERNMENT			
	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets not being depreciated:				
Land	$ 393,173			$393,173
Construction-in-progress	6,750			6,750
Total capital assets not being depreciated	399,923	$ 0	$ 0	399,923
Other capital assets:				
Land improvements	71,668	11,961		83,629
Plant and buildings	12,474,318	55,036		12,529,354
Pumping station and equipment	4,126,782	4,130,748		8,257,530
Street mains and manholes	13,264,582			13,264,582
Motor vehicles	124,305			124,305
Furniture and equipment	1,843,041	48,131	(11,801)	1,879,371
Transmission lines and hydrants	3,602,009			3,602,009
Total other capital assets at historical cost	35,506,705	4,245,876	(11,801)	39,740,780
Less: accumulated depreciation for:				
Land improvements	(20,120)	(4,207)		(24,327)
Plant and buildings	(7,363,511)	(393,273)		(7,756,784)
Pumping station and equipment	(764,486)	(204,343)		(968,829)
Street mains and manholes	(8,800,498)	(406,790)		(9,207,288)
Motor vehicles	(118,430)	(4,700)		(123,130)
Furniture and equipment	(1,173,652)	(78,764)	11,801	(1,240,615)
Transmission lines and hydrants	(1,111,953)	(60,022)		(1,171,975)
Total accumulated depreciation	(19,352,650)	(1,152,099)	11,801	(20,492,948)
Other capital assets, net	16,154,055	3,093,777	0	19,247,832
Business-type activities capital assets, net	$16,553,978	$3,093,777	$ 0	$19,647,755

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	$ 112,358
Public safety	308,320
Education	630,979
Recreation	26,151
Public works	977,624
Miscellaneous	53,842
Total governmental activities depreciation expense	$2,109,274
Business-type activities:	
Sewer Authority	$ 892,773
Water Supply Board	73,181
Non-major enterprise funds	186,145
Total business-type activities depreciation expense	$ 1,152,099

(CONTINUED)

7. LONG-TERM LIABILITIES

(a) General

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

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

The current three percent debt limit of the Town is $69,692,910, based on the net assessed valuation at December 31, 2004 of $2,323,097,013. There is no debt presently outstanding pursuant to this limitation.

Authorized But Unissued Debt

The Town has a total of $10,540,000 in authorized, unissued debt consisting of the following authorizations:

	Authorized	Unissued
Sewer:		
Chapter 519 PL 1986	$ 1,000,000	$ 650,000
Town Hall Renovation:		
Chapter 27 PL 1987	1,100,000	240,000
Water:		
Chapter 32 PL 1989	5,000,000	3,000,000
Land Trust Open Space:		
Chapter 421 PL 2004	2,650,000	2,650,000
Land Trust Farmland Conservation:		
Chapter 421 PL 2004	2,500,000	2,500,000
Land for School, Library and Related Purposes:		
Chapter 421 PL 2004	1,500,000	1,500,000
Total	$13,750,000	$10,540,000

(CONTINUED)

7. LONG-TERM LIABILITIES (Continued)

(b) Long-Term Liability Activity

Long-term liability activity for the year ended June 30, 2006 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Long-term debt:					
General obligation debt	$13,585,355		$1,305,355	$12,280,000	$1,035,000
Lease participation certificates	5,980,000		680,000	5,300,000	695,000
Leases payable	221,458	$335,000	97,163	459,295	94,762
Total long-term debt	19,786,813	335,000	2,082,518	18,039,295	1,824,762
Other long-term liabilities:					
Compensated absences	2,875,427	267,896		3,143,323	352,461
Unpaid pension contributions	215,291		28,404	186,887	
Total other long-term liabilities	3,090,718	267,896	28,404	3,330,210	352,461
Governmental activities long-term liabilities	$22,877,531	$602,896	$2,110,922	$21,369,505	$2,177,223
Business-type Activities:					
Long-term debt:					
General obligation debt	$ 34,645		$34,645		
Note payable	236,890		51,900	$184,990	$ 95,000
Accrued compensated absences	59,356	$ 5,655		65,011	6,600
Business-type activities long-term liabilities	$ 330,891	$ 5,655	$86,545	$250,001	$101,600

Payments on all long-term debt and other long-term liabilities that pertain to the Town's governmental activities are made by the general fund, except for the unpaid pension contributions which are being repaid by the Police and Fire Pension Trust Funds.

(CONTINUED)

7. LONG-TERM LIABILITIES (Continued)

(c) Bonds and Notes Payable Outstanding

Bonds and notes payable at June 30, 2006, is comprised of the following:

	Interest Rate	Interest Dates	Issue/ Maturity Date	Original Issue	Balance June 30, 2006
GOVERNMENTAL ACTIVITIES					
General obligation serial bond:					
Capital Improvement Bond of 1992	5.27%	(4/15;10/15)	11/2/92 - 4/15/08	$ 1,400,000	$ 150,000
Capital Improvements Bond of 1997	4.55 – 6.5%	(4/15;10/15)	6/15/97 - 4/15/16	9,160,000	4,390,000
Capital Improvements Bond of 2003	2.5 – 5.0%	(4/15;10/15)	6/25/03 - 10/15/24	8,600,000	7,740,000
Total general obligation serial bonds				21,677,405	12,280,000
BUSINESS-TYPE ACTIVITIES					
Note payable – US Farmers Home Administration	7.125%	(9/12)	9/12/90 – 9/12/07	700,000	73,535
Note payable – Town of Smithfield	3.6367%	(9/12)	9/12/91 - 9/12/10	260,000	111,455
Total business-type activities				1,282,595	184,990
Total long-term debt				$22,960,000	$12,464,990

(CONTINUED)

7. LONG-TERM LIABILITIES (Continued)

(d) Debt Service Requirements

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

	Governmental Activities		Total Governmental	Business-type Activities		Total Business-type	Grand
	Principal	Interest	Activities	Principal	Interest	Activities	Total
2007	$ 1,035,000	$ 511,436	$ 1,546,436	$95,000	$ 8,443	$ 103,443	$ 1,649,879
2008	1,035,000	459,533	1,494,533	38,000	4,070	42,070	1,536,603
2009	960,000	411,565	1,371,565	17,000	1,883	18,883	1,390,448
2010	830,000	372,350	1,202,350	17,000	1,277	18,277	1,220,627
2011	830,000	339,975	1,169,975	17,890	650	18,540	1,188,515
2012-2016	4,150,000	1,180,726	5,330,726	17,990	650	18,540	5,330,726
2017-2021	2,150,000	2,638,856	4,788,856				4,788,856
2022-2024	1,290,000	81,970	1,371,970				1,371,970
Total	$12,280,000	$5,996,411	$18,276,411	$184,890	$16,323	$201,213	$18,477,624

(e) Capital Leases

During fiscal year 2006, the Town entered into a seven-year lease for the acquisition of a pumper truck. In addition, the Town has an existing six-year lease for the acquisition of a rescue vehicle, fire truck and ladder truck, and a five-year lease agreement for the acquisition of a dump truck. All of the lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date in capital assets and long-term debt on the government-wide financial statements. Town capital assets purchased through leasing for the year ended June 30, 2006 amounted to $335,000, while depreciation expense for Town capital assets purchased through leasing amounted to $48,361 for the fiscal year ended June 30, 2006.

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

	Town
2007	$107,572
2008	107,572
2009	85,817
2010	55,437
2011	55,437
2012	55,437
2013	55,437
Future minimum payments	522,709
Less: interest	(63,414)
Total long-term debt	$459,295

Payments made in fiscal 2006 totaled $105,073, of which $7,910 was interest and $97,163 was the present value of the future minimum lease payments.

(CONTINUED)

7. LONG-TERM LIABILITIES (Continued)

(f) Compensated Absences

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

8. SHORT-TERM DEBT

The Town issued a $310,000, 3.84% Bond Anticipation Note on February 1, 2006 with a maturity date of February 1, 2007 for land acquisition.

	Beginning Balance	Additions	Reductions	Ending Balance
Bond Anticipation Note	$0	$310,000	$0	$310,000

9. INTERFUND BALANCES

Interfund receivables and payables at June 30, 2006 were as follows:

	Interfund Receivables	Interfund Payables
Governmental activities:		
Major funds:		
Town General Fund	$ 185,367	$5,411,412
School Department General Fund	2,021,454	3,250
Non-major funds	3,402,149	1,265,646
Total governmental activities	$5,608,970	$6,680,308
Business-type activities:		
Major funds:		
Sewer Authority		$ 13,473
Water Supply Board		71,865
Non-major funds	$ 15,645	52,980
Total business-type activities	$ 15,645	$ 138,318
Fiduciary fund types	$1,194,013	$ 2

10. GRANT PROGRAMS

Basis of Accounting

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

(CONTINUED)

10. GRANT PROGRAMS (Continued)

Grant Commitments

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

Community Development Block Grants

	03/31/17	05/31/18	Total
Total entitlement	$21,000	$58,500	$79,500
Total drawdowns through June 30, 2006	(21,000)	0	(21,000)
Balance of grant at June 30, 2006	$ 0	$58,500	$58,500

11. DEFINED BENEFIT PENSION PLANS

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

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

The payroll for employees covered by the System for the year ended June 30, 2006 was $6,764,691 and the Town wide payroll was approximately $29.3 million.

Plan Description

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

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

(CONTINUED)

11. DEFINED BENEFIT PENSION PLANS (Continued)

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

Funding Policy

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

Annual Pension Cost

For 2006, the Town did not have any pension cost for MERS. The required contribution was determined as part of the June 30, 2003 actuarial valuation using the entry age normal cost method with frozen initial liability. Significant actuarial assumptions included (a) a net investment return of 8.25 percent compounded annually, (b) projected salary increases of 4.5 percent compounded annually, (c) 3 percent per year cost-of-living adjustments, (d) mortality rates based on the 1994 Group Annuity Mortality Table and (e) a retirement age of 65 or completion of service requirements, if later. The actuarial value of MERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period. MERS unfunded actuarial accrued liability is being amortized using the weighted average method over a 25-year period.

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

All Town of Smithfield, Rhode Island certified school personnel participate in the Employees' Retirement System of the State of Rhode Island ("System"), a cost-sharing multiple-employer public employee retirement system. The payroll for employees covered by the System for the year ended June 30, 2006 was $14,418,787. The Town's total payroll was approximately $29.3 million.

Plan Description

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

(CONTINUED)

11. DEFINED BENEFIT PENSION PLANS (Continued)

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

Funding Policy

Rhode Island general laws set the contribution rates for participating State employees at 9.5% of salary. Annual contributions by both employers and the State on behalf of those employees are determined by actuaries and assessed as percentage of participants' payroll. The Town was required to contribute 9.72%, 8.72%, and 7.99% for all full-time employees for fiscal years 2006, 2005, and 2004, respectively. The required contributions include (a) normal costs; (b) payments to amortize the unfunded frozen actuarial accrued liability as of July 1, 1985 over 30 years; and (c) interest on the unfunded frozen actuarial liability. Normal cost is determined using the entry age normal cost method with frozen initial liability. Both employers and employees contribute 1% of the first $9,600 of salary for survivor benefits. A variety of significant actuarial assumptions are used and these assumptions are summarized below:

A. ***Mortality*** – 1994 Group Annuity Mortality Tables.

B. ***Investment return*** – 8.25 percent, compounded annually.

C. ***Salary increase*** - Salaries will increase at a rate of 3.0 percent, compounded annually.

D. ***Retirement age*** - Teachers are assumed to retire at the later of age 61 or completion of the service requirements.

E. ***Cost of living adjustments*** – 3.0 percent compounded annually beginning on the January 1st following a participant's third anniversary of retirement.

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 2005, actuarial required contributions were 13.75% of participant salary, plus an additional .5% of non-federally reimbursable salary attributable to State contribution deferrals. This resulted in contribution rates paid by the State on behalf of the School Department of 6.75% of non-federally reimbursable payrolls of $937,356 for the fiscal year ended June 30, 2006.

