

**TOWN OF WESTERLY, RHODE ISLAND
ANNUAL FINANCIAL STATEMENTS**

**For the Fiscal Year Ended
June 30, 2010**

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Town Manager**

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Finance Director**

Prepared by: Finance Department

THE TOWN OF WESTERLY, RHODE ISLAND
ANNUAL FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

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FINANCIAL SECTION

THIS SECTION CONTAINS THE FOLLOWING:

Independent Auditors' Report

Management Discussion and Analysis

Basic Financial Statements

Required Supplementary Information

Other Supplementary Information

INDEPENDENT AUDITORS' REPORT

To the Honorable President
and Members of the Town Council
Westerly, 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 Westerly, Rhode Island, as of and for the year ended June 30, 2010, 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 Westerly, Rhode Island's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Westerly, Rhode Island, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2011 on our consideration of the Town of Westerly, Rhode Island's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, budgetary comparison information and supplementary pension and other postemployment benefit information on pages 3 through 12 and 61 through 72 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 Westerly Rhode Island's basic financial statements. The combining nonmajor fund financial statements, the combining fiduciary fund financial statements, other supplementary information, and the schedule of expenditures of federal awards are presented for purposes of additional analysis and as required by the U.S. Office of Management and Budget Circular A-133, *"Audits of States, Local Governments, and Non-profit Organizations"* and are not a required part of the basic financial statements. The combining nonmajor fund financial statements, the combining fiduciary fund financial statements, other supplementary information 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.

A handwritten signature in black ink that reads "Bacon & Company, LLC". The signature is written in a cursive, flowing style.

Warwick, Rhode Island
February 28, 2011

TOWN OF WESTERLY, RHODE ISLAND
Management's Discussion and Analysis
For the Year Ended June 30, 2010
(Unaudited)

As the management of the Town of Westerly, we offer readers of the Town's Financial Statements this narrative overview and analysis of the Town's financial activities for the fiscal year ended June 30, 2010. Included within our discussion will be a series of comparative tables, serving to more clearly illustrate changes in the Town's financial position. These tables will reflect governmental activities, business-type activities, and total activities for the 2009 and 2010 fiscal years.

Financial Highlights

- ❖ The assets of the Town of Westerly exceeded its liabilities at the close of the most recent fiscal year by \$120,519,739. Of the amount, \$21,287,195 may be used to meet the Town's ongoing obligations to citizens and creditors in accordance with the Town's fund designation and fiscal policies.
- ❖ The Town's total net assets increased by \$3,333,084.
- ❖ As of the close of the fiscal year, the Town's governmental funds reported combined ending fund balances of \$20,789,479. Over 98.2% of this amount \$20,430,964, is unreserved and available for use within the Town's designation and fiscal policies.
- ❖ At the end of the current fiscal year, the general fund unreserved fund balance was \$8,768,164 or 11.76% of the total general fund budgeted expenditures for the fiscal year. The current fiscal year's revenues exceeded expenditures and transfers by \$136,807 on a GAAP basis and by \$936,807 on a budgetary basis.

Overview of the Financial Statements

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

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

In addition to the basic financial statements, this report also contains other supplementary information.

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

TOWN OF WESTERLY, RHODE ISLAND
Management's Discussion and Analysis
For the Year Ended June 30, 2010
(Unaudited)

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

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

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

Both of the government-wide financial statements distinguish functions of the Town, which are supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The Town's governmental activities include general government and administration, public works, public safety, health and welfare, conservation and development, parks and recreation, and planning and zoning. The Town's business activities include water fund, sewer fund, and beach fund.

The government wide financial statements are reported on pages 13 through 14.

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

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

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

TOWN OF WESTERLY, RHODE ISLAND
Management's Discussion and Analysis
For the Year Ended June 30, 2010
(Unaudited)

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

Proprietary Funds - The Town's proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements with the exception of the Internal Service Funds which are reported as a governmental fund type activity. The Town has three enterprise funds. Water Fund accounts for the water system of the entire Town of Westerly as well as neighboring Pawcatuck, Connecticut. Sewer Fund operates seventy-eight (78) miles of sanitary sewers, which covers approximately 50% of the Town. Beach Fund accounts primarily for rental and parking activities for the waterfront property acquired in September 2001.

The Town's internal service funds represent an accounting device used to accumulate and allocate costs internally among the Town's various functions. The Town has two internal service funds, Health Fund and Self-Insurance Fund. The Town is self-insured in its health and dental coverage, and Health Fund reports the actual claims as well as the Town's contribution to the fund and employee deductions for the benefit program. Self-Insurance Fund records activities for the Town's commercial insurance deductibles and insurance claim receipts.

The basic proprietary fund financial statements are presented on pages 19 through 22.

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

The basic fiduciary fund financial statements can be found on pages 23 and 24.

Notes to Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are presented on pages 25 through 60.

Other Information - In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information pertinent to the Town's operations. Required Supplementary information is presented on pages 61 through 72.

The combining statements referred to earlier in connection with non-major governmental funds, proprietary funds and internal service funds are presented on pages 73 through 99.

TOWN OF WESTERLY, RHODE ISLAND
Management's Discussion and Analysis
For the Year Ended June 30, 2010
(Unaudited)

Government-wide Financial Analysis

Analysis of the Town of Westerly's Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town of Westerly, assets exceeded liabilities by \$120,519,739 as of June 30, 2010.

The largest portion of the Town's net assets (81.74%) consists of its investments in capital assets such as land, buildings and improvements, motor vehicles, furniture and equipment and infrastructure, less any debt used to acquire these assets which is still outstanding. The Town uses these capital assets to provide services to its citizens. Consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves are highly unlikely to be used to liquidate these liabilities.

TOWN OF WESTERLY'S NET ASSETS

	Governmental Activities		Business-Type activities		Total	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Current and other assets	\$29,805,147	\$24,852,191	\$8,245,825	\$8,995,019	\$38,050,972	\$33,847,210
Capital asset	<u>133,242,291</u>	<u>133,827,486</u>	<u>37,041,526</u>	<u>37,309,331</u>	<u>170,283,817</u>	<u>171,136,817</u>
Total assets	<u>\$163,047,438</u>	<u>\$158,679,677</u>	<u>\$45,287,351</u>	<u>\$46,304,350</u>	<u>\$208,334,789</u>	<u>\$204,984,027</u>
Current liabilities	\$10,433,934	\$9,146,363	\$1,358,045	\$1,281,508	\$11,791,979	\$10,427,871
Long-term liabilities	<u>67,266,868</u>	<u>67,849,654</u>	<u>8,756,203</u>	<u>9,519,847</u>	<u>76,023,071</u>	<u>77,369,501</u>
Total liabilities	<u>77,700,802</u>	<u>76,996,017</u>	<u>10,114,248</u>	<u>10,801,355</u>	<u>87,815,050</u>	<u>87,797,372</u>
Net assets:						
Invested in capital assets						
net of related debt	70,358,546	68,746,769	28,158,294	27,988,005	98,516,840	96,734,774
Restricted	715,704	609,887	-	-	715,704	609,887
Unrestricted	<u>14,272,386</u>	<u>12,327,004</u>	<u>7,014,809</u>	<u>7,514,990</u>	<u>21,287,195</u>	<u>19,841,994</u>
Total net assets	<u>\$85,346,636</u>	<u>\$ 81,683,660</u>	<u>\$35,173,103</u>	<u>\$ 35,502,995</u>	<u>\$120,519,739</u>	<u>\$117,186,655</u>

An additional portion of the Town's net assets, \$715,704, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets, \$21,287,195, may be used to meet the government's ongoing obligations to its citizens and creditors. As of June 30, 2010, the Town of Westerly reports positive balances in all three categories of net assets for the government as a whole.

TOWN OF WESTERLY, RHODE ISLAND
Management's Discussion and Analysis
For the Year Ended June 30, 2010
(Unaudited)

Analysis of the Town of Westerly's Operations

The following analysis provides a summary of the Town's operations for the year ended June 30, 2010.

Governmental activities increased the Town's net assets by \$3,662,976, while business-type activities decreased the Town's net assets by \$329,892, resulting in an increase of \$3,333,084 for the Town's total growth in net assets.

	Governmental Activities		Business-Type Activities		Total 2010	Total 2009
	2010	2009	2010	2009		
Revenues						
Program revenues						
Charges for services	\$ 4,899,483	\$ 5,464,445	\$ 7,416,283	\$ 7,187,929	\$ 12,315,766	\$ 12,652,374
Operating grants and contributions	12,546,972	11,992,674	75,133	25,000	12,622,105	12,017,674
Capital grants and contributions	-	498,774	-	-	-	498,774
General Revenues						
Property taxes	59,555,979	59,323,341	-	-	59,555,979	59,323,341
State aid and in lieu of taxes not restricted for a specific purposes	3,965,697	4,614,007	-	-	3,965,697	4,614,007
Unrestricted investment earnings	212,778	510,798	8,763	62,955	221,541	573,753
Miscellaneous	414,437	277,017	-	-	414,437	277,017
Total revenues	81,595,346	82,681,056	7,500,179	7,275,884	89,095,525	89,956,940
Expenses						
Legislative, financial, judicial and general administrative	3,466,233	3,129,637	-	-	3,466,233	3,129,637
Public works	7,507,487	7,289,988	-	-	7,507,487	7,289,988
Public safety	7,799,497	7,761,483	-	-	7,799,497	7,761,483
Health and welfare	1,237,875	1,647,960	-	-	1,237,875	1,647,960
Conservation and development	63,593	83,398	-	-	63,593	83,398
Parks and recreation	715,016	671,243	-	-	715,016	671,243
Planning and zoning	311,526	315,979	-	-	311,526	315,979
Public education	53,346,773	55,623,925	-	-	53,346,773	55,623,925
Interest	2,834,606	2,921,665	-	-	2,834,606	2,921,665
Water fund	-	-	4,999,866	4,427,003	4,999,866	4,427,003
Sewer fund	-	-	3,224,296	3,524,297	3,224,296	3,524,297
Beach fund	-	-	255,673	271,973	255,673	271,973
Total expenses	77,282,606	79,445,278	8,479,835	8,223,273	85,762,441	87,668,551
Increase in net assets before transfers	4,312,740	3,235,778	(979,656)	(947,389)	3,333,084	2,288,389
Transfers	(649,764)	(695,931)	649,764	695,931	-	-
Increase (Decrease) in net assets	3,662,976	2,539,847	(329,892)	(251,458)	3,333,084	2,288,389
Net assets July 1, 2009, as restated	81,683,660	79,143,813	35,502,995	35,754,453	117,186,655	114,898,266
Net assets June 30, 2010	\$ 85,346,636	\$ 81,683,660	\$ 35,173,103	\$ 35,502,995	\$ 120,519,739	\$ 117,186,655

TOWN OF WESTERLY, RHODE ISLAND
Management's Discussion and Analysis
For the Year Ended June 30, 2010
(Unaudited)

Financial Analysis of the Town of Westerly's Funds

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

At the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$20,789,479. Approximately 98.2% of the total amount, or \$20,430,964 constituted unreserved fund balances. The remainder of the fund balances were reserved because of future commitments.

Reserved Fund Balances:

Encumbrances	\$ 139,351
Prepays	<u>\$ 219,164</u>
Total Reserved Fund Balances:	<u>\$ 358,515</u>

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

Unrestricted net assets of the respective proprietary funds are \$4,094,214 for Water Fund, \$2,879,669 for Sewer Fund, and \$40,926 for the Beach Fund for the Enterprise Funds.

General Fund Budgetary Highlights

For the fiscal year ended June 30, 2010, the Town ended with operating surplus, despite significant reduction in State Aid as well as considerably declining general economy. The Town's overall expenditures were under budget by 1,396,578 due primarily to the spending and hiring freeze during the last six months of the fiscal year. These under-expenditures were more than enough to offset the significantly less-than-budgeted revenues of \$1,025,065, resulting in a small operating surplus for the year.

Revenues:

General Property Taxes – was over budget by \$735,830. The Town budgeted current property tax conservatively at 97.25% collection rate, while the actual collection was at approximately 98.25% for the fiscal year. The tax collection rates remained strong despite the weak economy. Current Property Taxes and Prior Year Property Tax were all over budget by \$619,781 and \$174,724 respectively.

State Grants in Aid – General - was under budget by \$798,332. This was primarily due to the State of Rhode Island FY2010 Supplemental Budget, reducing State Motor Vehicle Reimbursement by \$401,893 from \$2,999,237 during the fiscal year.

TOWN OF WESTERLY, RHODE ISLAND
Management's Discussion and Analysis
For the Year Ended June 30, 2010
(Unaudited)

Licenses and Permits – was under budget by \$178,505. This resulted primarily from significantly lower revenues in building permits due to weak residential and commercial construction.

Use of Property and Money – was under budget by \$174,671. The Town budgeted this line item, interest revenues, based on interest rate of 1.0-1.1%. During the fiscal year, the interest rates the Town earned steadily declined to 0.6 - 0.5 % level for short-term 30-60 day CDs.

Revenues from Other Sources – was over budget by \$140,200. This resulted from more than anticipated receipts from sales of properties by \$92,866. In addition, Police Detail Administration Fees and Cruiser Fees together were over budget by \$67,468, due to more detail works from Rhode Island Department of Transportation. Although improved from the prior fiscal year, Real Estate Recording Fees as well as Real Estate Transfer Taxes continued to be under budget by \$17,774 and \$30,394 respectively, due to the generally weaker economy, affecting Westerly real estate market and transactions.

Solid Waste Receipts – were under budget by \$722,650. The transfer station receipts significantly declined due to the generally weaker economy. The lower revenues were partially offset by the reduced expenditures in dumping fees at Rhode Island Resource Recovery. The revenue declines were primarily from decreased volumes of demolitions due to less renovations and construction.

Expenses:

On January 15, 2010, the Town Manager placed a spending and hiring freeze on all departments for the remainder of the fiscal year, as a direct result of Rhode Island's Governors FY10 Supplemental Budget Proposal, decreasing State Motor Vehicle Reimbursement to the Town by approximately \$400,000, after totally eliminating General Revenue Sharing to the Town during FY2009. This also resulted from lower revenues from local sources, resulting from the generally declining economy. This resulted in under-spending for many of the Town departments in order to make up the lower-than-budgeted revenues.

Legislative, Financial, Judicial, and General Administrative – was under budget by \$396,820. Employee Group Insurance Department was under budget by \$165,240. The Town is self-insured and pays its own claims with administrative fees for its health and dental plans. Actual claims were lower than anticipated. Pension Benefits and Social Securities were under budget by \$43,163 and by \$64,249 respectively. This resulted from the hiring freeze, as well as unpaid leaves.

Public Safety – Uniform Police – was under budget by \$260,447. The patrol officer wage was under-budget by \$228,699 due to the vacant officer positions (military leaves) throughout the fiscal year as well as the hiring freeze. This was partially offset by overtime expenditures, which were over budget by \$66,294. Also Contractual Services, the line for IT hardware and software, was under budget by \$40,540.

TOWN OF WESTERLY, RHODE ISLAND
Management's Discussion and Analysis
For the Year Ended June 30, 2010
(Unaudited)

Public Works Departments – was under budget by \$662,506. Transfer Station expenditures were under budget by \$676,665 due primarily to the lower dumping costs due to the lower demolition volumes. However, Street Lighting expended over budget by \$66,942. This resulted from increased number of lighting poles and increased electricity costs. In addition, there were many lines under-expended from various open positions throughout the DPW departments, as well as Town Manager's spending freeze during the last six months of operations.

The Town of Westerly's Capital Assets

The Town of Westerly's investment in capital assets for its governmental and business-type activities amounts to \$170,283,817, net of accumulated depreciation at June 30, 2010. Included are land, building and improvements, construction in progress, motor vehicles, and furniture and equipment.

TOWN OF WESTERLY'S CAPITAL ASSETS AT YEAR END
NET OF ACCUMULATED DEPRECIATION

	Governmental Activities		Business-type Activities		Total	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Land	\$11,554,629	\$ 11,195,923	\$5,930,455	\$ 5,896,815	\$ 17,485,084	\$17,092,738
Buildings and Improvements	63,288,926	65,296,623	9,881,660	9,937,637	73,170,586	75,234,260
Construction in progress	2,753,664	1,012,382	46,185	2,778,429	2,799,849	3,790,811
Mains, well, pumps and hydrants	-	-	11,133,205	8,355,383	11,133,205	8,355,383
Tanks and structures	-	-	9,589,363	9,773,366	9,589,363	9,773,366
Odor control plant	-	-	-	-	-	-
Motor vehicles	2,778,365	2,920,050	-	-	2,778,365	2,920,050
Furniture and equipment	1,868,189	2,087,349	460,658	567,701	2,328,847	2,655,050
Infrastructure	50,870,738	51,206,352	-	-	50,870,738	51,206,352
Software	127,780	108,807	-	-	127,780	108,807
Total	\$133,242,291	\$133,827,486	\$37,041,526	\$37,309,331	\$170,283,817	\$171,136,817

Additional information on the Town of Westerly's capital assets is located in note 2 of the notes to the financial statements. The Town intends on reporting infrastructure assets as required with a full historical disclosure in the required reporting period.

TOWN OF WESTERLY, RHODE ISLAND
Management's Discussion and Analysis
For the Year Ended June 30, 2010
(Unaudited)

The Town of Westerly's Debt Administration

At the end of the current fiscal year, the Town of Westerly had a total debt of \$76,286,794. All bonded debt is backed by the full faith and credit of the Westerly government.

TOWN OF WESTERLY'S OUTSTANDING DEBT AT YEAR END
BONDS, NOTES AND CAPITALIZED LEASES PAYABLE

	Governmental Activities		Business-type Activities		Total	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
General Obligation						
Bonds Payable	\$62,015,000	65,815,000	\$2,080,000	\$ 2,225,000	\$64,095,000	\$ 68,040,000
Capital Leases Payable	1,388,312	2,132,323		-	1,388,312	2,132,323
Loans Payable	<u>3,855,000</u>		6,948,482	7,515,192	10,803,482	7,515,192
Totals	<u>\$67,258,312</u>	<u>\$67,947,323</u>	<u>\$9,028,482</u>	<u>\$9,740,192</u>	<u>\$76,286,794</u>	<u>\$ 77,687,515</u>

On November 4, 2008 during General Election, the Westerly electorates authorized to issue \$30,000,000 General Obligation Bonds and Notes for the purpose of financing the renovation, rehabilitation, repair, improvement, furnishing and equipping of the Westerly High School. On June 15th, 2010, the Town issued \$3,855,000 in Qualified School Construction Bond through Rhode Island Health and Education Building Corporation. After the fiscal year end, the Town issued \$12,650,000 Bond Anticipation Note on July 29, 2010 and \$5,496,000 in Qualified School Construction Bond on December 2, 2010. The Town also issued \$6,000,000 General Obligation Bond through Rhode Island Health and Education Building Corporation on February 3rd, 2011 and is planning to issue the remaining amount in July 2011.

On November 2, 2010 during General election, the Westerly electorates authorized to issue \$6,500,000 General Obligation Bonds and Notes for the purpose of financing the construction, renovation, rehabilitation, repair and/or improvements to the Town roads, sidewalks, drainage facilities, the Town Hall, and other Town infrastructure. As of February 24, 2011, the Town has not issued any debt.

In June 2010, Standard and Poor's upgraded the Town of Westerly's credit rating from AA- to AA. Moody's Investors Service recalibrated Rhode Island Municipal credit ratings during FY2010. Moody's upgraded the Town of Westerly from Aa3 to Aa2. The State of Rhode Island imposes a limit of 3 percent of the fair value of all taxable Town property on the general obligation debt that a municipality can issue. The Town of Westerly's limit is \$184,350,292 based on net assessed valuation at December 31, 2009 of \$6,145,009,748 at year-end. The Town's outstanding general obligation debt issued under Rhode Island General Laws Section 45-12-2 was \$34,785,328 at year-end, which was \$149,564,964 under the State imposed limitation.

Additional information on the Town of Westerly's long-term debt can be found in footnote 7 of the financial statements and on pages 36 through 40.

TOWN OF WESTERLY, RHODE ISLAND
Management's Discussion and Analysis
For the Year Ended June 30, 2010
(Unaudited)

Economic Factors and Next Year's Budgets and Rates

The Town of Westerly's total general fund budget for fiscal year 2011 amounts to \$75,630,685 which reflects a decrease of \$986,955 over the fiscal 2010 budget of \$76,617,640. Fiscal Year 2011 was the second consecutive year the Town decreased its budget. The fiscal 2009 budget was \$77,175,876. Of the Town's 2011 \$75,630,685 budget, \$27,166,403 or 35.9% is budgeted for the general government and \$48,464,282, or 64.1% is budgeted for Westerly Public Schools. The State of Rhode Island is budgeted to contribute \$5,363,553 to the Town's education department.

The Town's tax rate for fiscal 2011 is at \$9.70, compared to \$8.87 for fiscal 2010. The increase in tax rate resulted from the state mandated full revaluation, decreasing property values by approximately 8.0% on the average.

Request for Information

The financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the Town's finances and to show the Town's accountability for the tax dollars received. If you have questions about this report or need additional financial information, contact the Finance Director's Office, Town Hall, 45 Broad Street, Westerly, RI 02891.

Etsuko Zuczek, MBA, CPA
Finance Director

BASIC FINANCIAL STATEMENTS

Government Wide Financial Statements

TOWN OF WESTERLY, RHODE ISLAND

Statement of Net Assets

June 30, 2010

	<i>Governmental Activities</i>	<i>Business-Type Activities</i>	<i>Total</i>
Assets:			
Current assets:			
Cash and cash equivalents	\$ 17,935,755	\$ 5,539,908	\$ 23,475,663
Investments	1,568,502	-	1,568,502
Real estate, personal property and sewer tax receivable	3,926,719	-	3,926,719
Water and sewer use and assessments	-	2,000,526	2,000,526
Due from federal and state governments	5,108,463	117,286	5,225,749
Other receivables	532,850	6,936	539,786
Internal balances	25,036	(25,036)	-
Inventory	-	168,424	168,424
Other assets - net	219,164	-	219,164
Total current assets	29,316,489	7,808,044	37,124,533
Noncurrent assets:			
Sewer assessment receivable	-	280,629	280,629
Capital assets:			
Land	11,554,629	5,930,455	17,485,084
Depreciable property, plant and equipment - net	118,933,998	31,064,886	149,998,884
Construction in progress	2,753,664	46,185	2,799,849
Other assets - net	488,658	157,152	645,810
Total noncurrent assets	133,730,949	37,479,307	171,210,256
Total assets	163,047,438	45,287,351	208,334,789
Liabilities:			
Current liabilities:			
Accounts payable and accrued liabilities	3,393,350	494,637	3,887,987
Accrued interest payable	1,120,464	97,308	1,217,772
Unearned revenue	45,032	-	45,032
Claims payable	739,289	-	739,289
Compensated absences payable	113,528	29,529	143,057
Long-term debt - due within one year	5,022,271	736,571	5,758,842
Total current liabilities	10,433,934	1,358,045	11,791,979
Noncurrent liabilities:			
Unearned revenue	-	280,629	280,629
Compensated absences payable	1,410,797	175,089	1,585,886
Net other post-employment benefit obligations	250,502	-	250,502
Net pension obligation	2,924,196	-	2,924,196
Long-term debt - due in more than one year	62,681,373	8,300,485	70,981,858
Total noncurrent liabilities	67,266,868	8,756,203	76,023,071
Total liabilities	77,700,802	10,114,248	87,815,050
Net Assets:			
Invested in capital assets, net of related debt	70,358,546	28,158,294	98,516,840
Restricted for:			
Special projects and programs	715,704	-	715,704
Unrestricted	14,272,386	7,014,809	21,287,195
Total net assets	\$ 85,346,636	\$ 35,173,103	\$ 120,519,739

The accompanying notes are an integral part of the basic financial statements.

TOWN OF WESTERLY, RHODE ISLAND

Statement of Activities

For the Fiscal Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:						
Legislative, judicial and general administrative	\$ 3,466,233	\$ 986,339	\$ 16,571	\$ (2,463,323)	\$ -	\$ (2,463,323)
Public works	7,507,487	2,040,910	275,479	(5,191,098)	-	(5,191,098)
Public safety	7,799,497	360,359	261,233	(7,177,905)	-	(7,177,905)
Health and welfare	1,237,875	-	449,148	(788,727)	-	(788,727)
Conservation and development	63,593	5,250	-	(58,343)	-	(58,343)
Parks and recreation	715,016	163,233	-	(551,783)	-	(551,783)
Planning and zoning	311,526	76,959	-	(234,567)	-	(234,567)
Public education	53,346,773	1,266,433	10,001,471	(42,078,869)	-	(42,078,869)
Interest on long-term debt	2,834,606	-	1,543,070	(1,291,536)	-	(1,291,536)
Total governmental activities	77,282,606	4,899,483	12,546,972	(59,836,151)	-	(59,836,151)
Business-Type Activities:						
Water fund	4,999,866	3,814,045	34,412	-	(1,151,409)	(1,151,409)
Sewer fund	3,224,296	3,483,850	40,721	-	300,275	300,275
Beach fund	255,673	118,388	-	-	(137,285)	(137,285)
Total business-type activities	8,479,835	7,416,283	75,133	-	(988,419)	(988,419)
Total	\$ 85,762,441	\$ 12,315,766	\$ 12,622,105	(59,836,151)	(988,419)	(60,824,570)
General Revenues:						
Property taxes levied for general purposes				59,555,979	-	59,555,979
State aid and in lieu of taxes not restricted for a specific purpose				3,965,697	-	3,965,697
Investment earnings				212,778	8,763	221,541
Miscellaneous				414,437	-	414,437
Transfers				(649,764)	649,764	-
Total general revenues				63,499,127	658,527	64,157,654
Change in net assets				3,662,976	(329,892)	3,333,084
Net assets - beginning of year, as restated				81,683,660	35,502,995	117,186,655
Net assets - end of year				\$ 85,346,636	\$ 35,173,103	\$ 120,519,739

The accompanying notes are an integral part of the basic financial statements.

Fund Financial Statements

TOWN OF WESTERLY, RHODE ISLAND

*Balance Sheet
Governmental Funds
June 30, 2010*

	<i>General Fund</i>	<i>School Unrestricted Fund</i>	<i>Capital Project Fund</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
Assets					
Cash	\$ 8,294,002	\$ 4,608,029	\$ 3,008,484	\$ 3,044,387	\$ 18,954,902
Investments	1,224,208	-	-	344,294	1,568,502
Property tax receivable	3,926,719	-	-	-	3,926,719
Due from federal and state governments	555,733	215,105	-	4,337,625	5,108,463
Other receivables	204,643	114,100	-	311	319,054
Due from other funds	40,704	365,664	-	-	406,368
Prepaid expenditures	-	219,164	-	-	219,164
Total assets	\$ 14,246,009	\$ 5,522,062	\$ 3,008,484	\$ 7,726,617	\$ 30,503,172
Liabilities and Fund Balances					
Liabilities:					
Cash overdraft	\$ -	\$ -	\$ -	\$ 1,924,520	\$ 1,924,520
Accounts payable and accrued expenditures	748,187	1,918,774	70,517	652,997	3,390,475
Due to other funds	108,541	-	-	10,867	119,408
Deferred revenues	4,165,762	-	-	-	4,165,762
Accrued compensated absences	66,355	47,173	-	-	113,528
Total liabilities	5,088,845	1,965,947	70,517	2,588,384	9,713,693
Fund Balances:					
Reserved for:					
Encumbrances	-	139,351	-	-	139,351
Prepaid items	-	219,164	-	-	219,164
Unreserved - designated for 2011 budget	389,000	-	-	-	389,000
Unreserved designated for litigation purposes	-	300,000	-	-	300,000
Unreserved designated for staff development	-	105,000	-	-	105,000
Unreserved designated for maintenance and unfunded renovation costs	-	315,000	-	-	315,000
Unreserved - undesignated	8,768,164	2,477,600	2,937,967	-	14,183,731
Unreserved, reported in:					
Special revenue funds	-	-	-	629,666	629,666
Capital project funds	-	-	-	4,508,567	4,508,567
Total fund balances	9,157,164	3,556,115	2,937,967	5,138,233	20,789,479
Total liabilities and fund balances	\$ 14,246,009	\$ 5,522,062	\$ 3,008,484	\$ 7,726,617	\$ 30,503,172

The accompanying notes are an integral part of the basic financial statements.

TOWN OF WESTERLY, RHODE ISLAND
*Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Assets
June 30, 2010*

Total Fund Balances - Total Governmental Funds	\$ 20,789,479
 <i>Amounts reported for Governmental Activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet.	133,242,291
Other departmental receivables are reported as revenue in Government-Wide Financial Statements in the period earned, but are reported as deferred revenue (a liability) in the Governmental Funds Financial Statements.	194,011
Delinquent taxes are recognized as revenue in the period for which levied in the Government-Wide Financial Statements, but are reported as deferred revenue (a liability) in Governmental Funds Financial Statements.	3,926,719
Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in Governmental Funds Balance Sheet.	(1,120,464)
The Internal Service Funds are used by management to charge the costs of health and dental insurance and other insurance to individual funds. The assets and liabilities of the Internal Service Fund are included in Governmental Activities in the Government-Wide Statement of Net Assets.	292,356
Long-term liabilities (including bonds payable, capital leases, compensated absences, net pension obligation, and net other post-employment benefit obligation) are not due and payable in the current period and, therefore, are not reported in the Governmental Funds Balance Sheet.	(71,843,807)
Bond premium is reported as an other financing source in the Governmental Funds Financial Statements. Bond premium, net of accumulated amortization, is reflected as a reduction of bonds payable on the Government-Wide Financial Statements.	(445,332)
Bond issue costs are reported as expenditures in the Governmental Funds Financial Statements. The cost, net of accumulated amortization, is reflected as an other asset on the Government-Wide Financial Statements.	<u>311,383</u>
 Net Assets of Governmental Activities	 <u><u>\$ 85,346,636</u></u>

The accompanying notes are an integral part of the basic financial statements.

TOWN OF WESTERLY, RHODE ISLAND
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2010

	<u>General Fund</u>	<u>School Unrestricted Fund</u>	<u>Capital Project Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
General property taxes	\$ 59,229,983	\$ -	\$ -	\$ -	\$ 59,229,983
Intergovernmental and department revenues	11,051,591	2,650,782	-	5,956,957	19,659,330
License and permits	470,593	-	-	-	470,593
Fines and penalties	174,040	-	-	-	174,040
Interest on investments	200,329	-	-	12,414	212,743
Other revenues	1,590,007	1,268	-	75,625	1,666,900
Total revenues	<u>72,716,543</u>	<u>2,652,050</u>	<u>-</u>	<u>6,044,996</u>	<u>81,413,589</u>
Expenditures:					
Current:					
Legislative, judicial and general administrative	6,098,029	-	559,326	350,365	7,007,720
Public works	4,763,896	-	718,259	567,477	6,049,632
Public safety	4,261,840	-	-	271,245	4,533,085
Health and welfare	706,244	-	-	492,478	1,198,722
Conservations and development	46,096	-	-	-	46,096
Parks and recreation	549,637	-	-	-	549,637
Planning and zoning	217,292	-	20,297	-	237,589
Education	-	46,264,731	108,072	6,779,670	53,152,473
Capital improvements/restricted programs	1,154,114	-	-	-	1,154,114
Debt Service	7,287,661	-	-	77,100	7,364,761
Total expenditures	<u>25,084,809</u>	<u>46,264,731</u>	<u>1,405,954</u>	<u>8,538,335</u>	<u>81,293,829</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	<u>47,631,734</u>	<u>(43,612,681)</u>	<u>(1,405,954)</u>	<u>(2,493,339)</u>	<u>119,760</u>
Other financing sources (uses):					
Bond proceeds	-	-	-	3,855,000	3,855,000
Lease proceeds	396,970	-	-	-	396,970
Transfers from other funds	-	46,709,024	453,459	20,835	47,183,318
Transfers to other funds	(47,891,897)	-	-	(1,185)	(47,893,082)
Total other financing sources (uses)	<u>(47,494,927)</u>	<u>46,709,024</u>	<u>453,459</u>	<u>3,874,650</u>	<u>3,542,206</u>
Net change in fund balances	136,807	3,096,343	(952,495)	1,381,311	3,661,966
Fund balances, beginning of year	<u>9,020,357</u>	<u>459,772</u>	<u>3,890,462</u>	<u>3,756,922</u>	<u>17,127,513</u>
Fund balances, end of year	<u>\$ 9,157,164</u>	<u>\$ 3,556,115</u>	<u>\$ 2,937,967</u>	<u>\$ 5,138,233</u>	<u>\$ 20,789,479</u>

The accompanying notes are an integral part of the basic financial statements.

TOWN OF WESTERLY, RHODE ISLAND
*Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and
Changes in the Fund Balances to Government-Wide Statement of Activities
For the Year Ended June 30, 2010*

Net Changes in Fund Balances - Total Governmental Funds \$ 3,661,966

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental Funds Financial Statements report capital outlay as expenditures. However, in the Government-Wide Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

This is the amount of capital assets recorded in the current period. 3,699,248
This is the amount of current year depreciation on capital assets. (4,154,705)

Property taxes that are not collected in the current period do not represent current financial resources, however they are recognized as revenues in the Government-Wide Statement of Activities. 325,996

The long-term net pension obligation and net other post-employment benefit obligation are reported in the Government-wide Statement of Activities, but does not require the use of current financial resources. Therefore, the long-term net pension obligation and net other post-employment benefit obligation are not reported as an expenditure in the Governmental Funds Financial Statements. (247,522)

Long-term compensated absences are reported in the Government-Wide Statement of Activities, but do not require the use of current financial resources. Therefore, long-term compensated absences are not reported as expenditures in Governmental Funds Financial Statements. 60,007

Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Government-Wide Statement of Net Assets. Repayment of debt principal is an expenditure in Government Funds, but the payments reduce long-term liabilities in the Government-Wide Statement of Net Assets.
This amount represents long-term debt issued during the year. (4,251,970)
This amount represents long-term debt payments. 4,940,980

Accrued interest on long-term debt is reported in the Government-Wide Statement of Activities, but does not require the use of current financial resources. Therefore, accrued interest expense is not reported as an expenditure in the Governmental Funds Financial Statements. The following amount represents the change in accrued interest from prior year. (751)

The Internal Service Fund is used by management to charge the costs of health and dental insurance and other insurance to individual funds. The net revenues (expenses) of the Internal Service Fund is reported with Governmental Activities in the Government-Wide Financial Statements. (268,238)

Bonds issued at a premium provide current financial resources to Governmental Funds, but are deferred and amortized in the Government-Wide Financial Statements. Debt issuance costs and loss on refundings are expenditures in the Governmental Funds, but are deferred and amortized in the Government-Wide Financial Statements.
This amount represents the current year amortization of bond premium. 29,177
This amount represents current year bond issuance costs. 77,100
This amount represents current year amortization of bond issuance costs. (24,705)

Revenues in the Statement of Activities that are not measurable and available in Governmental Funds are not reported as revenue in the Governmental Funds Financial Statements. (53,869)

The sale of a capital asset is reported in the Governmental Funds based on the total sale proceeds received. The sale of a capital asset is reported in the Government-Wide Financial Statement net of the capital assets book value. (129,738)

Change in Net Assets of Governmental Activities \$ 3,662,976

The accompanying notes are an integral part of the basic financial statements.