The School Department does not have any investments or related party investment with the State Plan. The School Department's contribution represented 1.1 percent of total contribution required of all participating entities.

The amounts contributed to the plan are as follows:

Years Ending June 30,	Employee	Town's Portion Of Annual Required Contributions	Percentage Contributed
2006	$1,369,783	$1,437,111	100%
2005	$1,297,674	$1,221,776	100%
2004	$1,237,039	$1,065,311	100%

(CONTINUED)

11. DEFINED BENEFIT PENSION PLANS (Continued)

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

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

Trend information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented in the State of Rhode Island's Employee Retirement System's June 30, 2004 annual financial report, which may be obtained from the administrative offices of the State of Rhode Island Retirement Board, 40 Fountain Street, Providence, Rhode Island. This report is the most recent report available from the State who administers the Plan.

(c) Police Pension Plan

Plan Description

Police department employees hired prior to July 1, 1999 are covered under a single employer defined benefit pension plan which is administered by a private insurer. Plan participation commences on the first day of the month following the date the employee is hired. For the year ended June 30, 2005, the plan was comprised of sixty-four participants: twenty-four active, five disabled, and thirty-five retired participants. Fourteen of the twenty-four active participants had sufficient service to be vested at June 30, 2005. This is based upon the most recent actuarial report dated July 1, 2005.

Normal retirement benefits are paid at 2.5 percent of final average salary multiplied by service up to 20 years plus 2 percent of final average salary multiplied by service in excess of 20 years, not to exceed 75 percent of final average salary. Final average salary is defined as the average annual salary for the three (3) consecutive years producing the highest such average in the last ten (10) years preceding normal retirement date. The normal retirement dates are as follows:

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

Summary of Significant Accounting Policies

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

Contributions and Reserves

As a condition of participation in the plan, members of the police department are required to make contributions each year at 13% of their pay. The collective bargaining agreement between the Town and police provides that the Town will contribute no more than 18.3% of police department payroll to the plan, plus an additional $1,048,000. Accordingly, for the year ended June 30, 2006, the Town and plan participants contributed 18.3% and 13% of covered payroll, respectively. Total contributions for the year ended June 30, 2006, were $1,772,193. The contributions were comprised of a Town contribution of $1,583,170 and an employee contribution of $189,023. Total covered payroll for the year ended June 30, 2006 was approximately $2,720,400.

(CONTINUED)

11. DEFINED BENEFIT PENSION PLANS (Continued)

(c) Police Pension Plan (Continued)

Plan Assets:

	2006	2005	2004
Fund value assets at beginning of year	$7,161,996	$6,371,566	$ 5,240,022
Plan income year ended June 30:			
Employer contributions	1,583,170	1,357,089	1,375,427
Employee contributions	189,023	291,887	134,077
Investment return	505,894	473,583	852,068
Plan expenses year ended June 30:			
Benefits paid	(1,315,091)	(1,281,869)	(1,208,602)
Administrative costs	(70,453)	(50,260)	(21,426)
Fund value assets at June 30	$8,054,539	$7,161,996	$ 6,371,566

Unfunded Actuarial Accrued Liability:

	2006	2005	2004
Unfunded actuarial accrued liability at beginning of year	*	$12,820,330	$12,220,750
Interest at 8.5%	*	1,089,728	1,038,764
Normal cost assumed due July 1	*	884,133	1,002,884
Interest at 8.5%	*	75,151	85,245
Less: contributions applicable to plan year ending June 30	*	(1,648,976)	(1,509,504)
Less: adjustment to UAAL as a result of plan change	*	(674,290)	
Interest at 8.5%	*	(16,391)	(17,809)
Unfunded actuarial accrued liability at June 30	*	$12,529,685	$12,820,330

* Unavailable as of date of this report.

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

Police Pension Effective FY 2000 for New Hires

Effective fiscal year 2000, new hires of the Town of Smithfield Police Department participate in the Municipal Employee's 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. All full-time police employees hired after July 1, 1999 participate in the System.

The payroll for employees covered by the System for the year ended June 30, 2006 was $889,583 and the Town wide payroll was approximately $29.3 million.

(CONTINUED)

11. DEFINED BENEFIT PENSION PLANS (Continued)

(c) Police Pension Plan (Continued)

Plan Description

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

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

Contributions Required and Contributions Made

Police personnel are required by State Statute to contribute 9% until the maximum benefit (75 percent of final average salary) is accrued. The Town is required to contribute based on an actuarially computed amount and as provided by State Statute for each participating municipality. The actuarial method used is the entry age normal cost with part of each municipality's unfunded actuarial liability funded over a fixed amortization period and the balance funded over the projected future payroll of active members. Due to large fluctuations in the contribution rates of certain municipalities, the plan has adopted a procedure which would allow a unit the option of paying a smoothed contribution rate. The smoothed contribution rate equals the previous fiscal year's contribution rate plus the greater of 2% or one eighth of the increase in contribution rate plus the cost of any benefit improvements. The actuarially determined contribution amount for the Town was determined as described above and was based on an actuarial valuation as of June 30, 2002.

The annual required contribution for the Town which equals the annual pension cost for the year ended June 30, 2006 was $115,910 This contribution represents 17.14% of covered payroll. Employees were required to contribute $80,062. This contribution represents 9% of covered payroll.

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

(d) Fire Pension Plan

Plan Description:

Fire department employees are covered under a single employer defined benefit pension plan which is administered by a private insurer. Plan participation commences on the first day of the month following the date the employee is hired. For the year ended June 30, 2006, the plan was comprised of 72 participants: 52 active, 5 disabled, and 15 retired participants. 25 of the 52 active participants had sufficient service to be vested at June 30, 2006.

(CONTINUED)

11. DEFINED BENEFIT PENSION PLANS (Continued)

(d) Fire Pension Plan (Continued)

Normal retirement benefits are paid at 2.5 percent of final average salary multiplied by service up to 20 years plus 2 percent of final average salary multiplied by service in excess of 20 years, not to exceed 75 percent of final average salary. Final average salary is defined as the average annual salary for the three (3) consecutive years producing the highest such average in the last ten (10) years preceding normal retirement date. The normal retirement date is the first day of the month coincident with or next following the earlier of the attainment of age 65 or completion of 20 years of service.

Summary of Significant Accounting Policies

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

Contributions and Reserves

As a condition of participation in the plan, members of the fire department are required to make contributions each year at 7% of their pay. The collective bargaining agreement between the Town and police provides that the Town will contribute no more than 19.6% of fire department payroll to the plan. Accordingly, for the year ended June 30, 2006, the Town and plan participants contributed 19.6% and 7% of covered payroll, respectively. Total contributions for the year ended June 30, 2006, were $652,254. The contributions were comprised of a Town contribution of $480,608 and an employee contribution of $171,646. Total covered payroll for the year ended June 30, 2006 was approximately $2,503,328.

Plan Assets:

	2006	2005	2004
Fund value assets at beginning of year	$11,388,221	$10,423,249	$ 8,631,111
Plan income year ended June 30:			
Employer contributions	480,608	380,764	391,170
Employee contributions	171,646	135,987	139,703
Investment return	974,816	919,630	1,561,070
Plan expenses year ended June 30:			
Benefits paid	(526,466)	(432,275)	(277,921)
Administrative costs	(33,016)	(39,134)	(21,884)
Fund value assets at June 30	$12,455,809	$11,388,221	$10,423,249

Unfunded Actuarial Accrued Liability:

	2006	2005	2004
Unfunded actuarial accrued liability at beginning of year	$1,822,156	$1,596,388	$1,263,595
Interest at 8.5%	154,883	135,693	107,406
Normal cost assumed due July 1	457,066	447,168	581,922
Interest at 8.5%	38,851	38,009	49,463
Less: contributions applicable to plan year ending June 30	(464,475)	(380,764)	(391,170)
Interest at 8.5%	(19,338)	(14,338)	(14,828)
Unfunded actuarial accrued liability at June 30	$1,989,143	$1,822,156	$1,596,388

(CONTINUED)

11. DEFINED BENEFIT PENSION PLANS (Continued)

(d) Fire Pension Plan (Continued)

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

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

12. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

In addition to the pension benefits described in Note 9, the Town provides post employment health care benefits in accordance with Town contracts. These benefits are for continued full family or individual health care for the employee groups as described below.

Town Hall Employees, Police Civilians and Public Service Employees

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

Firefighters

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

Police

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

(1) Retirement after a minimum of twenty years of service and/or purchased military time.

(2) Retirement after a minimum of ten years of service at a minimum of fifty-five years of age.

(CONTINUED)

12. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (Continued)

Police (Continued)

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

The expenditures for postemployment health care benefits are recognized as the monthly premiums for the insurance become due. During the year ended June 30, 2006, expenditures of $581,925 were recognized for postemployment health care benefits. Of this amount, $371,473 was paid for twenty-six police retirees, $165,132 was incurred on behalf of twelve firefighter retirees and $45,050 was incurred on behalf of five Town retirees.

School

Based on union contracts, the School Department pays the cost of health and dental insurance premiums for certain retired School Department employees. The School Department funds post employment benefits on a pay as you go basis. During the 2006 fiscal year, the School Department paid approximately $497,232 for health benefits and $47,328 for dental benefits for 71 retirees.

13. FUND EQUITY

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

(a) Reservations

Reservations of fund balance at June 30, 2006 were as follows:

General Fund:	
Reserved for Town held tax liens	$ 60,379
Reserved for amounts not due within one year	95,963
Reserved for encumbrances	32,500
Reserved for capital expenditures	1,795,460
Reserved for capital improvements	100,000
Reserved for reappropriation of unappropriated balances (RUBS)	1,693,604
Total	$3,777,906
Capital Project Fund Types:	
Reserved for encumbrances	$ 106,317
Fiduciary Fund Types:	
Reserved for perpetual care	$ 58,811

(CONTINUED)

13. FUND EQUITY (Continued)

(b) Designations

Designations of fund balance at June 30, 2006 were as follows:

General Fund:	
Designated to supplement future tax assessments	$2,870,235
Designated for Capital Reserve	548,180
Designated for Land Trust	269,999
Total	$3,688,414
School Department:	
Designated for capital outlay	$ 40,797
Designated for restricted state aid	16,768
Total	$ 57,565

(c) Deficits

The following funds had deficit fund equity balances at June 30, 2006:

Non-major Governmental Funds:

Senior Center	$ 2,500
Deerfield Park	$ 159,809
Deerfield Park Addition	$ 78,352
Senior Center Addition	$ 745,439
Log Road	$ 54,750

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

(d) Restatement

During the fiscal year ended June 30, 2006, it was noted that taxes receivable at June 30, 2005 were understated in the amount of $352,607. The balance of fund balance at June 30, 2005 has been restated accordingly.

14. RISK MANAGEMENT

Health Care

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

(CONTINUED)

14. RISK MANAGEMENT (Continued)

Unemployment

The Town is self-insured for unemployment benefits. There were no incurred but not reported claims as of June 30, 2006.

Other Insurance

The Town receives coverage for its property and liability expenses and for its workers' compensation expenses through the Rhode Island Interlocal Risk Management Trust. During the fiscal year ended June 30, 2006, the Town paid premiums of $113,955, $210,570, and $2,000 for its workers' compensation coverage, property and liability coverage, and for special police liability coverage, respectively. At June 30, 2006, the trust held reserves for future payments of open cases. The trust is obligated to make payments on the Town's behalf without any further obligation of the Town, unless the Town's applicable limit of liability were exhausted by the size of the loss or the nature of the loss would fall outside the parameters of the trust policy.

At June 30, 2006, the Town is unable to estimate the potential exposure for outstanding claims, which may fall outside the parameter of the trust policy.