TOWN OF WESTERLY, RHODE ISLAND

Statement of Net Assets

Proprietary Funds

June 30, 2010

	<i>Enterprise Funds</i>				<i>Internal Service Funds</i>
	<i>Water Fund</i>	<i>Sewer Fund</i>	<i>Beach Fund</i>	<i>Total</i>	
Assets					
Current assets:					
Cash and cash equivalents	\$ 3,297,121	\$ 2,163,935	\$ 78,852	\$ 5,539,908	\$ 905,373
Accounts receivable:					
Water and sewer use and assessments	1,184,652	815,874	-	2,000,526	-
Other receivables	1,313	4,091	1,532	6,936	-
Inventory	160,266	8,158	-	168,424	-
Due from federal and state government	34,412	82,874	-	117,286	-
Due from other funds	-	-	-	-	306,669
Total current assets	<u>4,677,764</u>	<u>3,074,932</u>	<u>80,384</u>	<u>7,833,080</u>	<u>1,212,042</u>
Noncurrent assets:					
Sewer assessment receivable	-	280,629	-	280,629	-
Capital assets:					
Land	2,190,615	597,320	3,142,520	5,930,455	-
Buildings and improvements	1,567,423	18,261,053	481,072	20,309,548	-
Mains, wells, pumps and hydrants	12,863,184	4,150,707	-	17,013,891	-
Tanks and structures	4,450,972	9,553,112	-	14,004,084	-
Equipment and machinery	2,644,521	574,581	-	3,219,102	-
Odor control plant	-	1,024,302	-	1,024,302	-
Construction in progress	25,000	21,185	-	46,185	-
Total capital assets	<u>23,741,715</u>	<u>34,182,260</u>	<u>3,623,592</u>	<u>61,547,567</u>	-
Less accumulated depreciation	<u>(7,970,557)</u>	<u>(16,404,638)</u>	<u>(130,846)</u>	<u>(24,506,041)</u>	-
Net capital assets	<u>15,771,158</u>	<u>17,777,622</u>	<u>3,492,746</u>	<u>37,041,526</u>	-
Other assets	-	142,526	14,626	157,152	177,275
Total noncurrent assets	<u>15,771,158</u>	<u>18,200,777</u>	<u>3,507,372</u>	<u>37,479,307</u>	<u>177,275</u>
Total assets	<u>20,448,922</u>	<u>21,275,709</u>	<u>3,587,756</u>	<u>45,312,387</u>	<u>1,389,317</u>
Liabilities					
Current liabilities:					
Accounts payable and accrued expenses	397,090	84,109	13,438	494,637	2,875
Accrued interest payable	-	71,287	26,021	97,308	-
Compensated absences	22,159	7,370	-	29,529	-
Due to other funds	19,631	5,405	-	25,036	354,797
Claims payable	-	-	-	-	739,289
Current portion of bonds and loans payable	-	591,035	145,536	736,571	-
Total current liabilities	<u>438,880</u>	<u>759,206</u>	<u>184,995</u>	<u>1,383,081</u>	<u>1,096,961</u>
Noncurrent liabilities:					
Unearned revenue	-	280,629	-	280,629	-
Compensated absences payable	144,670	30,419	-	175,089	-
Bonds and loans payable due in more than one year	-	6,357,447	1,943,038	8,300,485	-
Total noncurrent liabilities	<u>144,670</u>	<u>6,668,495</u>	<u>1,943,038</u>	<u>8,756,203</u>	-
Total liabilities	<u>583,550</u>	<u>7,427,701</u>	<u>2,128,033</u>	<u>10,139,284</u>	<u>1,096,961</u>
Net Assets					
Investment in capital assets, net of related debt	15,771,158	10,968,339	1,418,797	28,158,294	-
Unrestricted	4,094,214	2,879,669	40,926	7,014,809	292,356
Total net assets	<u>\$ 19,865,372</u>	<u>\$ 13,848,008</u>	<u>\$ 1,459,723</u>	<u>\$ 35,173,103</u>	<u>\$ 292,356</u>

The accompanying notes are an integral part of the basic financial statements.

TOWN OF WESTERLY, RHODE ISLAND
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2010

	<i>Enterprise Funds</i>				<i>Internal Service Funds</i>
	<i>Water Fund</i>	<i>Sewer Fund</i>	<i>Beach Fund</i>	<i>Total</i>	
Operating revenues					
User fees and rental income	\$ 3,660,152	\$ 2,482,092	\$ 118,388	\$ 6,260,632	\$ -
Sewer assessments and taxes	-	915,615	-	915,615	-
Charges for insurance	-	-	-	-	8,156,652
Other revenues	153,893	86,143	-	240,036	39,333
Total operating revenues	<u>3,814,045</u>	<u>3,483,850</u>	<u>118,388</u>	<u>7,416,283</u>	<u>8,195,985</u>
Operating expenses					
Salaries and benefits	1,896,007	552,189	71,380	2,519,576	-
Materials and supplies	555,101	28,572	2,772	586,445	-
Repair and maintenance	1,473,279	83,054	30,254	1,586,587	-
Depreciation and amortization	363,166	472,651	25,098	860,915	-
Utilities	316,052	2,620	3,504	322,176	-
Administrative expense	27,905	8,666	330	36,901	-
Insurance	101,491	24,656	12,073	138,220	149,665
Claims	-	-	-	-	8,374,593
Contracted services	266,865	1,835,669	-	2,102,534	-
Total operating expenses	<u>4,999,866</u>	<u>3,008,077</u>	<u>145,411</u>	<u>8,153,354</u>	<u>8,524,258</u>
Operating income (loss)	<u>(1,185,821)</u>	<u>475,773</u>	<u>(27,023)</u>	<u>(737,071)</u>	<u>(328,273)</u>
Nonoperating revenues (expenses)					
Operating grant	34,412	40,721	-	75,133	-
Interest income	7,804	956	3	8,763	35
Interest expense	-	(216,219)	(110,262)	(326,481)	-
Total nonoperating revenues (expenses)	<u>42,216</u>	<u>(174,542)</u>	<u>(110,259)</u>	<u>(242,585)</u>	<u>35</u>
Income (loss) before transfers	<u>(1,143,605)</u>	<u>301,231</u>	<u>(137,282)</u>	<u>(979,656)</u>	<u>(328,238)</u>
Transfers in	<u>-</u>	<u>392,227</u>	<u>257,537</u>	<u>649,764</u>	<u>60,000</u>
Change in net assets	<u>(1,143,605)</u>	<u>693,458</u>	<u>120,255</u>	<u>(329,892)</u>	<u>(268,238)</u>
Total net assets, beginning of year	21,008,977	13,154,550	1,339,468	35,502,995	560,594
Total net assets, end of year	<u>\$ 19,865,372</u>	<u>\$ 13,848,008</u>	<u>\$ 1,459,723</u>	<u>\$ 35,173,103</u>	<u>\$ 292,356</u>

The accompanying notes are an integral part of the basic financial statements.

TOWN OF WESTERLY, RHODE ISLAND

Statement of Cash Flows

Proprietary Funds

For the Fiscal Year Ended June 30, 2010

	<i>Enterprise Funds</i>				<i>Internal Service Funds</i>
	<i>Water Fund</i>	<i>Sewer Fund</i>	<i>Beach Fund</i>	<i>Total</i>	
<i>Cash flows from operating activities</i>					
Cash received from insurance and service charges	\$ -	\$ -	\$ -	\$ -	\$ 8,868,077
Claim payments	-	-	-	-	(8,530,728)
Cash received from customers	3,548,525	3,373,585	119,375	7,041,485	-
Cash payments to suppliers for goods and services	(2,467,739)	(2,176,318)	(46,235)	(4,690,292)	(133,589)
Cash payments to employees for services	(1,924,524)	(551,129)	(68,307)	(2,543,960)	-
Other operating cash receipts	152,610	111,143	-	263,753	347,333
Other operating cash disbursements	-	-	-	-	(16,076)
<i>Net cash provided by (used for) operating activities</i>	(691,128)	757,281	4,833	70,986	535,017
<i>Cash flows from non-capital financing activities</i>					
Operating transfers from other funds	-	392,227	257,537	649,764	60,000
<i>Net cash provided by noncapital related financing activities</i>	-	392,227	257,537	649,764	60,000
<i>Cash flows from capital and related financing activities</i>					
Principal paid on bonds and notes	-	(303,392)	(145,000)	(448,392)	-
Additions to capital assets	(472,761)	(109,515)	-	(582,276)	-
Interest paid on long-term debt	-	(222,079)	(112,537)	(334,616)	-
<i>Net cash used for capital and related financing activities</i>	(472,761)	(634,986)	(257,537)	(1,365,284)	-
<i>Cash flows from investing activities</i>					
Interest income	7,804	956	3	8,763	35
<i>Net cash provided by investing activities</i>	7,804	956	3	8,763	35
<i>Net increase (decrease) in cash and cash equivalents</i>	(1,156,085)	515,478	4,836	(635,771)	595,052
<i>Cash and cash equivalents, beginning of year</i>	4,453,206	1,648,457	74,016	6,175,679	310,321
<i>Cash and cash equivalents, end of year</i>	\$ 3,297,121	\$ 2,163,935	\$ 78,852	\$ 5,539,908	\$ 905,373

(Continued)

The accompanying notes are an integral part of the basic financial statements.

TOWN OF WESTERLY, RHODE ISLAND

Statement of Cash Flows (Continued)

Proprietary Funds

For the Fiscal Year Ended June 30, 2010

	<i>Enterprise Funds</i>			<i>Total</i>	<i>Internal Service Funds</i>
	<i>Water Fund</i>	<i>Sewer Fund</i>	<i>Beach Fund</i>		
<i>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities</i>					
Operating income(loss)	\$ (1,185,821)	\$ 475,773	\$ (27,023)	\$ (737,071)	\$ (328,273)
<i>Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:</i>					
Depreciation and amortization	363,166	472,651	25,098	860,915	-
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable	(112,910)	53,687	987	(58,236)	-
(Increase) decrease in inventory	5,488	452	-	5,940	-
Increase (decrease) in due to other funds	(28,844)	(4,456)	-	(33,300)	711,456
Increase (decrease) in accounts payable and accrued expenses	273,633	(191,755)	5,771	87,649	(156,135)
Increase (decrease) in unearned revenue	-	(52,809)	-	(52,809)	-
Increase (decrease) in compensated absences	(5,840)	3,738	-	(2,102)	-
(Increase) decrease in other assets	-	-	-	-	307,969
<i>Total adjustments</i>	<u>494,693</u>	<u>281,508</u>	<u>31,856</u>	<u>808,057</u>	<u>863,290</u>
<i>Net cash provided by (used for) operating activities</i>	<u>\$ (691,128)</u>	<u>\$ 757,281</u>	<u>\$ 4,833</u>	<u>\$ 70,986</u>	<u>\$ 535,017</u>

The accompanying notes are an integral part of the basic financial statements.

TOWN OF WESTERLY, RHODE ISLAND

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2010

	<u>Pension Trust</u>	<u>Private- purpose Trusts</u>	<u>Agency Funds</u>
Assets			
Cash and cash equivalents	\$ 396,623	\$ 182,077	\$ 462,214
Accrued interest receivable	162,541	-	-
Investments, at fair value:			
US Government Obligations	1,625,332	-	-
Municipal obligations	303,794		
Corporate Bonds	10,590,502	-	-
Mutual funds - equity	2,494,164	-	-
Mutual funds - fixed income	76,410		
Common stock	6,006,419	-	-
Mortgage backed securities	648	-	-
Total investments	<u>21,097,269</u>	<u>-</u>	<u>-</u>
Total assets	<u>21,656,433</u>	<u>182,077</u>	<u>462,214</u>
Liabilities			
Due to other funds	213,796	-	-
Deposits held in custody for others	-	-	462,214
Total liabilities	<u>213,796</u>	<u>-</u>	<u>462,214</u>
Net Assets			
Held in trust for pension benefits	14,658,114	-	-
Held in trust for other postemployment benefits	6,784,523	-	-
Held in trust for other purposes	-	182,077	-
Total net assets	<u>\$ 21,442,637</u>	<u>\$ 182,077</u>	<u>\$ -</u>

The accompanying notes are an integral part of the basic financial statements.

TOWN OF WESTERLY, RHODE ISLAND

Statement of Changes in Fiduciary Net Assets

Fiduciary Funds

For the Year Ended June 30, 2010

	<u>Pension Trust Fund</u>	<u>Private- purpose Trusts</u>
Additions		
Contributions:		
Employer - pension	\$ 1,275,000	\$ -
Employer - other postemployment	425,000	-
Plan members - pension	333,474	-
Private contributions	-	185
Total contributions	<u>2,033,474</u>	<u>185</u>
Investment earnings:		
Interest and dividends	842,603	86
Net increase in fair value of investments	1,488,729	-
Total investment earnings	2,331,332	86
Less investment expense	(45,466)	-
Net investment earnings	<u>2,285,866</u>	<u>86</u>
Total additions	<u>4,319,340</u>	<u>271</u>
Deductions		
Benefits - pension	1,530,879	-
Benefits - other postemployment	871,659	-
Miscellaneous	-	2,973
Total deductions	<u>2,402,538</u>	<u>2,973</u>
Change in net assets	1,916,802	(2,702)
Net assets - beginning of year	<u>19,525,835</u>	<u>184,779</u>
Net assets - end of year	<u>\$ 21,442,637</u>	<u>\$ 182,077</u>

The accompanying notes are an integral part of the basic financial statements.

Notes to Financial Statements

TOWN OF WESTERLY, RHODE ISLAND
Notes to Financial Statements
June 30, 2010

The financial statements of the Town of Westerly, Rhode Island, have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following notes to the financial statements are an integral part of the Town's financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The Town of Westerly was founded in 1669. The Town is governed largely under the 1968 Westerly Home Rule Charter. In some matters, including the issuance of short and long-term debt, the Town is governed by the general laws of the State of Rhode Island. The Town operates under a Town Council-Town Manager form of government and provides the following services as authorized by its charter: public safety (police, traffic safety, inspections); public works (sanitation, highways and streets, engineering and building maintenance); zoning and planning; parks and recreation; education; social services; and general administrative services.

In evaluating the inclusion of other separate and distinct legal entities as component units within its financial reporting entity, the Town applied the criteria prescribed by GASB Statement No. 14, as amended by GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units." A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable or for which the nature and significance of its relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The Town of Westerly does not have any component units.

B. BASIS OF PRESENTATION AND ACCOUNTING

The accounts of the Town are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds to demonstrate legal compliance and to aid management by segregating transactions related to specific Town functions or activities.

Government-Wide Financial Statements

The Town's Government-Wide Financial Statements include a Statement of Net Assets and a Statement of Activities. These statements present summaries of Governmental and Business-Type Activities for the Town accompanied by a total column. Fiduciary activities of the Town are not included in these statements.

TOWN OF WESTERLY, RHODE ISLAND
Notes to Financial Statements
June 30, 2010

These statements are presented on an “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all the Town’s assets and liabilities, including capital assets, infrastructure assets and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period earned while expenses are recognized in the period the liability is incurred. The types of transactions reported as program revenues for the Town are reported in three categories: 1) charges for services; 2) operating grants and contributions; and 3) capital grants and contributions.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Assets have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total column. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated.

The Town applies to the Business-Type Activities and Enterprise Funds all applicable GASB pronouncements (including all NCGA Statements and Interpretations currently in effect) as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) of the Committee on Accounting Procedure.

Governmental Fund Financial Statements

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net assets and changes in net assets presented in the Government-Wide Financial Statements.

All governmental funds are accounted for on a spending or “*current financial resources*” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due.

The primary revenue source, which has been treated as susceptible to accrual by the Town, is intergovernmental revenues. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

TOWN OF WESTERLY, RHODE ISLAND
Notes to Financial Statements
June 30, 2010

Major Governmental Funds:

General Fund – The General Fund is used to account for resources devoted to financing the general services that the Town performs for its citizens.

School Unrestricted Fund – The School Unrestricted Fund is used to account for the budgeted resources devoted to financing the general operations of the School Department.

Capital Project Fund – The Capital Project Fund is used to account for financial resources to be used for the acquisition and construction of major capital improvements (other than those financed by Proprietary or Trust Funds).

Proprietary Fund Financial Statements

Proprietary Fund Financial Statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Fund Net Assets, and a Statement of Cash Flows. A column representing internal service funds is also presented in these statements. However, internal service balances and activities have been combined with the Governmental Activities in the Government-Wide Financial Statements.

Proprietary funds are accounted for using the “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Fund Net Assets presents increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period earned while expenses are recognized in the period the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

The Town has three Enterprise Funds as follows:

Water Fund – The Water Fund is used to account for the operation of the Town’s water system.

Sewer Fund – The Sewer Fund is used to account for the sewer use fees and the expenses associated with providing wastewater services to Town residents.

Beach Fund – The Beach Fund is used to account for the operation of the Town’s beach.

The Town has two Internal Service Funds as follows:

Health Fund – The Health Fund is used to account for the Town’s self-insured health and dental care programs.

TOWN OF WESTERLY, RHODE ISLAND
Notes to Financial Statements
June 30, 2010

Self-Insurance Fund – The Self-Insurance Fund is used to account for insurance claims and deductibles not covered by the Town’s commercial insurance coverage.

Fiduciary Fund Financial Statements

Fiduciary Fund Financial Statements include a Statement of Net Assets and a Statement of Changes in Net Assets. The Town’s Fiduciary Funds are the Pension Trust Fund, Private Purpose Trust Funds and Agency Funds. Fiduciary Funds are used to account for assets held by the Town in a trustee capacity or as an agent for individuals, private organizations or other governments. The Fiduciary Funds are accounted for on a spending or “*economic resources*” measurement focus and the accrual basis of accounting. Agency funds are purely custodial and do not involve measurement of results of operations.

Pension Trust Fund – The Pension Trust Fund accounts for the funding and payment of pension benefits provided to police officers.

Private Purpose Trust Funds – These funds account for funds held by the Town under various trust arrangements for the benefit of certain individuals.

Agency Funds – These funds account for assets held by the Town as agent for various student groups and other organizations, and for construction deposits held in escrow.

C. CASH EQUIVALENTS

For the purpose of the Statement of Cash Flows, the Town considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

D. INVESTMENTS

The Town has implemented Governmental Accounting Standards Board Statement Number 31. As such, investments are recorded at fair value, except for nonparticipating interest earning investment contracts (i.e. certificates of deposit) which are recorded at amortized cost.

E. ACCOUNTS RECEIVABLE AND TAXES RECEIVABLE

Accounts receivable and taxes receivable, are shown net of an allowance for uncollectible accounts. The allowances are calculated based on the age of the individual receivables.

Property taxes which were levied on July 1, of the current year and other delinquent balances are recorded as receivables.

F. UNBILLED SERVICES RECEIVABLE

Water and sewer revenue is recorded when earned. Customers are billed semi-annually and some commercial customers are billed quarterly. The estimated value of services provided but unbilled at year-end has been included in the accompanying financial statements.

TOWN OF WESTERLY, RHODE ISLAND
Notes to Financial Statements
June 30, 2010

G. INVENTORY

Inventory is maintained on a periodic system and is stated at cost (first in, first out method of inventory valuation). Inventory is generally recorded as expenditures/expenses when consumed.