15. DEFERRED COMPENSATION PLAN

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

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

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

16. CONTINGENT LIABILITIES AND LITIGATION

The Town is a defendant in various suits, including tax valuation cases, claims for false arrests, wrongful death, water and sewer assessments, police brutality, and zoning violations. At the present, the legal counsel for the Town is unable to predict the outcome of the loss, if any, that may result from these matters. Accordingly, no provision for any liability has been made in the financial statements for these pending cases.

(CONTINUED)

16. CONTINGENT LIABILITIES AND LITIGATION (Continued)

The Town is a defendant in various other lawsuits including claims for pension benefits, tax assessments, sewer use charges and zoning issues. Some of these cases are in the discovery stage and therefore, legal counsel is unable to determine the amount, if any, of the Town's exposure. In the opinion of legal counsel, none of the remaining cases should result in a material loss to the Town if the plaintiff prevailed. Accordingly, no provision for any liability has been made in the financial statements.

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

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

17. CASH FLOWS

Cash paid for interest for the ended June 30, 2006 for the enterprise funds was $9,058.

18. OTHER COMMITMENTS

As of June 30, 2006, the Town had committed to make payments on three loans related to land purchases by the Land Trust, a separate entity. The amount outstanding on the purchases of land were $40,852 at June 30, 2006. The Town plans on paying the above amount out of the Land Trust Reserve Fund.

19. INTERFUND TRANSFERS

Interfund transfers for fiscal year ended June 30, 2006 are as follows:

	Transfers In	Transfers Out
Governmental activities:		
Major funds:		
General Fund	$ 2,065,152	$28,698,070
School Department	27,278,578	
Non-major funds	376,928	1,101,152
Total governmental activities	$29,720,658	29,799,222
Business-type activities:		
Major funds:		
Sewer Authority		$904,000
Water Supply Board		60,000
Non-major funds	$ 992,564	
Total business-type activities	$ 992,564	$964,000
Fiduciary funds:		
Accrued Retirement Plan	$ 50,000	$ 0

(CONCLUDED)

TOWN OF SMITHFIELD, RHODE ISLAND

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF SMITHFIELD, RHODE ISLAND

POLICE EMPLOYEES' RETIREMENT SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date July 1,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2003	$5,240,023	$17,460,773	$12,220,750	30%	$1,721,919	710%
2004	$6,371,566	$19,191,896	$12,820,330	33%	$1,596,542	803%
2005	$7,161,996	$19,691,681	$12,529,685	36%	$1,163,680	1,077%

SCHEDULE OF CONTRIBUTIONS FROM THE TOWN

Year Ended June 30	Annual Pension Cost (APC)	Minimum Recommended Contribution	Percentage of Minimum Recommended Contribution	Net Pension Obligation
2004	$1,375,427	$1,200,397	115%	$ 0
2005	$1,357,089	$1,167,128	116%	$ 0
2006	$1,583,170	$1,032,192	153%	$ 0

NOTES TO SCHEDULES

Additional information as of the latest actuarial valuation follows:

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

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

FIRE EMPLOYEES' RETIREMENT SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date July 1,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2004	$10,423,249	$12,019,637	$1,596,388	87%	$1,841,008	87%
2005	$11,388,221	$13,210,377	$1,822,156	86%	$1,918,028	95%
2006	$12,402,997	$14,392,140	$1,989,143	86%	$2,503,328	79%

SCHEDULE OF CONTRIBUTIONS FROM THE TOWN

Year Ended June 30	Annual Pension Cost (APC)	Minimum Recommended Contribution	Percentage of Minimum Recommended Contribution	Net Pension Obligation
2004	$391,170	$709,262	55%	$318,092
2005	$380,764	$596,055	64%	$215,291
2006	$480,608	$667,495	72%	$186,887

NOTES TO SCHEDULES

Additional information as of the latest actuarial valuation follows:

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

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date June 30,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
General Employees						
2003	$18,284,837	$13,302,294	$(4,982,543)	137%	$4,503,806	(111)%
2004	$18,037,583	$13,952,013	$(4,085,570)	129%	$4,966,118	(82)%
2005	$18,025,550	$16,265,163	$(1,760,387)	111%	$5,349,863	(33)%
Police Units						
2003	$221,381	$271,394	$ 50,013	82%	$304,180	16%
2004	$360,186	$398,340	$ 38,154	90%	$524,140	7%
2005	$519,314	$511,054	$ (8,260)	102%	$540,015	(2)%

SCHEDULE OF CONTRIBUTIONS FROM THE TOWN

Year Ended June 30,	Annual Required Contribution	Amount Contributed	Percentage Contributed
General Employees			
2004	$0	$0	0%
2005	$0	$0	0%
2006	$0	$0	0%
Police			
2004	$ 65,336	$ 65,336	100%
2005	$ 91,542	$ 91,542	100%
2006	$115,910	$115,910	100%

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)

NOTES TO SCHEDULES

Additional information as of the latest actuarial valuation follows:

Valuation date	June 30, 2005
Actuarial cost method	Entry Age Normal Cost
Amortization method	Level percent closed
Remaining amortization period	N/A – No unfunded actuarial accrued liability
Asset valuation method	3 year smoothed market value of assets
Actuarial assumptions:	
Investment rate of return	8.25%, compounded annually
Projected salary increases	4.5%, compounded annually
Cost-of-living adjustments	3.0% not compounded
Inflation	3.0% annually

(CONCLUDED)

TOWN OF SMITHFIELD, RHODE ISLAND

STATEMENT OF REVENUES AND EXPENDITURES (NON-GAAP BUDGETARY BASIS) BUDGET AND ACTUAL

GENERAL FUND
YEAR ENDED JUNE 30, 2006

	Originally Adopted Budget	Final Approved Budget	Actual (Budgetary Basis)	Variance Favorable (Unfavorable)
REVENUES:				
General property taxes	$ 39,924,290	$ 39,924,290	$ 40,753,963	$ 829,673
Intergovernmental	8,426,268	8,426,268	8,861,477	435,209
Licenses, fees and permits	450,000	450,000	1,080,087	630,087
Investment income	125,000	125,000	303,268	178,268
Departmental	422,500	505,927	720,811	214,884
Other	2,418,265	3,850,036	3,630,493	(219,543)
Total Revenues	51,766,323	53,281,521	55,350,099	2,068,578
EXPENDITURES:				
Current:				
General government	2,643,223	3,252,045	3,013,665	238,380
Public safety	7,605,937	8,250,535	8,925,267	(674,732)
Public works	2,918,039	3,190,356	3,425,532	(235,176)
Education	27,239,151	27,239,151	27,419,070	(179,919)
Public health and assistance	39,475	39,475	38,811	664
Recreation	364,048	519,496	513,970	5,526
Libraries	967,674	967,674	967,674	
Other	7,018,021	7,458,694	7,150,747	307,947
Debt service:				
Principal	2,020,000	2,471,286	1,985,355	485,931
Interest and other costs	950,755	1,251,283	767,272	484,011
Total Expenditures	51,766,323	54,639,995	54,207,363	432,632
Excess of revenues over expenditures	0	(1,358,474)	1,142,736	2,501,210
Other financing sources (uses):				
Transfers from fund balance		1,358,474	1,358,474	
Proceeds from leasing			335,000	335,000
Other financing sources	0	1,358,474	1,693,474	335,000
Excess (deficiency) of revenues and other sources over expenditures and other uses	$ 0	$ 0	2,836,210	$ 2,836,210
Add: Capital project appropriation available for future years			1,795,460	
Add: Current year encumbrances			32,500	
Less: Transfers from fund balance			(1,358,474)	
Less: Capital projects prior year fund balance carryover			(1,431,771)	
Less: Transfers to special revenue funds utilizing prior year designated fund balance			(64,680)	
Fund balance, beginning of year, as restated			8,404,464	
Fund balance, end of year			$ 10,213,709	

TOWN OF SMITHFIELD, RHODE ISLAND

GENERAL FUND
SCHEDULE OF BUDGET ESTIMATES AND ACTUAL REVENUES (BUDGETARY BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Original Budget	Carryover of Prior Year Balance	Restricted Receipts Added to Appropriation	Final Budget	Actual Revenue	Capital Project Appropriations Reserved for Future Years	Budget Variation Over (Under)
Revenues:							
Property taxes (includes state phase-out)	$ 39,924,290	$ 0	$ 0	$39,924,290	$40,753,963	$ 0	$ 829,673
Intergovernmental revenue:							
State aid for education	5,407,726			5,407,726	5,499,993		92,267
School housing aid	452,000			452,000	416,860		(35,140)
State hotel and meals tax	410,000			410,000	510,922		100,922
General state aid	1,481,554			1,481,554	1,792,773		311,219
Connecticut plan	349,678			349,678	437,602		87,924
Public utilities tax	287,310			287,310	203,327		(83,983)
Grants	38,000			38,000			(38,000)
Total intergovernmental revenues	8,426,268	0	0	8,426,268	8,861,477	0	435,209
Licenses, fees and permits	450,000	0	0	450,000	1,080,087	0	630,087
Miscellaneous:							
Interest - short-term investments	125,000			125,000	303,268		178,268
Interest on taxes	220,000			220,000	205,456		(14,544)
Total miscellaneous	345,000	0	0	345,000	508,724	0	163,724
Departmental revenue:							
Police Department			83,427	83,427	83,427		
School Department	420,500			420,500	350,655		(69,845)
Miscellaneous	2,000			2,000	286,729		284,729
Total departmental revenue	422,500	0	83,427	505,927	720,811	0	214,884

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

GENERAL FUND
SCHEDULE OF BUDGET ESTIMATES AND ACTUAL REVENUES (BUDGETARY BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Original Budget	Carryover of Prior Year Balance	Restricted Receipts Added to Appropriation	Final Budget	Actual Revenue	Capital Project Appropriations Reserved for Future Years	Budget Variation Over (Under)
Revenue for capital expenditures	2,198,265	1,431,771	0	3,630,036	3,425,037	0	(204,999)
Other financing sources:							
Transfer from Fund Balance - RUB		1,358,474		1,358,474	1,358,474		
Proceeds from leasing				0	335,000		335,000
Other financing sources	0	1,358,474	0	1,358,474	1,693,474	0	335,000
Total revenues and other financing sources	$ 51,766,323	$ 2,790,245	$ 83,427	$ 54,639,995	$ 57,043,573	$ 0	$ 2,403,578

(CONCLUDED)

TOWN OF SMITHFIELD, RHODE ISLAND

GENERAL FUND
SCHEDULE OF APPROPRIATIONS AND ACTUAL EXPENDITURES (BUDGETARY BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Original Budget	Carryover of Prior Year Balance	Restricted Receipts Added to Appropriation	Final Budget	Actual Expenditures	Current Year Encumbrances	Capital Project Appropriations Reserved for Future Years	Budget Variation (Over) Under
General Government:								
Town administration and solicitor	$ 683,935	$ 307,297		$ 991,232	$ 869,476		$ 325,962	$ (204,206) *
Building Inspector's Office	273,128			273,128	265,367	$ 20,000		(12,239)
Tax Assessor's Office	188,950			188,950	184,738	1,500		2,712
Treasurer/Tax Collector's Office	357,591			357,591	325,221			32,370
Tax sale and collections	26,000			26,000	34,414			(8,414) *
Town Clerk's Office	246,757			246,757	230,411	6,500		9,846 *
Town Hall expense	387,800	225,987		613,787	256,914		128,474	228,399 *
Environmental affairs	257,576	75,538		333,114	188,488			144,626 *
Municipal Planner's office	127,571			127,571	104,203			23,368
Board of Canvassers/Elections	18,200			18,200	2,731			15,469 *
Conservation Commission/Green Acre	39,775			39,775	39,773			2
Town Boards and Commissions	35,940			35,940	29,493			6,447
Total General Government	2,643,223	608,822	$ 0	3,252,045	2,531,229	28,000	454,436	238,380
Public Safety:								
Police Department	3,880,403	250,112	83,427	4,213,942	4,114,519		230,389	(130,966)
Fire Department	3,620,502	290,780		3,911,282	4,133,752		335,841	(558,311)
Animal Control	97,062			97,062	98,138			(1,076)
Civil Defense	7,970	20,279		28,249	12,288		340	15,621
Total Public Safety	7,605,937	561,171	83,427	8,250,535	8,358,697	0	566,570	(674,732)