H. CAPITAL ASSETS AND DEPRECIATION

Capital assets are reported in the Government-Wide Statement of Net Assets, but are not reported in the Governmental Fund Financial Statements.

All capital assets are capitalized at historical or estimated historical cost. Donated capital assets are recorded at fair market value as of the date received. The Town follows the policy of not capitalizing assets with a cost of less than \$5,000 and a useful life of less than 1 year. The estimated historical costs of infrastructure assets (retroactive to January 1, 1979) have been included in the Governmental Activities Capital Assets.

Depreciation is calculated on the straight-line basis over the following useful lives:

<u>Description</u>	<u>Useful Life</u>
Tanks and structures	100 years
Mains, wells, pumps, hydrants, laterals, connections, filter beds	75 years
Buildings and improvements	25 – 40 years
Machinery and equipment	3 – 10 years
Vehicles	5 – 10 years

I. BOND PREMIUMS AND ISSUANCE COSTS

In the Governmental Fund Financial Statements, bond premiums and issuance costs are treated as period costs in the year of issue. Bond issuance costs are shown as an “expenditure” and bond premiums are reflected as an “other financing source”.

In the Government-Wide Statements, bond premiums and issuance costs are deferred and amortized over the term of the bonds. Bond premiums are presented as an addition to the face amount of the bonds payable whereas issuance costs are recorded as other assets.

J. DEFERRED REVENUE

In the Governmental Fund Financial Statements, deferred revenue represents funds received in advance of being owed or receivables which will be collected and included in revenues of future fiscal years. In the General Fund, deferred revenues relate to delinquent property tax receivables and other departmental receivables due as of the balance sheet date.

TOWN OF WESTERLY, RHODE ISLAND
Notes to Financial Statements
June 30, 2010

K. PROPERTY TAXES

The Town is permitted by state law to levy property taxes. Current tax collections for the Town were approximately 98.1% of the total 2009 levy.

The Town's fiscal 2009-2010 property taxes were levied on June 18, 2009 on assessed valuation as of December 31, 2008. Taxes are payable in full or quarterly, at the taxpayer's option. Installments dates are July 31, October 31, January 31 and April 30.

L. COMPENSATED ABSENCES

Under the terms of various contracts and agreements, Town employees are granted vacation and sick leave in varying amounts based on length of service. Vacation benefits are accrued as a liability based on the accumulated benefits earned at June 30. Sick leave benefits are based on the sick leave accumulated at June 30 by those employees who are currently eligible to receive termination payments and those employees for whom it is probable they will become eligible to receive termination benefits in the future. The liability is calculated at the rate of pay in effect at June 30, 2010.

The entire compensated absence liability is reported on the Government-Wide Financial Statements. For Governmental Fund Financial Statements, the amount of accumulated vacation and sick leave has been recorded as a current liability to the extent that the amounts are due to employees that have resigned or retired.

M. ACCRUED LIABILITIES AND LONG-TERM DEBT

All accrued liabilities and long-term debt are reported in the Government-Wide Financial Statements.

For Governmental Fund Financial Statements, the accrued liabilities are generally reported as a governmental fund liability if due for payment as of the balance sheet date regardless of whether they will be liquidated with current financial resources. However, claims and judgments and compensated absences paid from Governmental Funds are reported as a liability in the Fund Financial Statements only for the portion expected to be financed from expendable available financial resources. Long-term debt paid from Governmental Funds is not recognized as a liability in the Fund Financial Statements until due.

N. ESTIMATES

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

TOWN OF WESTERLY, RHODE ISLAND
Notes to Financial Statements
June 30, 2010

NOTE 2 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2010 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental Activities:				
Nondepreciable assets:				
Land	\$ 11,195,923	\$ 379,494	\$ 20,788	\$ 11,554,629
Construction in progress	1,012,382	1,741,282	-	2,753,664
	<u>12,208,305</u>	<u>2,120,776</u>	<u>20,788</u>	<u>14,308,293</u>
Depreciable assets:				
Buildings and improvements	80,133,838	189,434	142,896	80,180,376
Motor vehicles	6,565,726	551,936	-	7,117,662
Machinery, equipment and furniture	5,676,571	235,263	-	5,911,834
Software	254,143	53,265	-	307,408
Infrastructure	74,198,662	548,574	-	74,747,236
	<u>166,828,940</u>	<u>1,578,472</u>	<u>142,896</u>	<u>168,264,516</u>
Total capital assets	<u>179,037,245</u>	<u>3,699,248</u>	<u>163,684</u>	<u>182,572,809</u>
Less accumulated depreciation for:				
Buildings and improvements	14,837,215	2,088,181	33,946	16,891,450
Motor vehicles	3,645,676	693,621	-	4,339,297
Machinery, equipment and furniture	3,589,222	454,423	-	4,043,645
Software	145,336	34,292	-	179,628
Infrastructure	22,992,310	884,188	-	23,876,498
Total accumulated depreciation	<u>45,209,759</u>	<u>4,154,705</u>	<u>33,946</u>	<u>49,330,518</u>
Governmental activities capital assets, net	<u>\$ 133,827,486</u>	<u>\$ (455,457)</u>	<u>\$ 129,738</u>	<u>\$ 133,242,291</u>
Business-Type Activities:				
Nondepreciable assets:				
Land	\$ 5,896,815	\$ 33,640	\$ -	\$ 5,930,455
Construction in progress	2,778,429	253,551	2,985,795	46,185
	<u>8,675,244</u>	<u>287,191</u>	<u>2,985,795</u>	<u>5,976,640</u>
Depreciable assets:				
Building and improvements	20,041,574	267,974	-	20,309,548
Mains, wells, pumps and hydrants	14,021,911	2,991,980	-	17,013,891
Tanks and structures	14,004,084	-	-	14,004,084
Machinery and equipment	3,198,176	20,926	-	3,219,102
Odor control plant	1,024,302	-	-	1,024,302
	<u>52,290,047</u>	<u>3,280,880</u>	<u>-</u>	<u>55,570,927</u>
Total capital assets	<u>60,965,291</u>	<u>3,568,071</u>	<u>2,985,795</u>	<u>61,547,567</u>
Less accumulated depreciation for:				
Building and improvements	10,103,937	323,951	-	10,427,888
Mains, wells, pumps and hydrants	5,666,528	214,158	-	5,880,686
Tanks and structures	4,230,718	184,003	-	4,414,721
Machinery and equipment	2,630,475	127,969	-	2,758,444
Odor control plant	1,024,302	-	-	1,024,302
Total accumulated depreciation	<u>23,655,960</u>	<u>850,081</u>	<u>-</u>	<u>24,506,041</u>
Business-Type activities capital assets, net	<u>\$ 37,309,331</u>	<u>\$ 2,717,990</u>	<u>\$ 2,985,795</u>	<u>\$ 37,041,526</u>

TOWN OF WESTERLY, RHODE ISLAND
Notes to Financial Statements
June 30, 2010

Depreciation expense was charged to governmental functions as follows:

Legislative, judicial and general administrative	\$ 79,846
Public works	1,493,529
Public safety	501,841
Health and welfare	19,153
Parks and recreation	26,978
Education	2,033,358
Total Depreciation Expense	<u><u>\$ 4,154,705</u></u>

NOTE 3 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. LEGAL DEBT MARGIN

The Town's legal debt margin as set forth by State Statute is limited to 3% of total taxable assessed value which approximates \$194,711,869. As of June 30, 2010, the Town's debt subject to the legal debt margin is \$34,785,328 and the Town is under the debt limit by \$159,926,541. The debt subject to the debt limitation is based on the type of debt that is issued.

NOTE 4 – DEFECIT FUND BALANCE OF INDIVIDUAL FUNDS

As of June 30, 2010 the following funds had deficit fund balances:

Riverwalk Greenways Grant	\$(143,853)
Community Police Officer	\$(22)
Juvenile Justice	\$(2,809)
Energy Efficiency Grant	\$(22,800)
Drink Drive & Lose	\$(427)
Underage Drinking	\$(157)
GOHS DWI Grant	\$(280)

NOTE 5 – CASH DEPOSITS

DEPOSITS – are in four financial institutions and are carried at cost. The carrying amount of deposits is separately displayed on the Balance Sheet of the Fund Financial Statements and Statements of Net Assets as “Cash and Cash Equivalent”.

TOWN OF WESTERLY, RHODE ISLAND
Notes to Financial Statements
June 30, 2010

	Carrying Amount
Total Deposits	\$24,117,211
Add: Petty Cash	2,740
Add: Investments classified as cash equivalents	396,626
Total Cash and Cash Equivalents Reported in the Financial Statements	\$24,516,577

CUSTODIAL CREDIT RISK – custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the Town will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Town does not have a formal deposit policy for custodial credit risk, but is governed by State Laws as described below. As of June 30, 2010, \$16,814,106 of the Town’s bank balance of \$25,052,975 was exposed to custodial credit risk as follows:

	Bank Balance
Insured (Federal depository insurance funds)	\$ 8,238,869
Collateralized with securities held by pledging financial institution or its agent, in the Town’s name	16,814,106
Uninsured and uncollateralized	-
Total	\$25,052,975

Under Rhode Island general laws, depository institutions holding deposits of the State, its agencies or governmental subdivisions of the State, shall at a minimum, insure or pledge eligible collateral equal to one hundred percent (100%) of the deposits which are time deposits with maturities greater than sixty (60) days. Any of these institutions which do not meet minimum capital standards prescribed by federal regulators shall insure or pledge eligible collateral equal to one hundred percent (100%) of the deposits, regardless of maturity. At June 30, 2010, the Town's uncollateralized deposits with institutions were \$0. These deposits are held by institutions that meet the minimum capital standards prescribed by the federal regulators.

NOTE 6 – INVESTMENTS

General Fund investments are governed by Title 35, Chapter 10, Section 11 of the State’s General Laws. This law generally allows for short-term investments, such as certificate of deposits, money market funds, and obligations guaranteed by the United States Government, etc., with the goal of seeking reasonable income while preserving capital. The Pension Trust Fund investments are not limited by a formal investment policy.

TOWN OF WESTERLY, RHODE ISLAND
Notes to Financial Statements
June 30, 2010

As of June 30, 2010 the Town had the following investments:

<u>Investments</u>	<u>Fair Value</u>	<u>Rating</u>
MBIA – RI Investment Pool	\$1,568,505	Not rated
Certificate of Deposit	213,750	Not rated
Goldman Sachs Financial Square Federal Fund	182,873	Not rated
Federal National Mortgage Association	547,659	Aaa
Federal Home Loan Mortgage Corp.	573,768	Aaa
Federal Home Loan Bank	503,905	Aaa
Mortgage Backed Securities	648	Not rated
Corporate Bonds	2,337,374	A1
Corporate Bonds	3,291,978	A2
Corporate Bonds	1,197,298	A3
Corporate Bonds	103,198	Aa1
Corporate Bonds	1,133,226	Aa2
Corporate Bonds	488,539	Aa3
Corporate Bonds	562,633	Aaa
Corporate Bonds	291,381	Ba1
Corporate Bonds	582,915	Baa1
Corporate Bonds	79,207	Baa2
Corporate Bonds	261,338	Baa3
Corporate Bonds	99,460	Not available
Corporate Bonds	161,955	WR
Municipal Bonds	100,676	Aa1
Municipal Bonds	203,118	Aa2
Common Stock	6,006,419	Not rated
Mutual Funds – Equity	2,494,164	Not rated
Mutual Funds – Fixed Income	76,410	Not rated
	<u>23,062,397</u>	
Less: Investments classified as cash and cash equivalents	<u>(396,626)</u>	
<i>Total investments reported in the financial statements</i>	<u>\$22,665,771</u>	

TOWN OF WESTERLY, RHODE ISLAND
Notes to Financial Statements
June 30, 2010

Interest Rate Risk – The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Town has made it a practice to limit the maturities on General Fund investments to sixty (60) days or less. Information about the exposure of the Town’s securities to this risk is presented below:

<u>Type of Investment</u>	<u>Fair value</u>	<u>Investment Maturities (In Years)</u>			
		<u>Less than 1 year</u>	<u>1-5 years</u>	<u>6-10 years</u>	<u>11-15 years</u>
Certificate of Deposit	\$ 213,750	\$ -	\$ 213,750	\$ -	\$ -
U.S. Government Obligations	1,625,332	322,303	251,000	848,501	203,528
Municipal Bonds	303,794	-	100,676	203,118	-
Corporate Bonds	10,590,502	1,446,745	5,002,636	4,041,661	99,460
Mortgage Backed Securities	648	-	-	648	-
Total	<u>\$12,734,026</u>	<u>\$1,769,048</u>	<u>\$5,568,062</u>	<u>\$5,093,928</u>	<u>\$302,988</u>

Credit Risk – The Town is governed by State Laws that limit investment choices to short-term investments for its public deposits (General Fund). The Town has no investment policy that would further limit its investment choices. The ratings for the Town’s investment are presented above.

Concentration of Credit Risk – The Town does not have any policies that limit the amount that can be invested in any one issuer.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have a policy related to custodial credit risk. The Town’s investments held by the Town’s counterparty are held in the Town’s name.

TOWN OF WESTERLY, RHODE ISLAND
Notes to Financial Statements
June 30, 2010

NOTE 7 – LONG TERM LIABILITIES

A. LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2010, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Bonds, loans and capital leases payable:					
General obligation bonds	\$ 65,815,000	\$ -	\$ 3,800,000	\$ 62,015,000	\$ 4,140,000
Loan payable	-	3,855,000	-	3,855,000	-
Capital leases payable	2,132,323	396,970	1,140,981	1,388,312	853,094
	<u>67,947,323</u>	<u>4,251,970</u>	<u>4,940,981</u>	<u>67,258,312</u>	<u>4,993,094</u>
Plus amortized premium on bonds	474,509	-	29,177	445,332	29,177
Total bonds, loans and capital leases	<u>68,421,832</u>	<u>4,251,970</u>	<u>4,970,158</u>	<u>67,703,644</u>	<u>5,022,271</u>
Other liabilities:					
Compensated absences	1,643,602	28,672	147,949	1,524,325	113,528
Net pension obligation	2,746,841	177,355	-	2,924,196	-
Net other postemployment benefit obligation	180,335	70,167	-	250,502	-
Total Governmental Activities					
Long-Term Liabilities	<u>\$ 72,992,610</u>	<u>\$ 4,528,164</u>	<u>\$ 5,118,107</u>	<u>\$ 72,402,667</u>	<u>\$ 5,135,799</u>
Business Type Activities:					
Bonds and loans payable:					
General obligation bonds	\$ 2,225,000	\$ -	\$ 145,000	\$ 2,080,000	\$ 145,000
Loans payable	7,515,192	-	566,710	6,948,482	591,035
	<u>9,740,192</u>	<u>-</u>	<u>711,710</u>	<u>9,028,482</u>	<u>736,035</u>
Plus amortized premium on bonds	9,111	-	537	8,574	536
Total bonds and loans	<u>9,749,303</u>	<u>-</u>	<u>712,247</u>	<u>9,037,056</u>	<u>736,571</u>
Other liabilities:					
Compensated absences	206,719	-	2,101	204,618	29,529
Business-Type Activities					
Long-Term Liabilities	<u>\$ 9,956,022</u>	<u>\$ -</u>	<u>\$ 714,348</u>	<u>\$ 9,241,674</u>	<u>\$ 766,100</u>

All debt of the Governmental Activities is general obligation debt. The payments on the bonds are made from the General Fund. The capital leases are also paid from an appropriation from the General Fund and the Capital Project Funds. The compensated absences from Governmental Activities are paid from the General Fund and the School Unrestricted Fund. All debt and compensated absences of the Business-Type Activities are paid from the Enterprise Funds.

TOWN OF WESTERLY, RHODE ISLAND
Notes to Financial Statements
June 30, 2010

B. GENERAL OBLIGATION BONDS DEBT SERVICE REQUIRMENTS

The debt service requirements at June 30, 2010, were as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Governmental Activities General Obligation Bonds</u>		<u>Business-Type Activities General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 4,140,000	\$ 2,579,734	\$ 145,000	\$105,186
2012	4,165,000	2,397,260	145,000	97,736
2013	4,195,000	2,201,916	145,000	90,199
2014	4,235,000	2,015,979	145,000	82,736
2015	4,280,000	1,833,926	145,000	75,336
2016-2020	17,700,000	6,874,660	725,000	265,561
2021-2025	19,590,000	2,996,985	610,000	75,344
2026-2028	3,710,000	167,000	20,000	425
	<u>\$62,015,000</u>	<u>\$21,067,460</u>	<u>\$2,080,000</u>	<u>\$792,523</u>

C. CAPITAL LEASE COMMITMENTS

The Town acquired vehicles and machinery and equipment valued at \$4,146,103 that was financed with lease purchase agreements. Amortization of assets acquired under capital leases is included in depreciation expense for the year ended June 30, 2010.

Obligation of governmental activities under capital leases at June 30, 2010 was as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Lease Payment Requirements</u>
2011	\$913,445
2012	759,457
2013	251,279
2014	51,321
2015	25,780
Total minimum lease payments	<u>2,001,282</u>
Less: Amount representing interest cost	(101,440)
Less: Lease proceeds remaining to be drawn down	(511,530)
Present value of minimum lease payments	<u>\$1,388,312</u>

TOWN OF WESTERLY, RHODE ISLAND
Notes to Financial Statements
June 30, 2010

D. LOANS PAYABLE

The Town of Westerly has entered into four loan agreements with the Rhode Island Clean Water Protection Finance Agency as follows:

<u>Loan Date</u>	<u>Original Loan Amount</u>	<u>Interest Rate</u>	<u>Matures</u>
December 15, 1995	\$1,849,000	2.958%	September 1, 1998-2015
May 1, 2000	255,000	3.0365%	September 1, 2001-2020
December 19, 2000	7,995,000	2.864%	September 1, 2001-2020
December 16, 2004	1,724,300	0.775-1.545%	September 1, 2006-2025

The loan proceeds are to be used by the Town for the upgrade of the sewer treatment system. The Agency pays project invoices certified by the Town directly to the contractors or reimburses the Town for costs incurred on the projects. As of June 30, 2010, loans payable of \$6,948,482 are reflected in the Sewer Fund. A due from the Rhode Island Clean Water Protection Finance Agency of \$42,153 is shown for that portion of the loans which have not been advanced as of June 30, 2010. The Town is responsible to drawdown and to repay the full amount of the loan.