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

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

GENERAL FUND
SCHEDULE OF APPROPRIATIONS AND ACTUAL EXPENDITURES (BUDGETARY BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Original Budget	Carryover of Prior Year Balance	Restricted Receipts Added to Appropriation	Final Budget	Actual Expenditures	Current Year Encumbrances	Capital Project Appropriations Reserved for Future Years	Budget Variation (Over) Under
Public Works:								
Payroll and operating expenses	1,175,789			1,175,789	1,177,129	4,500		(5,840)
Rubbish and garbage collection	850,000			850,000	833,869			16,131
Street lights	190,000			190,000	199,824			(9,824) *
Hydrant service	150,000			150,000	136,957			13,043 *
Highway resurfacing	150,000	64,587		214,587	263,146			(48,559) *
Highway drainage	18,000	9,627		27,627	17,569			10,058 *
Pest control	250			250				250 *
Landfill program	300,000			300,000	335,435			(35,435) *
Capital improvements	84,000	198,103		282,103	123,699		333,404	(175,000) *
Total Public Works	2,918,039	272,317	0	3,190,356	3,087,628	4,500	333,404	(235,176)
Public Health and Assistance:								
Northwest Community Nursing	20,000			20,000	20,000			
Mental Health Services of N.W. RI	13,000			13,000	13,000			
General Public Assistance	6,475			6,475	5,811			664
Total Public Health & Assistance	39,475	0	0	39,475	38,811	0	0	664
Recreation:								
Parks and Recreation Department	335,908	155,448		491,356	323,661		165,419	2,276
East Smithfield Neighborhood Center	28,140			28,140	24,890			3,250
Total Recreation	364,048	155,448	0	519,496	348,551	0	165,419	5,526
Libraries	967,674	0	0	967,674	967,674	0	0	0

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

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

GENERAL FUND
SCHEDULE OF APPROPRIATIONS AND ACTUAL EXPENDITURES (BUDGETARY BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Original Budget	Carryover of Prior Year Balance	Restricted Receipts Added to Appropriation	Final Budget	Actual Expenditures	Current Year Encumbrances	Capital Project Appropriations Reserved for Future Years	Budget Variation (Over) Under
Education:								
School Department	27,239,151	0	0	27,239,151	27,419,070	0	0	(179,919)
Miscellaneous - Town:								
Retirement escrow	50,000			50,000	50,000			*
Revaluation escrow	50,000			50,000	50,000			
Municipal escrow	225,000			225,000	225,000			
Retirement fund	1,950,000			1,950,000	2,217,454			(267,454) *
Social Security taxes	851,506			851,506	802,102			49,404 *
Georgiaville Pond Association	1,000			1,000	1,000			
Unemployment Compensation	17,000			17,000	38,321			(21,321) *
Insurance	438,000			438,000	450,249			(12,249) *
Blue Cross/Delta Dental	2,570,075			2,570,075	2,238,953			331,122 *
Blackstone Valley Tourism	1,000			1,000	1,000			
Northern RI Chamber Commerce	1,000			1,000	1,164			(164)
Senior Services, Inc.	1,000			1,000	1,000			
Tree Warden	750			750				750
Postage	40,000			40,000	37,524			2,476 *
Tri-Town E.O.C.	14,000			14,000	14,000			
Decorating soldiers' graves	700			700	700			
Northern RI Extension Service	4,500			4,500	3,200			1,300
League of Cities and Towns	9,000			9,000	8,696			304
Retired Senior Volunteer Program	2,000			2,000	2,000			
Volunteer Center of RI	500			500	500			
Woonasquatucket Watershed	5,000			5,000	5,000			
National Council Boy Scouts	500			500	500			
Library escrow	38,135			38,135				38,135

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

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

GENERAL FUND
SCHEDULE OF APPROPRIATIONS AND ACTUAL EXPENDITURES (BUDGETARY BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Original Budget	Carryover of Prior Year Balance	Restricted Receipts Added to Appropriation	Final Budget	Actual Expenditures	Current Year Encumbrances	Capital Project Appropriations Reserved for Future Years	Budget Variation (Over) Under
Miscellaneous - Town: (Continued)								
Capital Expenditure	25,000			25,000				25,000
Postemployment escrow	50,000			50,000				50,000
RI Resource Consulting & Development	100			100	100			
The Samaritans	100			100	100			
Dora C. Howard	20,000			20,000	20,000			
Sewer assessments	3,600	32,160		35,760	3,550			32,210 *
Town newsletter		13,167		13,167				13,167
Senior Activities Center	333,469	87,614		421,083	293,953		96,000	31,130
North Central Chamber of Commerce	500			500	700			(200)
Handicapped Access		115,315		115,315	3,642			111,673 *
Reserve for unpaid taxes and abatements	100,000			100,000	318,851			(218,851)
Fire Department escrow	140,000	120,000		260,000			120,000	140,000
Land Trust	74,586	72,417		147,003	85,857		59,631	1,515
Total miscellaneous - Town	7,018,021	440,673	0	7,458,694	6,875,116	0	275,631	307,947
Debt Service:								
Redemption of bonds and notes	2,020,000	451,286		2,471,286	1,985,355			485,931 *
Interest on bonds and notes	950,755	300,528		1,251,283	767,272			484,011 *
Total debt service	2,970,755	751,814	0	3,722,569	2,752,627	0	0	969,942
TOTAL EXPENDITURES	$ 51,766,323	$2,790,245	$ 83,427	$ 54,639,995	$ 52,379,403	$ 32,500	$ 1,795,460	$ 432,632

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

(CONCLUDED)

TOWN OF SMITHFIELD, RHODE ISLAND

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

SMITHFIELD PUBLIC SCHOOLS GENERAL FUND YEAR ENDED JUNE 30, 2006

	Originally Adopted Budget	Final Approved Budget	Actual (Budgetary Basis)	Variance Favorable (Unfavorable)
Revenues:				
State aid	$ 5,332,947	$ 5,407,725	$ 5,483,205	$ 75,480
Carryover		1,318,287	1,318,287	
Miscellaneous	420,500	420,500	404,715	(15,785)
Total revenues	5,753,447	7,146,512	7,206,207	59,695
Expenditures:				
Current:				
Instruction	14,596,819	13,904,781	13,613,211	291,570
Instructional improvement	771,467	827,471	660,845	166,626
Special student programs	5,885,542	5,716,319	5,627,619	88,700
Academic support	7,469,276	7,319,309	7,007,072	312,237
Administration	86,057	84,016	70,145	13,871
Community services	29,000	17,000	14,931	2,069
Research and analysis	24,510	23,500	16,852	6,648
Capital:				
Capital outlay	894,181	665,041	619,083	45,958
Total expenditures	29,756,852	28,557,437	27,629,758	927,679
Excess of expenditures over revenues	(24,003,405)	(21,410,925)	(20,423,551)	987,374
Other financing sources :				
Transfer from Town of Smithfield	23,458,464	21,060,925	21,060,925	
Transfer from Town of Smithfield for capital projects	544,941	350,000	470,225	120,225
Total other financing sources	24,003,405	21,410,925	21,531,150	120,225
Excess of revenues and other financing sources over expenditures	$ 0	$ 0	1,107,599	$ 1,107,599
Less: reappropriated fund balance			(1,318,287)	
Less: excess of Literacy Fund revenues over expenditures			5,619	
Fund balance, beginning of year			2,004,051	
Fund balance, end of year			$ 1,798,982	

TOWN OF SMITHFIELD, RHODE ISLAND

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2006

	Special Revenue Funds						
	School Restricted Grants	Fire Apparatus	Municipal Contingency Escrow	Revaluation Fund	Smithfield Fire Rescue	Scholarship Fund	Recreation Capital
ASSETS:							
Cash and cash equivalents	$ 6	$ 290	$ 224,608	$ 97,353	$ 318,424	$ 4,444	$ 24,545
Loans receivable							
Due from:							
Other funds	31,011		130,792	37,163			
Other governments	249,697						
TOTAL ASSETS	$ 280,714	$ 290	$ 355,400	$ 134,516	$ 318,424	$ 4,444	$ 24,545
LIABILITIES AND FUND BALANCES:							
LIABILITIES:							
Retainage payable							
Bond anticipation note payable							
Due to other funds	$ 249,703						
Deferred revenues	31,011						
Other liabilities							
TOTAL LIABILITIES	280,714	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
FUND BALANCES:							
Reserved for:							
Perpetual care							
Unreserved, reported in:							
Special revenue funds		290	355,400	134,516	318,424	4,444	24,545
Capital project funds							
TOTAL FUND BALANCES	0	290	355,400	134,516	318,424	4,444	24,545
TOTAL LIABILITIES AND FUND BALANCES	$ 280,714	$ 290	$ 355,400	$ 134,516	$ 318,424	$ 4,444	$ 24,545

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2006

	Special Revenue Funds					
	Review Fees	Animal Control Fund	Hazardous Material	Animal Control Spay Neuter	CDBG Grant Funds	Inspection Fees
ASSETS:						
Cash and cash equivalents	$ 57,462	$ 15,352	$ 220,578	$ 2,622	$ 3,529	$ 265,588
Loans receivable						
Due from:						
Other funds						
Other governments						
TOTAL ASSETS	$ 57,462	$ 15,352	$ 220,578	$ 2,622	$ 3,529	$ 265,588
LIABILITIES AND FUND BALANCES:						
LIABILITIES:						
Retainage payable						
Bond anticipation note payable						
Due to other funds		$ 20	$ 21,221		$ 66	
Deferred revenues					3,463	
Other liabilities						
TOTAL LIABILITIES	$ 0	20	21,221	$ 0	3,529	$ 0
FUND BALANCES:						
Reserved for:						
Perpetual care						
Unreserved, reported in:						
Special revenue funds	57,462	15,332	199,357	2,622		265,588
Capital project funds						
TOTAL FUND BALANCES	57,462	15,332	199,357	2,622	0	265,588
TOTAL LIABILITIES AND FUND BALANCES	$ 57,462	$ 15,352	$ 220,578	$ 2,622	$ 3,529	$ 265,588

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2006

	Special Revenue Funds				
	Senior Center	Capital Reserve	Land Trust	Historical Records	EMA - EOP
ASSETS:					
Cash and cash equivalents		$ 340,827	$ 290,982	$ 30,504	
Loans receivable					
Due from:					
Other funds	$ 106,451	43,336	21,344	6,603	$ 5,000
Other governments					
TOTAL ASSETS	$ 106,451	$ 384,163	$ 312,326	$ 37,107	$ 5,000
LIABILITIES AND FUND BALANCES:					
LIABILITIES:					
Retainage payable					
Bond anticipation note payable					
Due to other funds				$ 30,297	
Deferred revenues					$ 5,000
Other liabilities					
TOTAL LIABILITIES	$ 0	$ 0	$ 0	30,297	5,000
FUND BALANCES:					
Reserved for:					
Perpetual care					
Unreserved, reported in:					
Special revenue funds	106,451	384,163	312,326	6,810	
Capital project funds					
TOTAL FUND BALANCES	106,451	384,163	312,326	6,810	0
TOTAL LIABILITIES AND FUND BALANCES	$ 106,451	$ 384,163	$ 312,326	$ 37,107	$ 5,000

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2006

	Special Revenue Funds					
	Police Christmas Fund	Document Preservation & Tech Upgrades	Police Confiscated Funds	EMA - Radio	Senior Center	Chief's Challenge Incentive
ASSETS:						
Cash and cash equivalents	$ 266	$ 54,155	$ 13,278	$ 10,026	$ 1	
Loans receivable						
Due from:						
Other funds		33,181				
Other governments				8,638		$ 422
TOTAL ASSETS	$ 266	$ 87,336	$ 13,278	$ 18,664	$ 1	$ 422
LIABILITIES AND FUND BALANCES:						
LIABILITIES:						
Retainage payable						
Bond anticipation note payable						
Due to other funds				$ 13,638	$ 1	$ 422
Deferred revenues				5,000		
Other liabilities	$ 266		$ 13,278			
TOTAL LIABILITIES	266	$ 0	13,278	18,638	1	422
FUND BALANCES:						
Reserved for:						
Perpetual care						
Unreserved, reported in:						
Special revenue funds		87,336		26		
Capital project funds						
TOTAL FUND BALANCES	0	87,336	0	26	0	0
TOTAL LIABILITIES AND FUND BALANCES	$ 266	$ 87,336	$ 13,278	$ 18,664	$ 1	$ 422

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2006

	Special Revenue Funds					
	Revolving Loan Fund	Senator Lincoln Chafee Grant	Byrne Grant	Bulletproof Vest Program	RIDOT Click It or Ticket	COPS That Care
ASSETS:						
Cash and cash equivalents						
Loans receivable	$ 18,225					
Due from:						
Other funds	7,267		$ 2,615			$ 482
Other governments		5,112			$ 1,957	
TOTAL ASSETS	$ 25,492	$ 5,112	$ 2,615	$0	$ 1,957	$ 482
LIABILITIES AND FUND BALANCES:						
LIABILITIES:						
Retainage payable						
Bond anticipation note payable						
Due to other funds		$ 5,112			$ 1,957	
Deferred revenues			$ 2,615			$ 482
Other liabilities						
TOTAL LIABILITIES	$ 0	5,112	2,615	$0	1,957	482
FUND BALANCES:						
Reserved for:						
Perpetual care						
Unreserved, reported in:						
Special revenue funds	25,492					
Capital project funds						
TOTAL FUND BALANCES	25,492	0	0	0	0	0
TOTAL LIABILITIES AND FUND BALANCES	$ 25,492	$ 5,112	$ 2,615	$0	$ 1,957	$ 482

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2006

	Special Revenue Funds					Capital Project Funds
	Operation Blue Riptide	COPS Grant	Homeland Security Grant IV	Homeland Security Grant III	RIDOT Child Safety Station	Highway Resurfacing
ASSETS:						
Cash and cash equivalents						$ 37,707
Loans receivable						
Due from:						
Other funds				$ 76,597		
Other governments	$ 5,255	$ 5,000	$ 5,413		$ 2,667	
TOTAL ASSETS	$ 5,255	$ 5,000	$ 5,413	$ 76,597	$ 2,667	$ 37,707
LIABILITIES AND FUND BALANCES:						
LIABILITIES:						
Retainage payable						
Bond anticipation note payable						
Due to other funds	$ 5,255	$ 5,000	$ 5,413		$ 2,667	
Deferred revenues				$ 76,597		
Other liabilities						
TOTAL LIABILITIES	5,255	5,000	5,413	76,597	2,667	$ 0
FUND BALANCES:						
Reserved for:						
Perpetual care						
Unreserved, reported in:						
Special revenue funds						
Capital project funds						37,707
TOTAL FUND BALANCES	0	0	0	0	0	37,707
TOTAL LIABILITIES AND FUND BALANCES	$ 5,255	$ 5,000	$ 5,413	$ 76,597	$ 2,667	$ 37,707

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2006

	Capital Project Funds					
	Building Maintenance	Special Drainage	Handicap Accessibility	Senior Center	Highway Drainage	Sewer Contingency
ASSETS:						
Cash and cash equivalents	$ 12,015	$ 3,401	$ 10,690	$ 127,951	$ 9,307	$ 3,233
Loans receivable						
Due from:						
Other funds					20,000	
Other governments						
TOTAL ASSETS	$ 12,015	$ 3,401	$ 10,690	$ 127,951	$ 29,307	$ 3,233
LIABILITIES AND FUND BALANCES:						
LIABILITIES:						
Retainage payable						
Bond anticipation note payable						
Due to other funds				$ 130,451		
Deferred revenues						
Other liabilities						
TOTAL LIABILITIES	$ 0	$ 0	$ 0	130,451	$ 0	$ 0
FUND BALANCES:						
Reserved for:						
Perpetual care						
Unreserved, reported in:						
Special revenue funds						
Capital project funds	12,015	3,401	10,690	(2,500)	29,307	3,233
TOTAL FUND BALANCES	12,015	3,401	10,690	(2,500)	29,307	3,233
TOTAL LIABILITIES AND FUND BALANCES	$ 12,015	$ 3,401	$ 10,690	$ 127,951	$ 29,307	$ 3,233

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2006

	Capital Project Funds					
	Green Acres Acquisition Fund	Police Equipment	Impact Fees	Capital Improvement	State Sewer Projects	Open Space and Recreation Area
ASSETS:						
Cash and cash equivalents	$ 95,466	$ 381,923	$ 374,142	$ 1,493	$ 5,716	$ 1,956
Loans receivable						
Due from:						
Other funds		16,561	8,573			
Other governments						
TOTAL ASSETS	$ 95,466	$ 398,484	$ 382,715	$ 1,493	$ 5,716	$ 1,956
LIABILITIES AND FUND BALANCES:						
LIABILITIES:						
Retainage payable						
Bond anticipation note payable						
Due to other funds						
Deferred revenues						
Other liabilities						
TOTAL LIABILITIES	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
FUND BALANCES:						
Reserved for:						
Perpetual care						
Unreserved, reported in:						
Special revenue funds						
Capital project funds	95,466	398,484	382,715	1,493	5,716	1,956
TOTAL FUND BALANCES	95,466	398,484	382,715	1,493	5,716	1,956
TOTAL LIABILITIES AND FUND BALANCES	$ 95,466	$ 398,484	$ 382,715	$ 1,493	$ 5,716	$ 1,956

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2006

	Capital Project Funds					
	Drainage	Deerfield Park	Smithfield Historic Landmark	Middle School Additions	Water District Improvement Fee	Deerfield Park Addition
ASSETS:						
Cash and cash equivalents	$ 3,842		$ 873		$ 18,535	
Loans receivable						
Due from:						
Other funds		$ 24,000		$ 5,124		
Other governments						
TOTAL ASSETS	$ 3,842	$ 24,000	$ 873	$ 5,124	$ 18,535	$ 0
LIABILITIES AND FUND BALANCES:						
LIABILITIES:						
Retainage payable						$ 29,368
Bond anticipation note payable						
Due to other funds						48,984
Deferred revenues		$ 183,809				
Other liabilities						
TOTAL LIABILITIES	$ 0	183,809	$ 0	$ 0	$ 0	78,352
FUND BALANCES:						
Reserved for:						
Perpetual care						
Unreserved, reported in:						
Special revenue funds						
Capital project funds	3,842	(159,809)	873	5,124	18,535	(78,352)
TOTAL FUND BALANCES	3,842	(159,809)	873	5,124	18,535	(78,352)
TOTAL LIABILITIES AND FUND BALANCES	$ 3,842	$ 24,000	$ 873	$ 5,124	$ 18,535	$ 0

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2006

	Capital Project Funds				Permanent Fund	Total
	Senior Center Addition	High School Addition	Fire Department Headquarters	Log Road	Cemetery Fund	Non-Major Governmental Funds
ASSETS:						
Cash and cash equivalents					$ 58,811	$ 3,121,901
Loans receivable						18,225
Due from:						
Other funds		$ 379,979	$ 2,190,820	$ 255,250		3,402,149
Other governments						284,161
TOTAL ASSETS	$ 0	$ 379,979	$ 2,190,820	$ 255,250	$ 58,811	$ 6,826,436
LIABILITIES AND FUND BALANCES:						
LIABILITIES:						
Retainage payable		$ 200,000				$ 229,368
Bond anticipation note payable				$ 310,000		310,000
Due to other funds	$ 745,439					1,265,646
Deferred revenues						307,977
Other liabilities						13,544
TOTAL LIABILITIES	745,439	200,000	$ 0	310,000	$ 0	2,126,535
FUND BALANCES:						
Reserved for:						
Perpetual care					58,811	58,811
Unreserved, reported in:						
Special revenue funds						2,300,584
Capital project funds	(745,439)	179,979	2,190,820	(54,750)		2,340,506
TOTAL FUND BALANCES	(745,439)	179,979	2,190,820	(54,750)	58,811	4,699,901
TOTAL LIABILITIES AND FUND BALANCES	$ 0	$ 379,979	$ 2,190,820	$ 255,250	$ 58,811	$ 6,826,436

(CONCLUDED)

TOWN OF SMITHFIELD, RHODE ISLAND

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006

	Special Revenue Funds						
	School Restricted Grants	Fire Apparatus	Municipal Contingency Escrow	Revaluation Fund	Smithfield Fire Rescue	Scholarship Fund	Recreation Capital
REVENUES:							
Intergovernmental	$ 1,023,302						
Investment income			$ 1,105	$ 2,989	$ 5,952	$ 24	$ 25
Other	34,963				505,428		
TOTAL REVENUES	1,058,265	$ 0	1,105	2,989	511,380	24	25
EXPENDITURES:							
Current:							
General government				12,837			
Public safety					34,294		
Education	1,010,312						
Community development							
Capital:							
Capital outlay	47,953						
TOTAL EXPENDITURES	1,058,265	0	0	12,837	34,294	0	0
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	0	0	1,105	(9,848)	477,086	24	25
OTHER FINANCING SOURCES (USES):							
Transfers in			150,792	50,000			
Transfers out			(50,000)		(350,000)		
NET OTHER FINANCING SOURCES (USES)	0	0	100,792	50,000	(350,000)	0	0
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	0	0	101,897	40,152	127,086	24	25
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	0	290	253,503	94,364	191,338	4,420	24,520
FUND BALANCE (DEFICIT) AT END OF YEAR	$ 0	$ 290	$ 355,400	$ 134,516	$ 318,424	$ 4,444	$ 24,545

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006

	Special Revenue Funds					
	Review Fees	Animal Control Fund	Hazardous Material	Animal Control Spay Neuter	CDBG Grant Funds	Inspection Fees
REVENUES:						
Intergovernmental					$ 30,432	
Investment income	$ 31	$ 64	$ 3,078	$ 9		$ 1,125
Other	29,020		138,096			36,000
TOTAL REVENUES	29,051	64	141,174	9	30,432	37,125
EXPENDITURES:						
Current:						
General government						
Public safety			30			
Education						
Community development					30,432	
Capital:						
Capital outlay						
TOTAL EXPENDITURES	0	0	30	0	30,432	0
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	29,051	64	141,144	9	0	37,125
OTHER FINANCING SOURCES (USES):						
Transfers in		916				
Transfers out			(81,221)			
NET OTHER FINANCING SOURCES (USES)	0	916	(81,221)	0	0	0
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	29,051	980	59,923	9	0	37,125
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	28,411	14,352	139,434	2,613	0	228,463
FUND BALANCE (DEFICIT) AT END OF YEAR	$ 57,462	$ 15,332	$ 199,357	$ 2,622	$ 0	$ 265,588

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006

	Special Revenue Funds				
	Senior Center	Capital Reserve	Land Trust	Historical Records	EMA - EOP
REVENUES:					
Intergovernmental					
Investment income		$ 5,527		$ 31	
Other					
TOTAL REVENUES	$ 0	5,527	$ 0	31	$ 0
EXPENDITURES:					
Current:					
General government					
Public safety					
Education					
Community development					
Capital:					
Capital outlay					
TOTAL EXPENDITURES	0	0	0	0	0
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	0	5,527	0	31	0
OTHER FINANCING SOURCES (USES):					
Transfers in		43,336	21,344	6,096	
Transfers out		(250,000)	(69,546)		(5,454)
NET OTHER FINANCING SOURCES (USES)	0	(206,664)	(48,202)	6,096	(5,454)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	0	(201,137)	(48,202)	6,127	(5,454)
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	106,451	585,300	360,528	683	5,454
FUND BALANCE (DEFICIT) AT END OF YEAR	$ 106,451	$ 384,163	$ 312,326	$ 6,810	$ 0