On June 15, 2010, the Town also entered into a loan agreement with Rhode Island Health and Educational Building Corp. in the amount of \$3,855,000. The loan bears interest of 5.75% and matures April 1, 2012 – 2027. The Town will receive interest subsidies totaling \$3,449,807 from the Federal government over the life of the loan.

The debt service through maturity for the above loans are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Governmental Activities Loans Payable</u>		<u>Business-Type Activities Loans Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ -	\$ 203,191	\$ 591,035	\$190,238
2012	240,938	221,663	604,591	173,497
2013	240,937	221,662	618,605	156,309
2014	240,938	221,663	633,091	138,664
2015	240,937	221,662	648,066	120,563
2016-2020	1,204,688	1,108,313	3,072,324	342,824
2021-2025	1,204,687	1,108,312	690,470	38,827
2026-2027	481,875	443,325	90,300	923
	<u>\$3,855,000</u>	<u>\$3,749,791</u>	<u>\$6,948,482</u>	<u>\$1,161,845</u>

TOWN OF WESTERLY, RHODE ISLAND
Notes to Financial Statements
 June 30, 2010

E. SCHEDULE OF BONDS, LOANS AND CAPITAL LEASES

	<u>Date of Issuance</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Authorized and Issued</u>	<u>Outstanding June 30, 2009</u>	<u>Additions</u>	<u>Maturities During Year</u>	<u>Outstanding June 30, 2010</u>
Governmental Activities								
General Obligation Bonds Payable								
Senior citizens center bond	10/1/1996	4.8-6.75%	10/1/2016	\$ 515,000	\$ 200,000	\$ -	\$ (25,000)	\$ 175,000
General obligation school bond	7/15/1998	5.0-7.5%	7/15/2018	560,000	260,000	-	(30,000)	230,000
School refunding bond	8/1/2001	3.3-5.0%	9/15/2014	13,635,000	5,605,000	-	(965,000)	4,640,000
Middle school bond	8/15/2004	3.0-5.0%	8/15/2024	27,000,000	24,500,000	-	(1,090,000)	23,410,000
High school renovations bond	8/15/2005	4.0-5.0%	8/15/2025	13,000,000	11,560,000	-	(680,000)	10,880,000
Police station and public works garage bond	7/1/2006	4.0-5.0%	7/1/2026	16,575,000	15,900,000	-	(600,000)	15,300,000
Road improvements and land acquisition	9/15/2007	3.7-4.0%	9/15/2027	8,000,000	7,790,000	-	(410,000)	7,380,000
Total general obligation bonds payable				<u>79,285,000</u>	<u>65,815,000</u>	<u>-</u>	<u>(3,800,000)</u>	<u>62,015,000</u>
Loans Payable								
High school renovations loan	6/15/2010	5.75%	4/1/2027	3,855,000	-	3,855,000	-	3,855,000
Total loans payable				<u>3,855,000</u>	<u>-</u>	<u>3,855,000</u>	<u>-</u>	<u>3,855,000</u>
Capital Leases Payable								
Master lease	8/24/2005	4.00%	7/28/2009	1,384,637	242,347	-	(242,347)	-
Master lease	8/3/2007	4.30%	8/3/2010	725,000	374,082	-	(246,722)	127,360
Master lease	8/3/2007	4.35%	8/3/2012	445,000	321,398	-	(86,945)	234,453
Master lease	9/18/2008	3.76%	9/1/2013	1,310,400	1,194,496	-	(364,800)	829,696
Master lease	6/5/2009	3.17%	6/1/2014	648,500	-	396,970	(200,167)	196,803
Total capital leases payable				<u>4,513,537</u>	<u>2,132,323</u>	<u>396,970</u>	<u>(1,140,981)</u>	<u>1,388,312</u>
Total bonds, loans and capital leases - governmental activities					<u>\$ 67,947,323</u>	<u>\$ 4,251,970</u>	<u>\$ (4,940,981)</u>	<u>\$ 67,258,312</u>

TOWN OF WESTERLY, RHODE ISLAND
Notes to Financial Statements
 June 30, 2010

	<u>Date of Issuance</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Authorized and Issued</u>	<u>Outstanding June 30, 2009</u>	<u>Additions</u>	<u>Maturities During Year</u>	<u>Outstanding June 30, 2010</u>
Business-Type Activities								
WESTERLY SEWER FUND								
Loans Payable								
RICWFA SRF	12/15/1995	2.958%	9/1/2015	\$ 1,849,000	\$ 719,056	\$ -	\$ (102,722)	\$ 616,334
RICWFA 00 SRF	5/1/2000	3.037%	9/1/2020	255,000	173,678	-	(11,857)	161,821
RICWFA 01 SRF	12/19/2000	2.864%	9/1/2020	7,995,000	5,156,158	-	(366,131)	4,790,027
RICWFA 04 SRF	12/16/2004	.78-1.55%	9/1/2025	1,724,300	1,466,300	-	(86,000)	1,380,300
Total loans payable				<u>11,823,300</u>	<u>7,515,192</u>	<u>-</u>	<u>(566,710)</u>	<u>6,948,482</u>
WESTERLY BEACH FUND								
General Obligation Bonds Payable								
General obligation bond	10/15/2003	5.0-6.0%	10/15/2023	2,300,000	1,725,000	-	(115,000)	1,610,000
Beach bond	8/15/2004	3.0-5.0%	8/15/2024	200,000	160,000	-	(10,000)	150,000
Beach bond	8/15/2005	4.0-5.0%	8/15/2025	400,000	340,000	-	(20,000)	320,000
Total general obligation bonds payable				<u>2,900,000</u>	<u>2,225,000</u>	<u>-</u>	<u>(145,000)</u>	<u>2,080,000</u>
Total bonds and loans payable - business-type activities					<u>\$ 9,740,192</u>	<u>\$ -</u>	<u>\$ (711,710)</u>	<u>\$ 9,028,482</u>

TOWN OF WESTERLY, RHODE ISLAND
Notes to Financial Statements
June 30, 2010

F. OPERATING LEASES

As of June 30, 2010, the Town has several leases for copiers. These leases are considered to be operating leases. Lease expenditures for the year ended June 30, 2010 amounted to \$182,095.

The future minimum rental commitments under the operating leases are as follows:

<i>Fiscal Year Ending June 30,</i>	<i>Lease Payment Requirements</i>
2011	\$157,436
2012	111,077
2013	46,024
2014	2,473
	<u>\$317,010</u>

NOTE 8 – PROPERTY TAXES

The Town is responsible for assessing, collecting, and distributing property taxes in accordance with enabling State legislation. Property tax revenue for fund financial statement purposes is recognized in accordance with Section P70, “Property Taxes” of the Codification of Governmental Accounting and Reporting Standards, which states that such revenue is recorded when it becomes measurable and available. Available means due, or past due and receivable with the current period and collected no longer than 60 days after the close of the current period.

NOTE 9 – INTERFUND RECEIVABLES AND PAYABLES

The Town reports interfund balances between many of its funds. The totals of all balances agree with the sum of interfund balances presented in the fund statements.

	<i>Due From:</i>						<i>Total</i>
	<i>General Fund</i>	<i>Other Governmental Funds</i>	<i>Internal Service Fund</i>	<i>Water Fund</i>	<i>Sewer Fund</i>	<i>Pension Trust Fund</i>	
<i>Due To:</i>							
General Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 40,704	\$ 40,704
School Unrestricted	-	10,867	354,797	-	-	-	365,664
Internal Service Fund	108,541	-	-	19,631	5,405	173,092	306,669
Total	\$ 108,541	\$ 10,867	\$ 354,797	\$ 19,631	\$ 5,405	\$ 213,796	\$713,037

The balances primarily result from the time lag between the dates the 1) transactions are recorded in the accounting system and 2) payments between funds are made.

TOWN OF WESTERLY, RHODE ISLAND
Notes to Financial Statements
June 30, 2010

NOTE 10 – INTERFUND TRANSFERS

	<i>Transfer From:</i>		
	<i>General Fund</i>	<i>Nonmajor Governmental Funds</i>	<i>Total</i>
<u>Transfer To:</u>			
School Unrestricted Fund	\$46,709,024	\$ -	\$46,709,024
Sewer Fund	392,227	-	392,227
Beach Fund	257,537	-	257,537
Capital Project Fund	453,459	-	453,459
Nonmajor Governmental Funds	19,650	1,185	20,835
Internal Service Fund	60,000	-	60,000
Total	<u>\$47,891,897</u>	<u>\$ 1,185</u>	<u>\$47,893,082</u>

Transfers are used to move revenues from the fund that the budget requires to collect them, to the funds that the budget requires to expend them. For example, the \$46,709,024 transfer is the School appropriation that is budgeted in the General Fund as a revenue source to be transferred to the School Unrestricted Fund and expended.

NOTE 11 – NET ASSETS/FUND BALANCES

The Government-Wide Financial Statements utilize a net asset presentation. Net assets are categorized as invested in capital assets, net of related debt; restricted; and unrestricted.

Invested in Capital Assets, Net of Related Debt – This category groups all capital assets into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

Restricted Net Assets – This category presents external restrictions imposed by grantors or laws and regulations.

Unrestricted Net Assets – This category represents net assets of the Town, not restricted for any project or other purpose.

In the Fund Financial Statements, reserves and designations segregate portions of fund balance that are either not available or have been earmarked for specific purposes. At June 30, 2010, reservations and designations of fund balance are described below:

Reserved for encumbrances – To reserve for encumbrances outstanding at June 30, 2010.

TOWN OF WESTERLY, RHODE ISLAND
Notes to Financial Statements
June 30, 2010

Reserved for prepaid items – to reserve fund balance for those assets that are not available financial resources for the current year, but will be expended in the subsequent year.

Designated for 2011 budget – to designate the portion of the General Fund fund balance budgeted to be used as a revenue source in fiscal year 2011.

Designated for litigation purposes – to designate funds approved by the School Committee to be used for unbudgeted litigation costs.

Designated for staff development, maintenance and unfunded renovation costs – to designate funds approved by the School Committee for School Department staff development programs and deferred and unfunded School Department maintenance and renovation costs.

NOTE 12 – SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

A. LITIGATION

During the ordinary course of its operations, the Town is a party to various claims, legal actions and complaints. In the opinion of the Town's management and legal counsel, these matters are not anticipated to have a material financial impact on the Town.

B. FEDERALLY ASSISTED PROGRAMS - COMPLIANCE AUDITS

The Town and School Department participate in a number of federally assisted programs. The audits of these programs through the year ended June 30, 2010 were audited in connection with the accompanying financial statements under the Single Audit concept and the auditor's reports thereon are presented in the Single Audit Section of this report.

NOTE 13 – HEALTH FUND

The Town established a Health Fund to account for its health and dental care coverage programs which are accounted for in an Internal Service Fund.

The Town utilizes a "cost plus basis" plan under which the Town pays for the actual cost of covered health care services plus a fee to the provider for the administration of the program.

In order to avoid catastrophic losses, the Town purchases specific stop loss re-insurance. Under the stop loss re-insurance, the Town is covered for \$150,000 in medical claims per person per contract period.

TOWN OF WESTERLY, RHODE ISLAND
Notes to Financial Statements
June 30, 2010

The Town oversees the self-insured program and claims payment services are provided by Blue Cross and Blue Shield of Rhode Island and Delta Dental of Rhode Island, the plan administrators. All funds of the Town participate in the program and make payments to the Health Fund based on recommendations made by the plan administrators.

The claims liability of \$739,289 reported in the Health Fund at June 30, 2010 is based on the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Changes in the Health Fund's claims liability for the past three fiscal years were:

	<i>Beginning Fiscal Year Liability</i>	<i>Current Year Claims and Changes In Estimate</i>	<i>Claims Payments</i>	<i>Balance Fiscal Year End</i>
2007-2008	\$492,645	\$7,496,489	\$7,463,610	\$525,524
2008-2009	525,524	8,124,140	7,814,691	834,973
2009-2010	834,973	8,331,063	8,426,747	739,289

NOTE 14 – RISK MANAGEMENT

The Town of Westerly is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; injuries to employees; and natural disasters for which the Town carries commercial insurance. Settled claims resulting from these risks have not exceeded the Town's coverage in any of the past three fiscal years and there have been no significant reductions in insurance coverage from the prior year.

NOTE 15 – POST RETIRMENT BENEFITS

A. Police Other Postemployment Benefit Plan

Plan Description

The Town of Westerly administers a single-employer, defined benefit post-employment health insurance plan for its police officers through its Police Pension Trust Fund. This plan does not include the pension benefits discussed in Note 19. The plan provides medical and dental insurance for eligible retirees and their dependents through the Town's group health and dental insurance plan, which cover both active and retired members. Benefit provisions are established and amended by the union contract through negotiations between the Town and the Police Officers Union. The plan does not issue a publicly available financial report. The Town implemented GASB Statement No. 45 in fiscal year 2009 on a prospective basis.

TOWN OF WESTERLY, RHODE ISLAND
Notes to Financial Statements
June 30, 2010

Funding Policy

Contribution requirements are negotiated between the Town and the Police Officers Union. The Town is required to contribute the cost of medical and dental benefits for police officers who retire with at least 20 years of service less the amount of any applicable employee share of premiums as follows:

- Employees hired prior to July 1, 1993, shall, upon retirement, contribute the same percentage of medical coverage as they contribute at the time of retirement.
- Employees hired on or after July 1, 1993 and retiring after at least twenty (20) years of active service will pay 15% of the cost of health care coverage at the full mature working rate or monthly premium cost and the Town will pay the balance up to a maximum of \$6,000 per year (\$500 per month) until the employee reaches age 65, after which time the employee will pay 15% of the premium cost or fully mature working rate of Plan 65 and the Town will pay the balance up to a maximum of \$6,000 per year (\$500 per month). Any amounts in excess of \$6,000 shall be borne by the employee.
- Coverage to retirees and spouses includes dental insurance for life and a reimbursement of Medicare Part B premium to retirees only after age 65.

For the year ended June 30, 2010, the Town contribution to the plan was based on the budgeted amount which was less than the annual required contribution. For the fiscal year ended June 30, 2010, the Town contributed \$425,000 to the plan.

Annual OPEB Cost and Net OPEB Obligation

The Town's annual other post-employment benefit (OPEB) cost for the plan is calculated based on the annual required contribution (ARC) for the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the Town's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the Town's net OPEB obligation:

Annual required contribution (ARC)	\$459,200
Interest on net OPEB obligation	5,356
Adjustment to annual required contribution	(5,506)
Annual OPEB cost	459,050
Contributions made	425,000
Increase in net OPEB obligation	34,050
Net OPEB obligation, beginning of year	66,950
Net OPEB obligation, end of year	\$101,000

TOWN OF WESTERLY, RHODE ISLAND
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The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2009 and 2010 are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/09	\$433,200	84.5%	\$66,950
6/30/10	\$459,050	92.6%	\$101,000

Funded Status and Funding Progress

The funded status of the Town's plan as of July 1, 2009, the most recent actuarial valuation, is as follows:

Actuarial Accrued Liability (AAL)	\$12,379,627
Actuarial Value of Plan Assets	7,978,431
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 4,401,196</u>
Funded ratio (Actuarial Value of Plan Assets/AAL)	64.4%
Annual Covered Payroll (Active Plan Members)	\$ 2,854,292
UAAL as a Percentage of Covered Payroll	154.2%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

TOWN OF WESTERLY, RHODE ISLAND
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The Town's annual required OPEB contribution was determined as part of the July 1, 2008 actuarial valuation using the Entry Age Normal actuarial cost method. The actuarial assumptions included: a) 8% investment rate of return, net of expenses, compounded annually; b) medical cost trend rate – 10% per year graded off 1% per year to an ultimate rate of 5% per year for 2012 and after; and c) dental cost trend rate – 4%. The unfunded actuarial accrued liability as of July 1, 2008 is being amortized using the level dollar 30-year closed amortization basis. The actuarial value of assets is equal to fair market value.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Examples include assumptions about employment, mortality and healthcare cost trends. Actuarial valuations are subject to continual revision as actual results are compared to past expectations and new estimates are formulated about the future.

B. School Other Postemployment Benefit Plan

Plan Description

The Town of Westerly administers a single-employer, defined benefit post-employment health insurance plan for its teachers. This plan does not include the pension benefits discussed in Note 19. The plan provides medical and dental insurance for eligible retirees and their dependents through the Town's group health and dental insurance plan, which cover both active and retired members. Benefit provisions are established and amended by the union contract through negotiations between the Town and the Westerly Teachers' Association. The plan does not issue a publicly available financial report. The Town implemented GASB Statement No. 45 in fiscal year 2009 on a prospective basis.

Funding Policy

Contribution requirements are negotiated between the Town and the Westerly Teachers' Association. The Town is required to contribute the cost of medical and dental benefits for teachers who retire less the amount of any applicable employee share of premiums as follows:

- Participants that retired in the 2008/2009 school year receive health insurance coverage for two (2) years under the School Department's self-insured plan. The retiree contributes 20% of the premium per year. In addition, retired members can exchange 35 sick days per year and the contribution of 20% of the annual premium for three (3) additional years of coverage.
- Participants that retired in the 2007/2008 school year receive health insurance coverage for three (3) years under the School Department's self-insured plan. The retiree contributes 10% of the premium per year. In addition, retired members can exchange 35 sick days per year and the contribution of 10% of the annual premium for two (2) additional years of coverage.

TOWN OF WESTERLY, RHODE ISLAND
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- Participants that retired in the 2006/2007 school year receive health insurance coverage for four (4) years under the School Department’s self-insured plan. The retiree contributes 10% of the premium per year. In addition, retired members can exchange 35 sick days and the contribution of 10% of the premium for one (1) additional year of coverage.
- Participants that retired in the 1988/1989 school year or thereafter who have 28 years or more of credited service with the Employees’ Retirement System (ERS) or have 25 years or more of credited service with the ERS and have attained age 60 receive health insurance coverage for 18 months under the School Department’s self-insured plan. The retiree contributes 10% of the premium per year. Following such 18 months the School Department shall reimburse such retired members the cost paid through the ERS, less the required premium share paid by the retiree for the period of coverage not to exceed the succeeding 42 month period.