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006

	Special Revenue Funds					
	Police Christmas Fund	Document Preservation & Tech Upgrades	Police Confiscated Funds	EMA - Radio	Senior Center	Chief's Challenge Incentive
REVENUES:						
Intergovernmental				$ 29,547		$ 422
Investment income		$ 91		22		
Other						
TOTAL REVENUES	$0	91	$0	29,569	$0	422
EXPENDITURES:						
Current:						
General government						
Public safety				29,547		422
Education						
Community development						
Capital:						
Capital outlay						
TOTAL EXPENDITURES	0	0	0	29,547	0	422
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	0	91	0	22	0	0
OTHER FINANCING SOURCES (USES):						
Transfers in		35,422				
Transfers out						
NET OTHER FINANCING SOURCES (USES)	0	35,422	0	0	0	0
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	0	35,513	0	22	0	0
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	0	51,823	0	4	0	0
FUND BALANCE (DEFICIT) AT END OF YEAR	$0	$ 87,336	$0	$ 26	$0	$ 0

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006

	Special Revenue Funds					
	Revolving Loan Fund	Senator Lincoln Chafee Grant	Byrne Grant	Bulletproof Vest Program	RIDOT Click It or Ticket	COPS That Care
REVENUES:						
Intergovernmental	$ 25,750	$ 5,112	$ 19,806	$ 10,100	$ 1,957	$ 768
Investment income						
Other	492					
TOTAL REVENUES	26,242	5,112	19,806	10,100	1,957	768
EXPENDITURES:						
Current:						
General government						
Public safety		5,112	19,806	10,100	1,957	768
Education						
Community development	750					
Capital:						
Capital outlay						
TOTAL EXPENDITURES	750	5,112	19,806	10,100	1,957	768
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	25,492	0	0	0	0	0
OTHER FINANCING SOURCES (USES):						
Transfers in						
Transfers out						
NET OTHER FINANCING SOURCES (USES)	0	0	0	0	0	0
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	25,492	0	0	0	0	0
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	0	0	0	0	0	0
FUND BALANCE (DEFICIT) AT END OF YEAR	$ 25,492	$ 0	$ 0	$ 0	$ 0	$ 0

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006

	Special Revenue Funds					Capital Project Funds
	Operation Blue Riptide	COPS Grant	Homeland Security Grant IV	Homeland Security Grant III	RIDOT Child Safety Station	Highway Resurfacing
REVENUES:						
Intergovernmental	$ 16,097	$ 38,000	$ 13,560	$ 115,022	$ 2,667	
Investment income						$ 169
Other						
TOTAL REVENUES	16,097	38,000	13,560	115,022	2,667	169
EXPENDITURES:						
Current:						
General government						
Public safety	16,097	38,000	13,560	115,022	2,667	
Education						
Community development						
Capital:						
Capital outlay						
TOTAL EXPENDITURES	16,097	38,000	13,560	115,022	2,667	0
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	0	0	0	0	0	169
OTHER FINANCING SOURCES (USES):						
Transfers in						
Transfers out						
NET OTHER FINANCING SOURCES (USES)	0	0	0	0	0	0
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	0	0	0	0	0	169
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	0	0	0	0	0	37,538
FUND BALANCE (DEFICIT) AT END OF YEAR	$ 0	$ 0	$ 0	$ 0	$ 0	$ 37,707

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006

	Capital Project Funds					
	Building Maintenance	Special Drainage	Handicap Accessibility	Senior Center	Highway Drainage	Sewer Contingency
REVENUES:						
Intergovernmental						
Investment income	$ 36	$ 10	$ 32	$ 594	$ 28	$ 10
Other				1,750		
TOTAL REVENUES	36	10	32	2,344	28	10
EXPENDITURES:						
Current:						
General government						
Public safety						
Education						
Community development						
Capital:						
Capital outlay						
TOTAL EXPENDITURES	0	0	0	0	0	0
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	36	10	32	2,344	28	10
OTHER FINANCING SOURCES (USES):						
Transfers in						
Transfers out				(11,000)		
NET OTHER FINANCING SOURCES (USES)	0	0	0	(11,000)	0	0
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	36	10	32	(8,656)	28	10
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	11,979	3,391	10,658	6,156	29,279	3,223
FUND BALANCE (DEFICIT) AT END OF YEAR	$ 12,015	$ 3,401	$ 10,690	$ (2,500)	$ 29,307	$ 3,233

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006

	Capital Project Funds					
	Green Acres Acquisition Fund	Police Equipment	Impact Fees	Capital Improvement	State Sewer Projects	Open Space and Recreation Area
REVENUES:						
Intergovernmental		$ 183,102				
Investment income	$ 98	292	$ 3,996	$ 38	$ 17	
Other			8,573	469		
TOTAL REVENUES	98	183,394	12,569	507	17	$ 0
EXPENDITURES:						
Current:						
General government						
Public safety						
Education						
Community development						
Capital:						
Capital outlay						
TOTAL EXPENDITURES	0	0	0	0	0	0
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	98	183,394	12,569	507	17	0
OTHER FINANCING SOURCES (USES):						
Transfers in	12,500		56,522			
Transfers out	(27,611)	(234,320)	(10,000)	(12,000)		
NET OTHER FINANCING SOURCES (USES)	(15,111)	(234,320)	46,522	(12,000)	0	0
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(15,013)	(50,926)	59,091	(11,493)	17	0
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	110,479	449,410	323,624	12,986	5,699	1,956
FUND BALANCE (DEFICIT) AT END OF YEAR	$ 95,466	$ 398,484	$ 382,715	$ 1,493	$ 5,716	$ 1,956

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006

	Capital Project Funds					
	Drainage	Deerfield Park	Smithfield Historic Landmark	Middle School Additions	Water District Improvement Fee	Deerfield Park Addition
REVENUES:						
Intergovernmental						$ 270,925
Investment income	$ 4		$ 4		$ 102	
Other						
TOTAL REVENUES	4	$ 0	4	$ 0	102	270,925
EXPENDITURES:						
Current:						
General government						
Public safety						
Education						
Community development						
Capital:						
Capital outlay						596,954
TOTAL EXPENDITURES	0	0	0	0	0	596,954
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	4	0	4	0	102	(326,029)
OTHER FINANCING SOURCES (USES):						
Transfers in						
Transfers out						
NET OTHER FINANCING SOURCES (USES)	0	0	0	0	0	0
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	4	0	4	0	102	(326,029)
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	3,838	(159,809)	869	5,124	18,433	247,677
FUND BALANCE (DEFICIT) AT END OF YEAR	$ 3,842	$ (159,809)	$ 873	$ 5,124	$ 18,535	$ (78,352)

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006

	Capital Project Funds				Permanent Fund	Total
	Senior Center Addition	High School Addition	Fire Department Headquarters	Log Road	Cemetery Fund	Non-Major Governmental Funds
REVENUES:						
Intergovernmental						$ 1,786,569
Investment income					$ 1,509	27,012
Other		$ 15,170				769,961
TOTAL REVENUES	$ 0	15,170	$ 0	$ 0	1,509	2,583,542
EXPENDITURES:						
Current:						
General government						12,837
Public safety						287,382
Education						1,010,312
Community development						31,182
Capital:						
Capital outlay				54,750		699,657
TOTAL EXPENDITURES	0	0	0	54,750	0	2,041,370
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	0	15,170	0	(54,750)	1,509	542,172
OTHER FINANCING SOURCES (USES):						
Transfers in						376,928
Transfers out						(1,101,152)
NET OTHER FINANCING SOURCES (USES)	0	0	0	0	0	(724,224)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	0	15,170	0	(54,750)	1,509	(182,052)
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	(745,439)	164,809	2,190,820	0	57,302	4,881,953
FUND BALANCE (DEFICIT) AT END OF YEAR	$ (745,439)	$ 179,979	$2,190,820	$ (54,750)	$ 58,811	$ 4,699,901

(CONCLUDED)

TOWN OF SMITHFIELD, RHODE ISLAND

COMBINING STATEMENT OF NET ASSETS
NON-MAJOR PROPRIETARY FUNDS
JUNE 30, 2006

	School Lunch	Smithfield Ice Rink	East Smithfield Public Library	Greenville Public Library	East Smithfield Neighborhood Center	Totals
ASSETS:						
Current Assets:						
Cash and cash equivalents	$ 79,776	$ 681,196	$ 65,645	$ 93,437	$ 13,514	$ 933,568
Investments				244,667		244,667
Receivables, net		42,980				42,980
Prepaid expenses					149	149
Due from:						
Other funds	15,645					15,645
Other governments	8,460					8,460
Inventory		4,253				4,253
Total Current Assets	103,881	728,429	65,645	338,104	13,663	1,249,722
Noncurrent Assets:						
Asset restricted to investment in building				5,000		5,000
Net capital assets	53,330	810,046	500,218	1,502,768		2,866,362
Total Noncurrent Assets	53,330	810,046	500,218	1,507,768	0	2,871,362
TOTAL ASSETS	157,211	1,538,475	565,863	1,845,872	13,663	4,121,084

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

COMBINING STATEMENT OF NET ASSETS
NON-MAJOR PROPRIETARY FUNDS
JUNE 30, 2006

	School Lunch	Smithfield Ice Rink	East Smithfield Public Library	Greenville Public Library	East Smithfield Neighborhood Center	Totals
LIABILITIES:						
Current Liabilities:						
Accounts payable	56,405	16,401	1,905	13,962	745	89,418
Accrued payroll			25,227	18,047	1,002	44,276
Deferred revenue		552				552
Due to other funds		52,980				52,980
Accrued liabilities			620	6,700		7,320
Current portion of long term debt		3,400		95,000		98,400
Total Current Liabilities	56,405	73,333	27,752	133,709	1,747	292,946
Noncurrent Liabilities:						
Long-term debt, net				89,990		89,990
Accrued vacation and sick leave		30,092				30,092
Total Noncurrent Liabilities	0	30,092	0	89,990	0	120,082
TOTAL LIABILITIES	56,405	103,425	27,752	223,699	1,747	413,028
NET ASSETS:						
Invested in capital assets, net of related debt	53,330	810,046	500,218	1,317,778		2,681,372
Unrestricted	47,476	625,004	37,893	304,395	11,916	1,026,684
TOTAL NET ASSETS	$ 100,806	$ 1,435,050	$ 538,111	$ 1,622,173	$ 11,916	$ 3,708,056

(CONCLUDED)

TOWN OF SMITHFIELD, RHODE ISLAND

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
NON-MAJOR PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2006

	School Lunch	Smithfield Ice Rink	East Smithfield Public Library	Greenville Public Library	East Smithfield Neighborhood Center	Totals
OPERATING REVENUES:						
Charges for usage and service		$ 619,147	$ 7,027	$ 19,205	$ 17,204	$ 662,583
Food sales	$ 563,511					563,511
Miscellaneous		24,173	1,825	15,089		41,087
Total Operating Revenues	563,511	643,320	8,852	34,294	17,204	1,267,181
OPERATING EXPENSES:						
Operations	656,609	301,478	154,696	243,330	27,803	1,383,916
Personnel		217,321	344,613	500,669	18,089	1,080,692
Depreciation	4,784	72,884	45,842	62,635		186,145
Total Operating Expenses	661,393	591,683	545,151	806,634	45,892	2,650,753
OPERATING INCOME (LOSS)	(97,882)	51,637	(536,299)	(772,340)	(28,688)	(1,383,572)
NONOPERATING REVENUES (EXPENSES):						
Interest expense				(8,632)		(8,632)
Investment income		13,444	196	7,891	158	21,689
Town appropriation			373,082	594,592	24,890	992,564
Intergovernmental	110,519		98,071	195,687		404,277
Grants			16,952	30,925		47,877
Net Nonoperating Revenues	110,519	13,444	488,301	820,463	25,048	1,457,775
CHANGE IN NET ASSETS	12,637	65,081	(47,998)	48,123	(3,640)	74,203
TOTAL NET ASSETS - BEGINNING	88,169	1,369,969	586,109	1,574,050	15,556	3,633,853
TOTAL NET ASSETS - ENDING	$ 100,806	$ 1,435,050	$ 538,111	$ 1,622,173	$ 11,916	$ 3,708,056