For the year ended June 30, 2010, the Town contribution to the plan was on a pay-as-you-go basis. For the fiscal year ended June 30, 2010, the Town contributed \$450,418 to the plan.

Annual OPEB Cost and Net OPEB Obligation

The Town’s annual other post-employment benefit (OPEB) cost for the plan is calculated based on the annual required contribution (ARC) for the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the Town’s annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the Town’s net OPEB obligation:

Annual required contribution (ARC)	\$532,439
Interest on net OPEB obligation	4,535
Adjustment to annual required contribution	(50,439)
Annual OPEB cost	486,535
Contributions made	450,418
Increase in net OPEB obligation	36,117
Net OPEB obligation, beginning of year	113,385
Net OPEB obligation, end of year	\$149,502

The Town’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2009 and 2010 are as follows:

<u><i>Fiscal Year Ended</i></u>	<u><i>Annual OPEB Cost</i></u>	<u><i>Percentage of Annual OPEB Cost Contributed</i></u>	<u><i>Net OPEB Obligation</i></u>
6/30/09	\$532,439	78.7%	\$113,385
6/30/10	\$486,535	92.6%	\$149,502

TOWN OF WESTERLY, RHODE ISLAND
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Funded Status and Funding Progress

The funded status of the Town’s plan as of July 1, 2008, the most recent actuarial valuation, is as follows:

Actuarial Accrued Liability (AAL)	\$1,576,553
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$1,576,553</u>
Funded ratio (Actuarial Value of Plan Assets/AAL)	0%
Annual Covered Payroll (Active Plan Members)	N/A
UAAL as a Percentage of Covered Payroll	N/A

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The Town’s annual required OPEB contribution was determined as part of the July 1, 2008 actuarial valuation using the projected unit credit actuarial cost method (with service proration). The actuarial assumptions included: a) 4 % discount rate; and b) medical cost trend rate – 9.5% in 2008 graded down by .50% per year until an ultimate rate of 5% in 2017. The unfunded actuarial accrued liability as of July 1, 2008 is being amortized using the level dollar amortization method over 3.2648 years on a closed basis. There is no asset valuation method or investment rate of return assumption since the plan is currently unfunded.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Examples include assumptions about employment, mortality and healthcare cost trends. Actuarial valuations are subject to continual revision as actual results are compared to past expectations and new estimates are formulated about the future.

TOWN OF WESTERLY, RHODE ISLAND
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NOTE 16 – DISAGGREGATION OF RECEIVABLE AND PAYABLE BALANCES

A. ACCOUNTS RECEIVABLE

Assumptions: The Town disaggregates significant components of receivables in the financial statements. Receivable balances determined immaterial are included as other receivables. The Town expects to receive all receivables within the subsequent year.

B. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The accounts payable and accrued liabilities at June 30, 2010, were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Other</u>	<u>Total</u>
Governmental activities:				
General Fund	\$ 398,329	\$ 304,111	\$ 45,747	\$ 748,187
School Unrestricted Fund	1,750,086	162,198	6,490	1,918,774
Capital Project Fund	70,517	-	-	70,517
Other Governmental Funds	652,997	-	-	652,997
Internal Service Fund	2,875	-	-	2,875
Total	<u>\$ 2,874,804</u>	<u>\$ 466,309</u>	<u>\$ 52,237</u>	<u>\$ 3,393,350</u>
Business-type activities:				
Water Fund	\$ 350,487	\$ 46,603	\$ -	\$ 397,090
Sewer Fund	64,395	13,714	6,000	84,109
Beach Fund	5,300	8,138	-	13,438
Total	<u>\$ 420,182</u>	<u>\$ 68,455</u>	<u>\$ 6,000</u>	<u>\$ 494,637</u>

NOTE 17 – RESTATEMENTS AND RECLASSIFICATIONS

The following restatements and reclassifications were made in the Government-Wide Financial Statements:

Net assets, June 30, 2009	<u>Governmental Activities</u> \$81,549,460
To correct prior year capital assets	<u>134,200</u>
Restated net assets, June 30, 2009	<u>\$81,683,660</u>

TOWN OF WESTERLY, RHODE ISLAND
Notes to Financial Statements
June 30, 2010

NOTE 18 – SUBSEQUENT EVENTS

On July 29, 2010, the Town issued general obligation bond anticipation notes in the amount of \$12,650,000, which come due on July 28, 2011. The notes were issued by the Town pursuant to Rhode Island General Laws Section 45-12-2, a resolution duly passed by the Town Council on August 4, 2009 and referendum approved by the Town Electorate at a general election on November 4, 2008 for the purpose of financing the renovation, rehabilitation, repair, improvement, furnishing and equipping of the Westerly High School.

On December 2, 2010, general obligation qualified school construction bonds in the amount of \$5,496,000 which come due on April 1, 2027, were issued by the Town through Rhode Island General Laws Section 45-12-2, a resolution duly passed by the Town Council on August 4, 2009 and referendum approved by the Town Electorate at a general election on November 4, 2008 for the purpose of financing the renovation, rehabilitation, and repair, improvement, furnishing and equipping of the Westerly High School.

On February 3, 2011, general obligation school bonds in the amount of \$6,000,000 which come due April 1, 2031, were issued by the Town through Rhode Island Health and Education Building Cooperation pursuant to Rhode Island General Laws Section 45-12-2, a resolution duly passed by the Town Council on August 4, 2009 and referendum approved by the Town Electorate at a general election on November 4, 2008 for the purpose of financing the renovation, rehabilitation, repair, improvement, furnishing and equipping of the Westerly High School.

NOTE 19 – PENSION PLANS

A. EMPLOYEES' RETIREMENT SYSTEM OF THE STATE OF RHODE ISLAND

All Town of Westerly certified school personnel participate in the Employees' Retirement System of the State of Rhode Island ("ERS"), a cost-sharing multiple-employer defined benefit plan administered by the State of Rhode Island. The payroll for employees covered by the ERS for the year ended June 30, 2010 was \$23,168,186.

The State of Rhode Island Employees' Retirement System issues a publicly available annual financial report that includes financial statements and required supplementary information. That report may be obtained from the administrative offices of the State of Rhode Island Retirement Board, 40 Fountain Street, Providence, Rhode Island.

TOWN OF WESTERLY, RHODE ISLAND
Notes to Financial Statements
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Plan Description

The following eligibility and benefit provisions are established by Rhode Island General Laws, Title 16, Chapter 16-16. All Westerly School Department 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. Superintendents, principals, business agents and other administrators participate as teachers. Employees are vested in their retirement benefits upon completion of 10 years of service.

Retirement Eligibility:

(i) Grandfathered Schedule A members – members with at least 10 years of contributory service at June 30, 2005 and eligible for retirement at September 30, 2009 – are eligible to retire on or after age 60 if they have credit for 10 years of service, or at any age if they have credit for 28 years of service.

(ii) Schedule B members – members with less than 10 years of contributory service as of June 30, 2005 – and members hired on or after that date are eligible for retirement on or after age 65 if they have credit for 10 years of service, or on or after age 62 if they have credit for 29 years of service. In addition, a member who attains age 62 with at least 20 years of service credit may retire with an actuarially reduced retirement benefit. The reduction is based on the difference between 65 and the member’s age of retirement.

(iii) Schedule A members who are not grandfathered i.e., members who had at least 10 years of creditable service at June 30, 2005 but who were not eligible to retire on September 30, 2009, will be eligible for retirement at an individually determined age. This age is the result of interpolating between the retirement age under the rules applicable to grandfathered employees in (i) above and the retirement age applicable to members hired after September 30, 2009 in (ii) above. The interpolation is based on service as of September 30, 2009 divided by projected service at the retirement age under (i) above.

Monthly Benefit:

The retirement benefit is a percentage of the member’s monthly final average compensation (FAC). For members eligible to retire as of September 30, 2009, their FAC will be based on the highest three consecutive annual salaries. For members not eligible to retire as of September 30, 2009, their FAC will be based on the highest five consecutive years of salary. Monthly benefits are based on one-twelfth of this amount. The percentage is a function of the member’s service as described below.

(i) For grandfathered Schedule A members (members with at least 10 years of contributory service at June 30, 2005 and eligible for retirement as September 30, 2009), benefits are based under this schedule (Schedule A):

<u>For Service In:</u>	<u>Years</u>	<u>Benefit Percentage Earned</u>
The first 10 years of service	1-10	1.7% per year
The next 10 years of service	11-20	1.9% per year
The next 14 years of service	21-34	3.0% per year
The next 1 year of service	35	2.0% per year

The maximum benefit is 80% of FAC.

TOWN OF WESTERLY, RHODE ISLAND
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(ii) For Schedule B members (members with less than 10 years of contributory service as of June 30, 2005) and for all future hires, benefits are based on the following schedule (Schedule B):

<u>For Service In:</u>	<u>Years</u>	<u>Benefit Percentage Earned</u>
The first 10 years of service	1-10	1.6% per year
The next 10 years of service	11-20	1.8% per year
The next 5 years of service	21-25	2.0% per year
The next 5 years of service	26-30	2.25% per year
The next 14 years of service	31-37	2.50% per year
The next 1 year of service	38	2.25% per year

The maximum benefit is 75% of FAC.

(iii) For Schedule A members who are not grandfathered, i.e., members who had at least 10 years of creditable service at June 30, 2005 but who were not eligible to retire on September 30, 2009, benefits are based on Schedule A (under (i) above) for service through September 30, 2009 and on Schedule B (under (ii) above) for service after September 30, 2009. The maximum benefit is 80% of FAC.

Post-Retirement Benefit Increase:

(i) For members with at least 10 years of contributory service as of June 30, 2005 who are retired or eligible to retire as of September 30, 2009, and for all members receiving a disability retirement benefit on that date (Schedule A members): a 3.00% compound increase in their retirement benefit each year, beginning in January of the year in which the member reaches the third anniversary of retirement. This increase is not a function of actual increases in the cost of living.

(ii) For other members (Schedule B members) who retired or were eligible to retire as of June 30, 2010: a compound increase in their retirement benefit each year equal to the increase in the CPI, effective on each anniversary date beginning on the third anniversary of retirement. This increase is limited to 3.00%.

(iii) For other members (Schedule B members) who were not retired or were not eligible to retire as of June 30, 2010: a compound increase in their first \$35,000 of annual retirement benefit each year equal to the increase in the CPI, effective on each anniversary date beginning on the later of the member's third anniversary of retirement and the month following their 65th birthday. This increase is limited to 3.00%. Additionally, the \$35,000 annual COLA limit is applicable for benefits paid in 2010 and would be indexed annually to increase in the same manner as COLAs for Schedule B members (CPI for the year, not greater than 3.0%).

TOWN OF WESTERLY, RHODE ISLAND
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Funding Policy

Covered employees are required by State Statute to contribute 9.5% of their salary to the plan. The State and the School Department are required to contribute an amount determined annually by the actuary and as provided by State Statute. The split between State and the School Department is specified by State Statute. The contribution requirement for fiscal 2009-2010 is 19.01%. The Teachers' Plan cost is paid 60% by the School Department and 40% by the State. However, the State will pay the total cost of the contribution deferrals which were .26%. This results in a contribution requirement for the School of 11.25% and a contribution requirement for the State of 7.76%.

The State contribution for the cut-off year ended June 30, 2010 was \$1,765,044 which represented 7.62% of covered payroll. The payments made by the State to the Employees' Retirement System are considered on-behalf payments and are reported as a revenue and as an expenditure in the financial statements. The School's contribution requirement for the cut-off year ended June 30, 2010 was \$4,836,898 which consisted of \$2,639,227 from the School Department, and \$2,197,671 from employees. These contributions represented 11.39% and 9.5% of covered payroll respectively. The annual required contribution was determined as part of the June 30, 2007 actuarial valuation.

The School Department does not have any investments or related party investments with the ERS. The School Department contribution represented 2.22% of total contributions required of all participating entities.

Three-Year Trend Information

<u>Fiscal Year</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2008	\$3,188,824	100%
2009	\$2,920,341	100%
2010	\$2,639,227	100%

B. MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF THE STATE OF RHODE ISLAND

The Town of Westerly participates in the Municipal Employees' Retirement System ("MERS"), an agent multiple employer defined benefit plan administered by the State of Rhode Island. One current Town employee and eight retirees participate in the MERS. The payroll for the employee covered by the MERS for the year ended June 30, 2010 was \$64,658.

The State of Rhode Island's Municipal Employees' Retirement System issues a publicly available annual financial report that includes financial statements and required supplementary information. That report may be obtained from the administrative offices of the State of Rhode Island Retirement Board, 40 Fountain Street, Providence, Rhode Island.

TOWN OF WESTERLY, RHODE ISLAND
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Plan Description

The following eligibility and benefit provisions are established by Rhode Island General Laws, Title 45, Chapter 19, 19.1, 21, 21.1, 21.2 and 21.3 and may be amended by State Statute. The MERS generally provides retirement benefits equal to 2% of a member's final average compensation multiplied by the number years of total service up to 37.5 years, with a maximum benefit of 75% of final average compensation. Final average compensation is the average of the three highest consecutive years of annual earned compensation 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. Under the 25-year service normal pension plan, police and firefighters may retire with unreduced accrued benefits at age 55 with 10 years of service or after 25 years regardless of age. The benefit accrual rate is 2% of final average compensation per year of service. If the municipality elects the 20-year retirement provisions, police and firefighters may retire at any age after 20 years of service. This optional plan provides a benefit equal to 2.5% of final average compensation per year of service up to 30 years. The maximum benefit is 75% of final average compensation under both the normal plan and the optional plan. Early retirement is only available to police and firefighters under the normal plan. The plan also provides non-service connected disability benefits after 5 years of service, service connected disability benefits with no minimum service requirement, survivors' benefits, and certain lump sum death benefits. Employees are vested in their retirement benefits upon the completion of 10 years of service. Members employed by municipalities who elect one of the optional COLA provisions receive an increase equal to 3% of the original retirement benefit each year, beginning January 1 following the member's retirement.

Funding Policy

General employees are required by State Statute to contribute 6% of their annual earnings. The contribution rate is increased to 7% with the optional cost-of-living provision. Police and firefighters are required by State Statute to contribute 7%. The contribution rate is increased to 8% with the optional cost-of-living provision. The contribution rate is increased by an additional 1% for the 20-year service plan. The Town is required to contribute based on an actuarially determined amount and as provided by State Statute for each participating municipality. The Town's rate for fiscal year 2009-2010 was 52.49% for general employees.

Annual Pension Cost

For 2009-2010, the Town's annual pension cost of \$33,939 for the MERS was equal to the Town's required and actual contributions.

TOWN OF WESTERLY, RHODE ISLAND
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Three-Year Trend Information
General Municipal Employees

<u>Fiscal Year</u>	<u>Annual Pension Cost</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2008	\$39,101	100%	-
2009	\$40,802	100%	-
2010	\$33,939	100%	-

The required contribution was determined as part of the June 30, 2007 actuarial valuation. The actuarial method used is the entry age actuarial cost method. Under this method, the employer contribution rate is the sum of (i) the employer normal cost rate, and (ii) a rate that will amortize the unfunded actuarial accrued liability. Significant actuarial assumptions used in the June 30, 2007 valuation include the following:

- 1) Investment return – 8.25% per year, compounded annually, composed of an assumed 3.0% inflation rate and a 5.25% net real rate of return
- 2) Projected salary increases – for general employees, the sum of a 4.5% wage inflation assumption (composed of a 3% price inflation assumption and a 1.5% additional general increase) and a service related component
- 3) Cost of living adjustment – 3%, not compounded

The actuarial value of assets is based on market value of assets with a five year phase-in of actual investment return in excess of (less than) expected investment income. The MERS' unfunded actuarial accrued liability is being amortized over 30 years as a level percentage of payroll on a closed basis. The remaining amortization period at June 30, 2007 was 22 years.

Funded Status and Funding Progress

As of June 30, 2009, the most recent actuarial valuation date, the general employees plan was 45.6% funded. The actuarial accrued liability for benefits was \$962,696, and the actuarial value of assets was \$439,397, resulting in an unfunded actuarial accrued liability (UAAL) of \$523,299. The covered payroll (annual payroll of active employees covered by the plan) was \$64,591, and the ratio of the UAAL to the covered payroll was 810.2%. The June 30, 2009 actuarial valuation used the same methods and assumptions described above under Annual Pension Cost.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

TOWN OF WESTERLY, RHODE ISLAND
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C. LABORERS' INTERNATIONAL UNION OF NORTH AMERICA NATIONAL PENSION FUND

All Town non-salaried general employees participate in the Laborers' International Union of North America National Pension Fund, a cost sharing multiple-employer defined benefit plan.

Plan Description

All Town non-salaried general employees are eligible to participate in the Plan. An employee is eligible to receive pension benefits if they have attained age 62, have five or more years of pension credit and have earned at least one of the years of pension credit during the period that his or her employer is contributing to the Plan. The amount of regular pension benefits payable to an employee is determined by the highest contribution rate at which he or she earned pension credit and years of pension credits earned (up to a maximum of 30 years of pension credits). The regular monthly benefit is payable for each year of pension credit at each contribution rate accepted by the Plan up to \$1.86 per hour. The Plan also provides death and disability benefits. Information regarding the Plan can be obtained from the Fund Office maintained by the Board of Trustees at the following address: Laborers' International (Industrial) Pension Fund, 905 16th Street, N.W., Washington, DC 2006-1765 or on the internet at www.lnipf.org.

Funding Policy – The contribution requirements of the Town and employees are established by contract and may be amended by union negotiation. Employees are not required to contribute to the plan. The Town was required to contribute the following amounts for fiscal year 2010: bus drivers and aides - \$1.14 per hour up to a maximum of 40 hours per week; School maintenance, secretarial and clerical employees - \$1.59 per hour; and Town public works and secretarial employees - \$1.59 per hour for employee's normal workweek. The total Town contribution for fiscal year 2010 was \$610,157.