TOWN OF SMITHFIELD, RHODE ISLAND

COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2006

	School Lunch	Smithfield Ice Rink	East Smithfield Public Library	Greenville Public Library	East Smithfield Neighborhood Center	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:						
Cash received from customers	$ 563,511	$ 635,341	$ 7,266	$ 19,205	$ 17,204	$ 1,242,527
Cash received from providing services			1,825	15,089		16,914
Cash received from vendor for operations	9,634					9,634
Cash paid to suppliers	(648,514)	(307,043)	(153,290)	(247,355)	(27,471)	(1,383,673)
Cash paid to employees		(209,373)	(332,196)	(499,032)	(18,039)	(1,058,640)
Net cash provided by (used for) operating activities	(75,369)	118,925	(476,395)	(712,093)	(28,306)	(1,173,238)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Nonoperating grants received	122,716		115,025	195,687		433,428
Increase in due from other funds	(15,645)					(15,645)
Increase (decrease) in due to other funds	(14,202)	4,573				(9,629)
Net cash provided by noncapital financing activities	92,869	4,573	115,025	195,687	0	408,154
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Acquisition of capital assets	(20,952)	(49,559)		(44,616)		(115,127)
Town appropriation			373,082	594,592	24,890	992,564
Nonoperating grants received				30,925		30,925
Principal paid on long-term debt obligations				(51,900)		(51,900)
Interest paid on long-term debt obligations				(11,929)		(11,929)
Net cash provided by (used for) capital and related financing activities	(20,952)	(49,559)	373,082	517,072	24,890	844,533
CASH FLOWS FROM INVESTING ACTIVITIES:						
Interest on investments		13,444	196	3,889	158	17,687
Net purchases of investments				(10,000)		(10,000)
Net cash provided by (used for) investing activities	0	13,444	196	(6,111)	158	7,687

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2006

	School Lunch	Smithfield Ice Rink	East Smithfield Public Library	Greenville Public Library	East Smithfield Neighborhood Center	Totals
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,452)	87,383	11,908	(5,445)	(3,258)	87,136
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	83,228	593,813	53,737	98,882	16,772	846,432
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 79,776	$ 681,196	$ 65,645	$ 93,437	$ 13,514	$ 933,568
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:						
Operating income (loss)	$ (97,882)	$ 51,637	$ (536,299)	$ (772,340)	$ (28,688)	$ (1,383,572)
Adjustments to reconcile:						
Depreciation	4,784	72,884	45,842	62,635		186,145
(Increase) decrease in accounts receivable	9,634	(4,154)	239			5,719
Decrease in prepaid expenses					39	39
Increase in inventory		(383)				(383)
Increase (decrease) in accounts payable	8,095	(5,182)	1,596	(4,025)	293	777
Increase in accrued payroll			12,417	1,637	1,002	15,056
Decrease in deferred revenue		(3,825)				(3,825)
Decrease in accrued liabilities			(190)		(952)	(1,142)
Increase in accrued vacation and sick leave		7,948				7,948
Net cash provided by (used for) operating activities	$ (75,369)	$ 118,925	$ (476,395)	$ (712,093)	$ (28,306)	$ (1,173,238)

(CONCLUDED)

TOWN OF SMITHFIELD, RHODE ISLAND

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
YEAR ENDED JUNE 30, 2006

	Beginning Balance	Additions	Deductions	Ending Balance
PUPIL ACTIVITY FUNDS				
ASSETS				
Cash	$ 170,434	$ 426,984	$ 448,430	$ 148,988
LIABILITIES				
Deposits held in custody for others	$ 170,434	$ 426,984	$ 448,430	$ 148,988
PROBATE COURT				
ASSETS				
Cash	$ 191,548	$ 95,589	$ 165,969	$ 121,168
LIABILITIES				
Deposits held in custody for others	$ 191,548	$ 95,589	$ 165,969	$ 121,168
STREET LIGHTING				
ASSETS				
Cash	$ 20,289	$ 18	$ 18	$ 20,289
LIABILITIES				
Deposits held in custody for others	$ 20,287	$ 18	$ 18	$ 20,287
Due to other funds	2			2
TOTAL LIABILITIES	$ 20,289	$ 18	$ 18	$ 20,289
SOIL EROSION				
ASSETS				
Cash	$ 139,658	$ 156,627	$ 28,620	$ 267,665
LIABILITIES				
Deposits held in custody for others	$ 139,658	$ 156,627	$ 28,620	$ 267,665

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
YEAR ENDED JUNE 30, 2006

TOTAL - ALL AGENCY FUNDS	Beginning Balance	Additions	Deductions	Ending Balance
ASSETS				
Cash	$ 521,929	$ 679,218	$ 643,037	$ 558,110
LIABILITIES				
Deposits held in custody for others	$ 521,927	$ 679,218	$ 643,037	$ 558,108
Due to other funds	2			2
TOTAL LIABILITIES	$ 521,929	$ 679,218	$ 643,037	$ 558,110

(CONCLUDED)

TOWN OF SMITHFIELD, RHODE ISLAND

SINGLE AUDIT SECTION

CAYER CACCIA LLP

Certified Public Accountants and Business Consultants

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

To the Honorable Town Council
Smithfield, Rhode Island

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Smithfield, Rhode Island (the Town), as of and for the year ended June 30, 2006, which collectively comprise the Town of Smithfield, Rhode Island's basic financial statements and have issued our report thereon dated January 12, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Smithfield, Rhode Island's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

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

We noted certain other matters that we have reported to management of the Town of Smithfield, Rhode Island in a separate letter dated January 12, 2007.

405 Promenade Street, Providence, RI 02908 (401) 421-7700 FAX (401) 421-5252
100 Plaza Center 68 Cumberland Street, Woonsocket, RI 02895 (401) 766-8100

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

January 12, 2007

Cayer Caccia, LLP

CAYER CACCIA LLP

Certified Public Accountants and Business Consultants

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

To the Honorable Town Council
Smithfield, Rhode Island

Compliance

We have audited the compliance of the Town of Smithfield, Rhode Island (the Town), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The Town of Smithfield, Rhode Island's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Town of Smithfield, Rhode Island's management. Our responsibility is to express an opinion on the Town of Smithfield, Rhode Island's compliance based on our audit.

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

In our opinion, the Town of Smithfield, Rhode Island complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of the Town of Smithfield, Rhode Island is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Town's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

405 Promenade Street, Providence, RI 02908 (401) 421-7700 FAX (401) 421-5252
100 Plaza Center 68 Cumberland Street, Woonsocket, RI 02895 (401) 766-8100

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

January 12, 2007

Cayer Caccia LLP

TOWN OF SMITHFIELD, RHODE ISLAND

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2006

Federal Grantor/Program Title	Federal CFDA Number	Federal Expenditures
U.S. Department of Housing and Urban Development:		
Community Development Block Grant	14.219	$ 30,432
U.S. Department of Justice:		
Bulletproof Vest	16.607	10,100
Byrne Grant	16.548	19,806
Cops Grants	16.XXX	38,000
Total U.S. Department of Justice		67,906
U.S. Department of Education:		
Passed through RI Department of Education:		
Title I, PL 103-382	84.010	125,756
Idea B - EHA - PL 94-142	84.027	524,510
Title II, Eisenhower - PL 100-382	84.318	2,847
Title IV - PL 103-382	84.186	12,827
Support Services - PL 89 - 313	84.173	22,088
Perkins Career Awareness	84.048	33,700
Title V	84.298	9,153
Title II	84.367	95,557
Total U.S. Department of Education		826,438
U.S. Department of Agriculture:		
Passed through RI Department of Education:		
National School Lunch	10.555	89,858
National School Milk	10.556	1,101
National School Breakfast	10.553	8,818
Total U.S. Department of Agriculture		99,777
U.S. Department of Transportation:		
Operation Riptide	20.XXX	16,097
Federal Emergency Management:		
Homeland Security Grant III	97.067	115,022
Homeland Security Grant IV	97.067	13,560
Total Federal Emergency Management		128,582
Total Expenditures of Federal Awards		$1,169,232

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2006

1. General

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

2. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting.

3. Determination of Major Programs

The determination of major federal financial assistance programs was based upon the overall level of expenditures for all federal programs for the Town of Smithfield, Rhode Island. As such, the threshold for determining Type A and Type B programs is defined as those with program expenditures greater than $300,000 or 3 percent of total expenditures when the total expenditures are over $10,000,000. There was one program with expenditures exceeding $300,000 for the fiscal year ended June 30, 2006. For the fiscal year ended June 30, 2006, the following program was considered to be a major program:

IDEA – Special Education Cluster ..... #84.027 and #84.173

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2006

A. SUMMARY OF AUDIT RESULTS

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

2. No reportable conditions relating to the audit of the financial statements are reported in the Independent Auditors' Report.

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

4. No reportable conditions relating to the audit of the major federal award programs were reported.

5. The auditors' report on compliance for the major federal award programs for the Town of Smithfield, Rhode Island expresses an unqualified opinion.

6. There were no audit findings relative to the major federal award programs for the Town of Smithfield, Rhode Island.

7. The program tested as a major program was:

   - IDEA – Special Education Cluster, CFDA # 84.027 and #84.173

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

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

B. FINDINGS - FINANCIAL STATEMENT AUDIT

None.

C. FINDINGS AND QUESTIONED COSTS – RELATING TO FEDERAL AWARDS

None noted.

D. SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

None noted.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE FISCAL YEAR ENDED JUNE 30, 2006

There are no known but uncorrected findings and recommendations from prior audits that affect the current audit objective.

TOWN OF SMITHFIELD, RHODE ISLAND

STATISTICAL SECTION

TOWN OF SMITHFIELD, RHODE ISLAND

NET ASSETS BY COMPONENT

LAST FOUR FISCAL YEARS

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

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

TOWN OF SMITHFIELD, RHODE ISLAND

CHANGES IN NET ASSETS

LAST FOUR FISCAL YEARS

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

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

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

CHANGES IN NET ASSETS

LAST FOUR FISCAL YEARS

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

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

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

CHANGES IN NET ASSETS

LAST FOUR FISCAL YEARS

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

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

(CONCLUDED)

TOWN OF SMITHFIELD, RHODE ISLAND

CHANGES IN FUND BALANCE, GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS (1)

	2006	2005	2004	2003	2002
Revenues:					
Property taxes	$ 40,753,963	$ 38,487,365	$ 36,132,748	$ 34,816,220	$ 31,095,444
Intergovernmental revenue	10,507,554	9,447,575	9,187,777	8,504,339	8,563,362
Licenses and permits	1,081,003	1,070,424	1,024,119	702,697	1,116,900
Investment income	402,377	271,356	181,552	126,380	182,991
Departmental	818,850	857,153	81,458	157,212	448,891
Other revenues	1,912,773	1,548,997	2,492,977	2,020,608	1,187,872
Total revenues	55,476,520	51,682,870	49,100,631	46,327,456	42,595,460
Expenditures:					
General government	2,531,717	2,521,855	2,395,357	2,879,998	1,873,760
Public safety	8,119,241	7,324,594	7,518,593	7,145,315	6,509,075
Public works	3,076,619	2,934,086	3,222,301	2,590,970	2,384,253
Education	28,812,232	26,808,027	26,103,001	25,597,252	23,667,375
Public health and assistance	38,811	38,712	38,100	38,265	38,036
Recreation	306,226	328,358	447,534	305,248	291,911
Community development	31,182	123,516	29,835	44,743	
Other	6,614,323	7,054,668	5,749,149	7,380,494	4,177,707
Capital outlay	6,141,528	3,500,909	3,309,641	3,496,646	677,440
Debt service	2,752,627	2,869,661	2,527,342	1,365,627	1,414,334
Total expenditures	58,424,506	53,504,386	51,340,853	50,844,558	41,033,891
Excess of revenues over (under) expenditures	(2,947,986)	(1,821,516)	(2,240,222)	(4,517,102)	1,561,569
Other financing sources (uses)					
Issuance of debt			8,608,466		
Proceeds from leasing	335,000	138,000		8,008,597	
Transfers in	29,720,658	29,086,908	28,267,737	25,962,429	24,908,353
Transfers out	(29,799,222)	(29,132,386)	(27,920,004)	(26,898,984)	(25,714,278)
Net other financing sources (uses)	256,436	92,522	8,956,199	7,072,042	(805,925)
Net change in fund balances	$ (2,691,550)	$ (1,728,994)	$ 6,715,977	$ 2,554,940	$ 755,644
Debt service as a percentage of noncapital expenditures	5.3%	5.7%	5.3%	2.9%	3.5%