Three-Year Trend Information

<u>Fiscal Year</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2008	\$674,496	100%
2009	\$619,762	100%
2010	\$610,157	100%

D. POLICE PENSION PLAN

Plan Description

The Town of Westerly is the administrator of a single-employer defined benefit pension plan established and administered by the Town to provide pension benefits for its police officers. The Plan is considered to be a part of the Town of Westerly's financial reporting entity and is included in the Town's financial statements as a pension trust fund. The Town does not issue a separate report for the Police Plan that includes financial statements and required supplementary information (RSI). At July 1, 2009, employee membership related to the plan was as follows:

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Retirees and beneficiaries currently receiving benefits	44
Terminated employees entitled to benefits but not yet receiving them	1
Active members	<u>46</u>
Total	<u>91</u>

The Police Pension Plan provides retirement, death and disabilities benefits. All regular police officers are eligible to participate. Members are 100% vested after 10 years of service. Normal retirement is after the completion of 20 years of service. The retirement benefit is calculated at 50% of annual pay for 20 years of service plus 2% times annual pay for each year of service over 20 years (maximum service equals 25 years). Annual pay at retirement is a sum equal to the base salary received for the 12 months immediately preceding retirement. The normal form of benefit is 67.5% Joint and Survivor. If a member leaves covered employment or dies before vesting, accumulated member contributions are refunded with interest. If a member dies in the line of duty, the member's heirs shall receive the same benefits as though they had been members of the bargaining unit for 20 years. Retired members are entitled to a 3% cost of living adjustment, not compounded, each year (2 1/2% if retired before July 1, 1998). Disability retirement for occupational causes equals 50% of annual pay at time of disability. Non-occupational causes receive a lower percentage varying by years of service at time of disability. Members who retire with 25 or more years of service shall receive severance pay based on 1.5 days for each year of service at retirement.

Benefit provisions are established by contract and may be amended by union negotiation.

Summary of Significant Accounting Policies

Basis of Accounting – The Police Pension Trust Fund financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized as revenues in the period the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide contributions. Benefits and refunds are recognized when due and payable with the terms of the plan.

Method Used to Value Investments – Investments are reported at fair value.

Funding Policy

The contribution requirements of the members and the Town are established by contract and may be amended by union negotiation. Active plan members contribute 11% of their covered earnings. The Town has an actuarial valuation to determine the annual required contribution, but does not fund the plan based on the valuation. The Town funds the plan based on the annual budget.

TOWN OF WESTERLY, RHODE ISLAND
Notes to Financial Statements
June 30, 2010

Annual Pension Cost and Net Pension Obligation – The Town’s annual pension cost and net pension obligation to the Police Plan for the current year were as follows:

Annual required contribution	\$1,458,500
Interest on net pension obligation	219,747
Adjustment to ARC	<u>(225,892)</u>
Annual pension cost	1,452,355
Contributions made	<u>1,275,000</u>
Increase in net pension obligation	177,355
Net pension obligation – beginning of year	<u>2,746,841</u>
Net pension obligation – end of year	<u><u>\$2,924,196</u></u>

Three-Year Trend Information

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2008	\$1,646,054	79.0%	\$2,601,710
2009	\$1,243,881	88.3%	\$2,746,841
2010	\$1,452,355	87.8%	\$2,924,196

The required contribution was determined as part of the July 1, 2008 actuarial valuation using the Entry Age Normal actuarial cost method. The actuarial assumptions included (a) 8% investment rate of return, net of expenses, compounded annually; (b) projected salary increases of 3-16% based on years of service; and (c) cost of living adjustment of 3%, not compounded, for members retiring after July 1, 1998 and 2.5%, not compounded, for members retiring before July 1, 1998. The actuarial value of assets is market value. The unfunded actuarial accrued liability is being amortized using the level dollar method on a closed basis. The amortization period remaining as of July 1, 2008 was 30 years.

Funded Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation, the Police Plan was 55.2% funded. The actuarial accrued liability for benefits was \$27,733,064, and the actuarial value of assets was \$15,309,491, resulting in an unfunded actuarial accrued liability (UAAL) of \$12,423,573. The covered payroll (annual payroll of active employees covered by the plan) was \$2,854,292, and the ratio of the UAAL to covered payroll was 435.3%. The July 1, 2009 actuarial valuation used the same assumptions and methods discussed above under Annual Pension Cost and Net Pension Obligation.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

TOWN OF WESTERLY, RHODE ISLAND
Notes to Financial Statements
June 30, 2010

E. INTERNATIONAL CITY MANAGEMENT ASSOCIATION (ICMA) PENSION PLAN

General salaried employees hired after February, 1981 were eligible to participate in this defined contribution plan. This plan was then deemed ineligible by IRS codification. As of September 1, 1995 a new plan was initiated with International City Management Association. At that time all employees of the old plan were required to contribute to the new plan. The old plan (E) will remain open because the funds cannot be transferred to the new plan (see F below). Benefits depend solely on amounts contributed to the plan plus investment earnings. Employees were required to contribute 6% or more of their income to a maximum of 25% not to exceed \$7,500. The Town contributed 10% of the qualified salary.

F. INTERNATIONAL CITY MANAGEMENT ASSOCIATION (ICMA) PENSION PLAN

General salaried employees hired after February, 1981 were eligible to participate in this defined contribution plan created as of September 1, 1995. Previously, these employees contributed to a defined contribution plan with the International City Management Association established as a 457(b) deferred compensation plan (see E above). The benefits in this plan, a 401(a) qualified pension plan, depend solely on amounts contributed to the plan plus investment earnings. Employees contribute 6% or more of their qualified salary to a maximum of 25% not to exceed \$30,000. The Town contributes 10% of the qualified salary. Plan provisions and contribution requirements are established and may be amended by the Town Council.

G. SCHOOL DEPARTMENT PENSION PROGRAM

All School Department unaffiliated, classified, appointed employees participate in an agreed-upon pension program, which is funded by the School Department. The School Department's contribution is 10% of the qualified employee's salary per year. The employees do not contribute to the plan. The contributions are made to an eligible plan of the employee's choice. All School employees are eligible by federal law to participate in a payroll deduction tax deferred plan, which must be arranged by a broker or private insurance carrier. Contributions for fiscal year 2010 amounted to \$120,850.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF WESTERLY, RHODE ISLAND

*Required Supplementary Information - Pension Plans and Other Postemployment Benefit Plans
Schedule of Funding Progress
"Unaudited"*

	<i>Actuarial Valuation Date</i>	<i>Actuarial Value of Assets (AVA)</i>	<i>Actuarial Accrued Liability (AAL)</i>	<i>Unfunded Liability/ (Funding Excess)</i>	<i>Funded Ratio</i>	<i>Covered Payroll</i>	<i>Unfunded Liability/ (Funding Excess) as a Percentage of Covered Payroll</i>
<i>Police Pension Plan (1) (2):</i>	07/01/04	\$17,387,600	\$22,611,917	\$5,224,317	76.9%	\$2,068,366	252.6%
	07/01/05	\$18,221,293	\$23,358,221	\$5,136,928	78.0%	\$2,397,868	214.2%
	07/01/06	\$19,301,326	\$24,323,095	\$5,021,769	79.4%	\$2,606,387	192.7%
	07/01/07	\$14,221,033	\$24,466,878	\$10,245,845	58.1%	\$2,624,354	390.4%
	07/01/08	\$14,135,584	\$26,013,800	\$11,878,216	54.3%	\$2,976,831	399.0%
	07/01/09	\$15,309,491	\$27,733,064	\$12,423,573	55.2%	\$2,854,292	435.3%
<i>General Municipal Employees Pension Plan:</i>	06/30/07	\$504,608	\$974,219	\$469,611	51.8%	\$60,043	782.1%
	06/30/08	\$492,478	\$979,933	\$487,455	50.3%	\$64,034	761.2%
	06/30/09	\$439,397	\$962,696	\$523,299	45.6%	\$64,591	810.2%
<i>Police Other Postemployment Benefit Plan (2):</i>	07/01/07	\$7,587,224	\$11,364,770	\$3,777,546	66.8%	\$2,624,354	143.9%
	07/01/08	\$7,301,108	\$11,319,636	\$4,018,528	64.5%	\$2,976,831	135.0%
	07/01/09	\$7,978,431	\$12,379,627	\$4,401,196	64.4%	\$2,854,292	154.2%
<i>School Other Postemployment Benefit Plan:</i>	07/01/08	\$0	\$1,576,553	\$1,576,553	0.0%	N/A	N/A

(1) Prior to July 1, 2007, UAAL was the Unfunded Frozen Initial Liability (UFIL) under the Frozen Initial Liability actuarial cost method. UFIL is the Present Value of Future Amortization Payments. AAL under that method was not directly calculated. It is set to AVA + UFIL.

As of July 1, 2007, the funding method was changed to the Entry Age Actuarial Cost Method. UAAL is directly calculated under this method.

(2) Effective July 1, 2007, assets and liabilities for the pension and OPEB portions of the plan will be tracked separately and separate Annual Required Contributions (ARC'S) under GASB 25/27 and GASB 43/45 will be calculated.

TOWN OF WESTERLY, RHODE ISLAND
Required Supplementary Information
Police Pension Plan and Police Other Postemployment Benefit Plan
Schedule of Annual Required Contributions
"Unaudited"

	<u>Year Ended June 30,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
<i>Police Pension Plan:</i>	2005	\$ 1,301,600	96%
	2006	\$ 1,355,800	96%
	2007	\$ 1,502,900	86%
	2008	\$ 1,651,100	79%
	2009	\$ 1,249,700	88%
	2010	\$ 1,458,500	87%
<i>Police Other Postemployment Benefit Plan (2):</i>	2009	\$ 433,200	85%
	2010	\$ 459,200	93%

(1) The annual required contributions were obtained from a separate valuation prepared by the actuaries.

(2) 2008-2009 is the first fiscal year for GASB 43/45 reporting.

TOWN OF WESTERLY, RHODE ISLAND

*Schedule of Revenues and Expenditures and Changes in Fund Balance - Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2010*

	<i>Budgeted Amounts</i>		<i>Actual Amounts (Budgetary Basis)</i>	<i>Variance With Final Budget Positive (Negative)</i>
	<i>Original</i>	<i>Final</i>		
Revenues				
General property taxes	\$ 58,494,153	\$ 58,494,153	\$ 59,229,983	\$ 735,830
Intergovernmental revenues	10,255,754	9,917,340	9,119,008	(798,332)
License and permits	649,098	649,098	470,593	(178,505)
Fines and penalties	194,210	194,210	174,040	(20,170)
Interest on investments	375,000	375,000	200,329	(174,671)
Other revenue	1,449,807	1,449,807	1,590,007	140,200
Recreation	170,000	170,000	163,233	(6,767)
Solid waste revenue	2,492,000	2,492,000	1,769,350	(722,650)
Prior year surplus	800,000	800,000	800,000	-
Total revenues	<u>74,880,022</u>	<u>74,541,608</u>	<u>73,516,543</u>	<u>(1,025,065)</u>
Expenditures				
Legislative, judicial and general administrative	6,487,849	6,494,849	6,098,029	396,820
Public works	5,397,490	5,426,402	4,763,896	662,506
Public safety	4,522,287	4,522,287	4,261,840	260,447
Health and welfare	711,200	711,200	706,244	4,956
Conservation and development	48,390	48,390	46,096	2,294
Parks and recreation	548,575	586,900	549,637	37,263
Planning and zoning	222,433	222,433	217,292	5,141
Capital improvements/restricted programs	841,054	766,817	757,144	9,673
Debt service	7,305,139	7,305,139	7,287,661	17,478
Total expenditures	<u>26,084,417</u>	<u>26,084,417</u>	<u>24,687,839</u>	<u>1,396,578</u>
Excess of revenues over expenditures before other financing sources (uses)	<u>48,795,605</u>	<u>48,457,191</u>	<u>48,828,704</u>	<u>371,513</u>
Other financing uses				
Transfers to other funds	48,795,605	48,457,191	47,891,897	565,294
Total other financing uses	<u>48,795,605</u>	<u>48,457,191</u>	<u>47,891,897</u>	<u>565,294</u>
Excess of revenues over expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 936,807</u>	<u>\$ 936,807</u>

The notes to the required supplementary information are an integral part of this schedule

TOWN OF WESTERLY, RHODE ISLAND
Schedule of Revenues and Expenditures - Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2010

	<i>Budgeted Amounts</i>		<i>Actual Amounts (Budgetary Basis)</i>	<i>Variance With Final Budget Positive (Negative)</i>
	<i>Original</i>	<i>Final</i>		
General property taxes				
Current property taxes	\$ 55,183,259	\$ 55,183,259	\$ 55,803,040	\$ 619,781
Motor vehicle - excise tax	2,203,294	2,203,294	2,160,523	(42,771)
Prior years property taxes	635,000	635,000	809,724	174,724
Pilot - RI Bowling Lane	23,700	23,700	25,450	1,750
Pilot - Housing authority	28,900	28,900	28,713	(187)
Pro-ration	70,000	70,000	60,486	(9,514)
Town tax interest, lien fees and other	350,000	350,000	342,047	(7,953)
Total general property taxes	58,494,153	58,494,153	59,229,983	735,830
Intergovernmental revenues				
State motor vehicle - excise tax phase out	2,999,237	2,999,237	2,597,344	(401,893)
State grants-in-aid - general	1,274,148	1,274,148	1,324,185	50,037
State grants-in-aid - school	5,982,369	5,643,955	5,197,479	(446,476)
Total intergovernmental revenues	10,255,754	9,917,340	9,119,008	(798,332)
Licenses and permits	649,098	649,098	470,593	(178,505)
Fines and penalties	194,210	194,210	174,040	(20,170)
Interest on investments	375,000	375,000	200,329	(174,671)
Other revenues	1,449,807	1,449,807	1,590,007	140,200
Recreation	170,000	170,000	163,233	(6,767)
Solid waste revenue	2,492,000	2,492,000	1,769,350	(722,650)
Prior year surplus	800,000	800,000	800,000	-
Total revenues	74,880,022	74,541,608	73,516,543	(1,025,065)

The notes to the required supplementary information are an integral part of this schedule

TOWN OF WESTERLY, RHODE ISLAND
Schedule of Revenues and Expenditures - Budget and Actual
General Fund (Continued)
For the Fiscal Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Legislative, judicial and general administrative				
Legislative:				
Town Council	\$ 73,980	\$ 73,980	\$ 66,702	\$ 7,278
Finance Board	800	800	506	294
Judicial:				
Legal services	203,886	203,886	179,114	24,772
Probate court	48,067	48,067	47,893	174
Municipal court	52,281	52,281	51,989	292
Administrative:				
Board of canvassers	99,760	99,760	92,807	6,953
Town clerk	251,965	251,965	240,176	11,789
Town manager	238,386	245,386	236,678	8,708
Finance department	337,025	337,025	321,117	15,908
Town audit	25,000	25,000	24,800	200
Assessment administration	250,806	250,806	243,523	7,283
Management information systems	200,331	200,331	175,514	24,817
Human resources	56,814	56,814	49,510	7,304
Benefits:				
Insurance	363,100	363,100	354,159	8,941
Pensions and retirement	2,116,325	2,116,325	2,073,162	43,163
Social security	399,858	399,858	335,609	64,249
Employee group insurance	1,759,465	1,759,465	1,594,225	165,240
Unemployment insurance	10,000	10,000	10,545	(545)
Total legislative, judicial and general administrative	<u>6,487,849</u>	<u>6,494,849</u>	<u>6,098,029</u>	<u>396,820</u>
Public Works				
Town buildings	608,058	608,132	590,934	17,198
Public works administration	27,296	27,296	27,535	(239)
Code enforcement office	176,230	176,230	175,902	328
Tree warden	18,144	18,794	2,350	16,444
Highway and drainage	1,070,917	1,098,885	1,103,468	(4,583)
Snow and ice control	194,119	194,339	194,339	-
Street lighting	375,000	375,000	441,942	(66,942)
Sanitation	2,679,380	2,679,380	2,002,715	676,665
Equipment maintenance	248,346	248,346	224,711	23,635
Total public works	<u>5,397,490</u>	<u>5,426,402</u>	<u>4,763,896</u>	<u>662,506</u>
Public Safety				
Police department	4,404,899	4,404,899	4,153,339	251,560
Animal control	98,388	98,388	98,199	189
Civil preparedness	16,000	16,000	10,302	5,698
Police reserve	3,000	3,000	-	3,000
Total public safety	<u>4,522,287</u>	<u>4,522,287</u>	<u>4,261,840</u>	<u>260,447</u>

(Continued)

The notes to the required supplementary information are an integral part of this schedule

TOWN OF WESTERLY, RHODE ISLAND
Schedule of Revenues and Expenditures - Budget and Actual
General Fund (Continued)
For the Fiscal Year Ended June 30, 2010

	<i>Budgeted Amounts</i>		<i>Actual Amounts (Budgetary Basis)</i>	<i>Variance With Final Budget Positive (Negative)</i>
	<i>Original</i>	<i>Final</i>		
Health and welfare				
Subsidies	711,200	711,200	706,244	4,956
Total health and welfare	711,200	711,200	706,244	4,956
Conservation and development				
Conservation commission	4,775	4,775	2,802	1,973
Minimum housing	43,615	43,615	43,294	321
Total conservation and development	48,390	48,390	46,096	2,294
Parks and recreation				
Recreation and leisure	242,542	242,542	191,486	51,056
Town beach operation	99,708	99,708	130,829	(31,121)
Celebration of public events	2,700	2,700	812	1,888
Maintenance	203,625	241,950	226,510	15,440
Total parks and recreation	548,575	586,900	549,637	37,263
Planning and zoning				
Department of planning and zoning	222,433	222,433	217,292	5,141
Total planning and zoning	222,433	222,433	217,292	5,141
Capital improvements/restricted programs				
Restricted programs	374,803	300,566	300,012	554
Capital improvements - school	295,742	295,742	293,587	2,155
Capital improvements	170,509	170,509	163,545	6,964
Total capital improvements and restricted programs	841,054	766,817	757,144	9,673
Debt service				
Town debt service	2,302,113	2,302,113	2,288,786	13,327
School debt service	5,003,026	5,003,026	4,998,875	4,151
Total debt service	7,305,139	7,305,139	7,287,661	17,478
Total expenditures	26,084,417	26,084,417	24,687,839	1,396,578
Other financing uses				
Transfer to Capital Project Funds	453,459	453,459	453,459	-
Transfer to School Unrestricted Fund	47,432,382	47,093,968	46,509,024	584,944
Transfer to School Unrestricted Fund-surplus property	200,000	200,000	200,000	-
Transfer to Special Revenue Fund	-	-	19,650	(19,650)
Transfer to Beach Fund	257,537	257,537	257,537	-
Transfer to Internal Service Fund	60,000	60,000	60,000	-
Transfer to Sewer Fund	392,227	392,227	392,227	-
Total other financing uses	48,795,605	48,457,191	47,891,897	565,294
Total expenditures and other financing uses	\$ 74,880,022	\$ 74,541,608	\$ 72,579,736	\$ 1,961,872