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

(CONTINUED)

TOWN OF SMITHFIELD, RHODE ISLAND

CHANGES IN FUND BALANCE, GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS (1)

	2001	2000	1999	1998	1997
Revenues:					
Property taxes	$ 29,896,617	$ 28,978,635	$ 26,042,568	$ 24,647,638	$ 23,843,759
Intergovernmental revenue	8,308,465	7,933,374	7,234,230	6,846,980	5,648,888
Licenses and permits	830,495	454,272	433,777	365,843	367,304
Investment income	359,303				
Departmental	85,624	67,913	49,431	70,549	61,563
Other revenues	1,152,270	1,754,394	1,588,428	1,608,400	1,518,256
Total revenues	40,632,774	39,188,588	35,348,434	33,539,410	31,439,770
Expenditures:					
General government	1,901,536	1,897,716	1,707,231	1,675,597	1,535,754
Public safety	6,209,586	5,902,273	5,659,132	5,366,518	5,414,942
Public works	2,225,013	1,961,528	1,970,859	1,887,645	2,497,086
Education	22,598,548	21,610,665	20,113,212	18,504,475	16,815,831
Public health and assistance	38,091	37,981	37,886	38,524	38,409
Recreation	284,582	266,658	279,078	250,685	270,533
Community development					
Other	3,701,528	3,495,355	3,170,006	3,345,627	2,648,126
Capital outlay	522,842	353,817	1,418,417	5,624,650	4,189,664
Debt service	1,472,372	1,528,679	1,458,040	1,606,012	747,408
Total expenditures	38,954,098	37,054,672	35,813,861	38,299,733	34,157,753
Excess of revenues over (under) expenditures	1,678,676	2,133,916	(465,427)	(4,760,323)	(2,717,983)
Other financing sources (uses)					
Issuance of debt				2,517,407	9,160,000
Transfers in	21,825,751	20,723,885	19,680,711	18,104,465	12,385,187
Repayment of debt to escrow agent				(2,521,859)	
Transfers out	(22,538,066)	(21,397,031)	(20,276,074)	(18,650,476)	(12,980,394)
Net other financing sources (uses)	(712,315)	(673,146)	(595,363)	(550,463)	8,564,793
Net change in fund balances	$ 966,361	$ 1,460,770	$ (1,060,790)	$ (5,310,786)	$ 5,846,810
Debt service as a percentage of noncapital expenditures	3.8%	4.2%	4.2%	4.9%	2.5%

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

(CONCLUDED)

TOWN OF SMITHFIELD, RHODE ISLAND

FUND BALANCES, GOVERNMENTAL FUNDS

LAST FOUR FISCAL YEARS

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

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

TOWN OF SMITHFIELD, RHODE ISLAND

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

Year	Municipal	Education	Tax
1997-98			
Real Estate	$ 9.75	$ 10.15	$ 19.90
Personal Property	$ 19.11	$ 19.89	$ 39.00
1998-99			
Real Estate	$ 9.39	$ 11.02	$ 20.41
Personal Property	$ 17.94	$ 21.06	$ 39.00
1999-2000			
Real Estate	$ 10.30	$ 12.10	$ 22.40
Personal Property	$ 17.94	$ 21.06	$ 39.00
2000-2001			
Real Estate	$ 10.08	$ 12.32	$ 22.40
Personal Property	$ 17.55	$ 21.45	$ 39.00
2001-2002 (1)			
Real Estate	$ 8.40	$ 10.26	$ 18.66
Personal Property	$ 17.55	$ 21.45	$ 39.00
2002-2003			
Real Estate	$ 8.86	$ 10.82	$ 19.68
Personal Property	$ 17.55	$ 21.45	$ 39.00
2003-2004			
Real Estate	$ 10.06	$ 11.34	$ 21.40
Personal Property	$ 18.33	$ 20.67	$ 39.00
2004-2005 (1)			
Real Estate	$ 6.70	$ 7.25	$ 13.95
Personal Property	$ 18.72	$ 20.28	$ 39.00
2005-2006 (1)			
Real Estate	$ 6.90	$ 7.78	$ 14.68
Personal Property	$ 18.33	$ 20.67	$ 39.00
2006-2007 (1)			
Real Estate	$ 7.23	$ 8.17	$ 15.40
Personal Property	$ 18.33	$ 20.67	$ 39.00

Source: Town of Smithfield, Rhode Island tax records

(1) Town wide property statistical revaluation

TOWN OF SMITHFIELD, RHODE ISLAND

NET ASSESSED VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

Levy Date (Fiscal Year)	Real Property	Motor Vehicles	Tangibles	Less: Real Estate Exemptions	Net
December 31,					
1995 (1996-97)	$ 901,501,250	$ 97,447,070	$ 62,417,710	$ 10,653,780	$ 1,050,712,250
1996 (1997-98)	$ 917,878,490	$ 105,075,680	$ 65,065,500	$ 11,016,490	$ 1,077,003,180
1997 (1998-99)	$ 963,858,120	$ 96,759,882	$ 63,129,029	$ 10,775,517	$ 1,112,971,514
1998 (1999-2000) (2) (3)	$ 930,302,660	$ 95,229,453	$ 61,716,735	$ 11,098,000	$ 1,076,150,848
1999 (2000-2001) (2) (3)	$ 856,797,430	$ 95,229,453	$ 62,530,590	$ 3,388,000	$ 1,011,169,473
2000 (2001-2002) (2) (3)	$ 1,182,272,730	$ 89,122,609	$ 71,134,180	$ 11,629,000	$ 1,330,900,519
2001 (2002-2003) (2) (3)	$ 1,156,272,130	$ 79,173,199	$ 122,617,260	$ 18,095,230	$ 1,339,967,359
2002 (2003-2004) (2) (3)	$ 1,251,144,353	$ 87,487,639	$ 109,794,363	$ 19,598,435	$ 1,428,827,920
2003 (2004-2005) (2) (3)	$ 1,971,932,170	$ 87,388,715	$ 122,818,750	$ 23,202,023	$ 2,158,937,612
2004 (2005-2006) (2) (3)	$ 2,121,542,170	$ 97,792,039	$ 120,504,470	$ 16,741,666	$ 2,323,097,013

Source: Town of Smithfield, Rhode Island tax records

(1) Town wide property revaluation.

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

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

TOWN OF SMITHFIELD, RHODE ISLAND

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

Year	Principal	Interest	Total Debt Service	Total General Fund Expenditures	Percentage of Total Debt Service to General Fund Expenditures
1996-97	$ 485,244	$ 262,164	$ 747,408	$ 30,832,877	2.42%
1997-98	$ 1,015,244	$ 590,768	$ 1,606,012	$ 33,347,759	4.82%
1998-99	$ 847,171	$ 610,869	$ 1,458,040	$ 34,537,443	4.22%
1999-2000	$ 980,132	$ 548,547	$ 1,528,679	$ 36,141,282	4.23%
2000-2001	$ 918,132	$ 554,240	$ 1,472,372	$ 38,258,979	3.85%
2001-2002	$ 971,268	$ 443,066	$ 1,414,334	$ 42,336,464	3.34%
2002-2003	$ 966,836	$ 398,791	$ 1,365,627	$ 45,866,739	2.98%
2003-2004	$ 1,657,972	$ 869,370	$ 2,527,342	$ 48,159,938	5.25%
2004-2005	$ 2,028,540	$ 841,121	$ 2,869,661	$ 51,058,947	5.62%
2005-2006	$ 1,985,355	$ 767,272	$ 2,752,627	$ 52,474,432	5.25%

Source: Town of Smithfield, Rhode Island financial records.

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

TOWN OF SMITHFIELD, RHODE ISLAND

DEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS

Fiscal Year	Population		School Enrollment	Median Family Income	Median Home Price	Building Permits Issued	Unemployment Rate
1996-97	19,163	(1)	2,732	$ 49,060	$ 129,275	414	4.2
1997-98	19,163	(1)	2,718	$ 49,060	$ 133,900	460	4.1
1998-99	19,163	(1)	2,757	$ 49,060	$ 135,800	411	3.7
1999-2000	19,163	(1)	2,735	$ 49,060	$ 137,500	419	3.5
2000-2001	20,613	(2)	2,704	$ 49,060	$ 137,500	429	4.3
2001-2002	20,613	(2)	2,687	$ 66,320	$ 153,000	669	4.2
2002-2003	20,613	(2)	2,703	$ 67,026	$ 176,300	625	3.8
2003-2004	20,613	(2)	2,615	$ 67,646	$ 189,400	559	4.2
2004-2005	20,613	(2)	2,659	$ 68,322	$ 259,950	622	5.0
2005-2006	21,608	(2)	2,625	$ 66,320	$ 309,950	594	4.4

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

(1) Based on 1990 Census

(2) Based on 2000 Census

TOWN OF SMITHFIELD, RHODE ISLAND

PRINCIPAL TAXPAYERS
JUNE 30, 2006

Taxpayer	Type of Business	December 31, 2005 Assessed Valuation	Percentage of Total Assessed Valuation
FMR Rhode Island (Fidelity)	Investment Company	Tax Treaty	Tax Treaty
W/S Smithfield Associates, LLC	Retail Mall Complex	$ 49,246,300	2.12%
Smithfield Office Park	Office Building Complex	Tax Treaty	Tax Treaty
Narragansett Electric	Public Utility	$ 14,717,610	0.63%
Village at Waterman Lake	Retirement Living Center	$ 13,556,700	0.58%
Target Corp.	Retail Corporation	$ 10,535,400	0.45%
Accessories Associates, Inc.	Manufacturer	Tax Treaty	Tax Treaty
B-D Assurance Co. Ltd.	Real Estate Holding Co.	$ 9,758,637	0.42%
R.A. Smithfield, LLC	Real Estate Holding Co.	$ 8,468,500	0.36%
Norman Realty Corp.	Real Estate Holding Co.	$ 7,357,100	0.32%

Source: Town of Smithfield, Rhode Island tax records.

TOWN OF SMITHFIELD, RHODE ISLAND

PUBLIC SCHOOL ENROLLMENTS - ACTUAL AND PROJECTED
LAST TEN FISCAL YEARS

Fiscal Year	Total Annual	Elementary Annual	Secondary Annual
1997	2,732 **	1,500	1,232
1998	2,718 **	1,265 ***	1,453 ***
1999	2,757 **	1,249 **	1,508 **
2000	2,735	1,254	1,481
2001	2,704	1,220	1,484
2002	2,687	1,228	1,459
2003	2,703	1,169	1,534
2004	2,615	1,048	1,567
2005	2,659	1,125	1,534
2006	2,625	1,104	1,521
Facilities Student Capacity			

** Davies Students not included

*** Reflects the sixth grades moving from the elementary schools to the Middle School.

In addition, there are approximately 351 students attending parochial or private schools.