The notes to the required supplementary information are an integral part of this schedule

TOWN OF WESTERLY, RHODE ISLAND

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

School Unrestricted Fund

For the Fiscal Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Medicaid revenue	\$ 443,739	\$ 443,739	\$ 512,644	\$ 68,905
Other revenues	835,925	835,925	374,362	(461,563)
Total revenues	<u>1,279,664</u>	<u>1,279,664</u>	<u>887,006</u>	<u>(392,658)</u>
Expenditures				
Instruction				
Payroll	17,472,794	17,472,794	17,367,388	105,406
Purchased professional and technical services	498,744	498,744	73,532	425,212
Purchased property services	175,460	175,460	144,944	30,516
Other purchased services	3,379	3,379	6,517	(3,138)
Supplies and materials	590,014	590,014	761,234	(171,220)
Property	16,097	16,097	37,101	(21,004)
Other	-	-	100	(100)
Total instruction	<u>18,756,488</u>	<u>18,756,488</u>	<u>18,390,816</u>	<u>365,672</u>
Instructional support				
Payroll	5,272,969	5,272,969	5,301,582	(28,613)
Purchased professional and technical services	555,063	555,063	561,649	(6,586)
Purchased property services	17,795	17,795	8,259	9,536
Other purchased services	60,767	60,767	52,247	8,520
Supplies and materials	58,701	58,701	66,000	(7,299)
Property	16,460	16,460	36,049	(19,589)
Other	351	351	549	(198)
Total instructional support	<u>5,982,106</u>	<u>5,982,106</u>	<u>6,026,335</u>	<u>(44,229)</u>
Operations				
Payroll	3,442,707	3,442,707	3,350,770	91,937
Purchased professional and technical services	257,898	257,898	146,282	111,616
Purchased property services	1,249,893	1,249,893	1,229,073	20,820
Other purchased services	360,542	360,542	346,389	14,153
Supplies and materials	1,022,765	1,022,765	858,797	163,968
Property	14,313	14,313	10,247	4,066
Other	271,214	271,214	715	270,499
Total operations	<u>6,619,332</u>	<u>6,619,332</u>	<u>5,942,273</u>	<u>677,059</u>
Other commitments				
Payroll	146,099	146,099	236,887	(90,788)
Purchased professional and technical services	33,643	33,643	2,497	31,146
Purchased property services	996	996	3,364	(2,368)
Other purchased services	2,319,067	2,319,067	2,155,658	163,409
Supplies and materials	8,337	8,337	121,945	(113,608)
Property	4,310	4,310	60,774	(56,464)
Other	3,455	3,455	1,751	1,704
Total other commitments	<u>2,515,907</u>	<u>2,515,907</u>	<u>2,582,876</u>	<u>(66,969)</u>

(Continued)

The notes to the required supplementary information are an integral part of this schedule.

TOWN OF WESTERLY, RHODE ISLAND

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

School Unrestricted Fund (Continued)

For the Fiscal Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Leadership				
Payroll	2,013,225	2,013,225	1,858,181	155,044
Purchased professional and technical services	86,058	86,058	229,375	(143,317)
Purchased property services	57,409	57,409	50,831	6,578
Other purchased services	47,312	47,312	37,781	9,531
Supplies and materials	4,451	4,451	9,476	(5,025)
Other	25,661	25,661	29,148	(3,487)
Total leadership cost	<u>2,234,116</u>	<u>2,234,116</u>	<u>2,214,792</u>	<u>19,324</u>
Benefits	12,265,683	12,265,683	9,481,946	2,783,737
Total expenditures	<u>48,373,632</u>	<u>48,373,632</u>	<u>44,639,038</u>	<u>3,734,594</u>
Deficiency of revenues under expenditures before other financing sources	<u>(47,093,968)</u>	<u>(47,093,968)</u>	<u>(43,752,032)</u>	<u>3,341,936</u>
Other financing sources				
Transfer from General Fund	47,093,968	47,093,968	46,509,024	(584,944)
Transfers from General Fund property surplus	-	-	200,000	200,000
Total other financing sources	<u>47,093,968</u>	<u>47,093,968</u>	<u>46,709,024</u>	<u>(384,944)</u>
Excess of revenues and other sources over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,956,992</u>	<u>\$ 2,956,992</u>

The notes to the required supplementary information are an integral part of this schedule.

TOWN OF WESTERLY, RHODE ISLAND
Notes to Required Supplementary Information
 June 30, 2010

NOTE 2 - BUDGETARY DATA AND BUDGETARY COMPLIANCE

In accordance with the Town’s Charter, the Town has formally established budgetary accounting control for its General Fund and the School Unrestricted Fund, which is a Special Revenue Fund. It is the responsibility of the Town Manager to submit a proposed General Fund budget to the Town Council and the Board of Finance. The General Fund budget includes the Municipal budget and School Unrestricted Fund budget. The proposed Unrestricted Fund budget is approved by the School Committee and presented to the Town Manager. The Board of Finance has the power to recommend revisions to any School Unrestricted Fund budget item and must conduct one public hearing after a tentative School budget is formed. The Board of Finance must also review the proposed Municipal budget and make revisions as appropriate and hold one public hearing on the Municipal budget. The Town Council may then revise and adopt a recommended General Fund budget including changes to the School Unrestricted Fund transfer. At least two public hearings are conducted on the recommended General Fund budget and the final recommended budget is legally enacted through an ordinance by the Town Council prior to the start of the fiscal year. The General Fund’s annual operating budget and School Unrestricted Fund’s annual operating budget are not in conformity with accounting principles generally accepted in the United States of America. The budget to actual presentation in the financial statements for the General Fund and the School Unrestricted Fund are presented on a budgetary basis. The difference between the budgetary basis and the accounting principles generally accepted in the United States of America basis is explained below.

The Town of Westerly makes use of carry forwards. Every appropriation, except an appropriation for a capital expenditure, lapses at the close of the fiscal year to the extent that it has not been expended or encumbered. An appropriation of a capital expenditure continues in force until the purpose for which it was made has been accomplished or abandoned. The purpose of any such appropriation is deemed abandoned if three years pass without any disbursement from or encumbrance of the appropriation.

Appropriations in addition to those contained in the annual operating budget require Town Council approval. Amendments to the operating budgets that do not result in additional appropriations may be made within a department by means of a transfer. The Town Manager has authority to make such transfers within departments. Transfers made outside the departmental level require Town Council approval. The level at which General Fund expenditures may not legally exceed appropriations is at the department level. The School Unrestricted Fund is not legally responsible for excesses of expenditures over budgeted amounts as long as additional revenues over the estimated revenue amount become available.

The table below shows the amounts by which certain municipal department expenditures exceeded fiscal year 2010 appropriations:

<u>Department</u>	<u>Fund</u>	<u>Expenditures in Excess of Budget</u>
Public works administration	General	\$ 239
Highway and drainage	General	4,583
Street lighting	General	66,942
Town beach operations	General	31,121

TOWN OF WESTERLY, RHODE ISLAND
Notes to Required Supplementary Information
 June 30, 2010

During the fiscal year ended June 30, 2010, the Westerly Public Schools ("WPS") implemented a Uniform Chart of Accounts ("UCOA") as mandated for all Rhode Island school districts by the Rhode Island Department of Elementary and Secondary Education. The UCOA represents a significant revision in the accounting practices of the WPS as to allocation of both revenues and expenditures. As a result, it has severely restricted the ability of the WPS to make valid linear comparisons, for FY 2010, between the sums budgeted and the sums actually received / expended. The variances between budgeted amounts and actual amounts set forth in the Schedule of Revenues, Expenditures, and Changes in Fund Balance frequently reflect this fact.

Explanation of Differences Between Budgetary Revenues and Expenditures and GAAP Revenues and Expenditures

<u>Revenues</u>	<u>General Fund</u>	<u>School Unrestricted Fund</u>
Actual amounts (budgetary basis)	\$73,516,543	\$ 887,006
Differences – budget to GAAP:		
Prior year budgeted surplus is a budgetary revenue, but is not a current year revenue for financial reporting purposes.	(800,000)	-
The pension contributions made to the Employees Retirement System by the State on behalf of the Town of Westerly is not reported as budgetary revenue, but is a current year revenue for financial reporting purposes.	-	1,765,044
<i>Total revenues as reported on the statement of revenues, expenditures and changes in fund balances – governmental funds</i>	<u>\$72,716,543</u>	<u>\$2,652,050</u>
<u><u>Expenditures</u></u>		
Actual amounts (budgetary basis)	\$24,687,839	\$44,639,038
Differences – budget to GAAP:		
Capital assets acquired with capital lease proceeds is not reported as a budgetary expenditure, but is a current year expenditure for financial reporting purposes.	396,970	-
The pension contributions made to the Employees Retirement System by the State on behalf of the Town of Westerly is not reported as a budgetary expenditure, but is a current year expenditure for financial reporting purposes.	-	1,765,044
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year received for financial reporting purposes.	-	(139,351)
<i>Total expenditures as reported in the statement of revenues, expenditures and changes in fund balances – governmental funds</i>	<u>\$25,084,809</u>	<u>\$46,264,731</u>

OTHER SUPPLEMENTARY INFORMATION

TOWN OF WESTERLY, RHODE ISLAND

Combining Balance Sheet

Nonmajor Governmental Funds (Continued)

June 30, 2010

	<i>Special Revenue Funds</i>						
	<i>School Restricted Fund</i>	<i>School Lunch Fund</i>	<i>Animal Shelter Fund</i>	<i>Town Clerks Fund</i>	<i>Civil Defense Fund</i>	<i>Archive Fund</i>	<i>Animal Fund</i>
ASSETS							
Cash	\$ 157,143	\$ 117,799	\$ 24,450	\$ 33,046	\$ 44,534	\$ 350	\$ 2,158
Investments	-	-	-	-	-	-	-
Accounts receivable	-	-	311	-	-	-	-
Due from federal and state governments	1,613,072	39,607	-	-	-	-	-
Total assets	<u>\$ 1,770,215</u>	<u>\$ 157,406</u>	<u>\$ 24,761</u>	<u>\$ 33,046</u>	<u>\$ 44,534</u>	<u>\$ 350</u>	<u>\$ 2,158</u>
LIABILITIES AND FUND BALANCES							
Liabilities							
Cash overdraft	\$ 1,503,786	\$ -	\$ -	\$ -	\$ 1,980	\$ -	\$ -
Accounts payable and accrued expenditures	109,611	156,138	721	-	4,331	-	-
Due to other funds	-	-	-	-	-	-	-
Total liabilities	<u>1,613,397</u>	<u>156,138</u>	<u>721</u>	<u>-</u>	<u>6,311</u>	<u>-</u>	<u>-</u>
Fund balances (deficits)							
Unreserved - undesignated	156,818	1,268	24,040	33,046	38,223	350	2,158
Total fund balances (deficits)	<u>156,818</u>	<u>1,268</u>	<u>24,040</u>	<u>33,046</u>	<u>38,223</u>	<u>350</u>	<u>2,158</u>
Total liabilities and fund balances	<u>\$ 1,770,215</u>	<u>\$ 157,406</u>	<u>\$ 24,761</u>	<u>\$ 33,046</u>	<u>\$ 44,534</u>	<u>\$ 350</u>	<u>\$ 2,158</u>

(Continued)

TOWN OF WESTERLY, RHODE ISLAND

Combining Balance Sheet

Nonmajor Governmental Funds (Continued)

June 30, 2010

Special Revenue Funds

	<i>Revaluation Fund</i>	<i>Riverwalk Greenways Grant</i>	<i>CDBG 2004</i>	<i>CDBG 2005</i>	<i>CDBG 2006</i>	<i>CDBG 2007</i>	<i>CDBG 2008</i>	<i>CDBG 2009</i>
ASSETS								
Cash	\$ 9,394	\$ -	\$ -	\$ -	\$ -	\$ 8,000	\$ 4,393	\$ -
Investments	-	-	-	-	-	-	-	-
Accounts receivable	-	-	-	-	-	-	-	-
Due from federal and state governments	-	-	-	-	9,092	-	-	12,616
Total assets	\$ 9,394	\$ -	\$ -	\$ -	\$ 9,092	\$ 8,000	\$ 4,393	\$ 12,616
LIABILITIES AND FUND BALANCES								
Liabilities								
Cash overdraft	\$ -	\$ 143,853	\$ -	\$ -	\$ 3,092	\$ -	\$ -	\$ 8,616
Accounts payable and accrued expenditures	-	-	-	-	-	8,000	-	3,000
Due to other funds	-	-	-	-	-	-	-	-
Total liabilities	-	143,853	-	-	3,092	8,000	-	11,616
Fund balances (deficits)								
Unreserved - undesignated	9,394	(143,853)	-	-	6,000	-	4,393	1,000
Total fund balances (deficits)	9,394	(143,853)	-	-	6,000	-	4,393	1,000
Total liabilities and fund balances	\$ 9,394	\$ -	\$ -	\$ -	\$ 9,092	\$ 8,000	\$ 4,393	\$ 12,616

(Continued)

TOWN OF WESTERLY, RHODE ISLAND

Combining Balance Sheet

Nonmajor Governmental Funds (Continued)

June 30, 2010

Special Revenue Funds

	<i>Department of Community Development</i>	<i>GIS System</i>	<i>Athletic Fund</i>	<i>Substance Abuse</i>	<i>Donations K-9 Division</i>	<i>Community Based Substance Abuse</i>	<i>Community Police Officer</i>
ASSETS							
Cash	\$ 3,571	\$ 15,000	\$ 40,127	\$ -	\$ 3,061	\$ -	\$ -
Investments	-	-	-	-	-	-	-
Accounts receivable	-	-	-	-	-	-	-
Due from federal and state governments	-	-	-	7,048	-	37,980	-
Total assets	<u>\$ 3,571</u>	<u>\$ 15,000</u>	<u>\$ 40,127</u>	<u>\$ 7,048</u>	<u>\$ 3,061</u>	<u>\$ 37,980</u>	<u>\$ -</u>
 LIABILITIES AND FUND BALANCES							
Liabilities							
Cash overdraft	\$ -	\$ -	\$ -	\$ 2,338	\$ -	\$ 37,980	\$ 22
Accounts payable and accrued expenditures	-	-	-	943	-	-	-
Due to other funds	-	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,281</u>	<u>-</u>	<u>37,980</u>	<u>22</u>
 Fund balances (deficits)							
Unreserved - undesignated	<u>3,571</u>	<u>15,000</u>	<u>40,127</u>	<u>3,767</u>	<u>3,061</u>	<u>-</u>	<u>(22)</u>
Total fund balances (deficits)	<u>3,571</u>	<u>15,000</u>	<u>40,127</u>	<u>3,767</u>	<u>3,061</u>	<u>-</u>	<u>(22)</u>
 Total liabilities and fund balances	<u>\$ 3,571</u>	<u>\$ 15,000</u>	<u>\$ 40,127</u>	<u>\$ 7,048</u>	<u>\$ 3,061</u>	<u>\$ 37,980</u>	<u>\$ -</u>

(Continued)

TOWN OF WESTERLY, RHODE ISLAND

Combining Balance Sheet

Nonmajor Governmental Funds (Continued)

June 30, 2010

Special Revenue Funds

	<i>Mentor & Juvenile Hearing</i>	<i>BYRNE Grant</i>	<i>Federal Forfeiture</i>	<i>Homeland Security Reimbursable</i>	<i>Flood 2010</i>	<i>Juvenile Justice</i>
ASSETS						
Cash	\$ 5,180	\$ 387	\$ -	\$ 1,378	\$ -	\$ -
Investments	-	-	344,294	-	-	-
Accounts receivable	-	-	-	-	-	-
Due from federal and state governments	-	-	342	-	275,479	9,368
Total assets	<u>\$ 5,180</u>	<u>\$ 387</u>	<u>\$ 344,636</u>	<u>\$ 1,378</u>	<u>\$ 275,479</u>	<u>\$ 9,368</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Cash overdraft	\$ -	\$ -	\$ 40,858	\$ -	\$ 128,417	\$ 9,368
Accounts payable and accrued expenditures	-	-	-	-	-	2,809
Due to other funds	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>40,858</u>	<u>-</u>	<u>128,417</u>	<u>12,177</u>
Fund balances (deficits)						
Unreserved - undesignated	5,180	387	303,778	1,378	147,062	(2,809)
Total fund balances (deficits)	<u>5,180</u>	<u>387</u>	<u>303,778</u>	<u>1,378</u>	<u>147,062</u>	<u>(2,809)</u>
Total liabilities and fund balances	<u>\$ 5,180</u>	<u>\$ 387</u>	<u>\$ 344,636</u>	<u>\$ 1,378</u>	<u>\$ 275,479</u>	<u>\$ 9,368</u>

(Continued)

TOWN OF WESTERLY, RHODE ISLAND

Combining Balance Sheet

Nonmajor Governmental Funds (Continued)

June 30, 2010

	<i>Special Revenue Funds</i>						
	<i>Energy Efficiency Grant</i>	<i>Drink Drive & Lose</i>	<i>Seatbelt Grants</i>	<i>Underage Drinking</i>	<i>GOHS DWI Grant</i>	<i>Bulletproof Vest Grant</i>	<i>Total Special Revenue Funds</i>
ASSETS							
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 469,971
Investments	-	-	-	-	-	-	344,294
Accounts receivable	-	-	-	-	-	-	311
Due from federal and state governments	16,571	2,533	1,455	-	-	-	2,025,163
Total assets	\$ 16,571	\$ 2,533	\$ 1,455	\$ -	\$ -	\$ -	\$ 2,839,739
 LIABILITIES AND FUND BALANCES							
Liabilities							
Cash overdraft	\$ 39,371	\$ 2,960	\$ 1,442	\$ 157	\$ 280	\$ -	1,924,520
Accounts payable and accrued expenditures	-	-	-	-	-	-	285,553
Due to other funds	-	-	-	-	-	-	-
Total liabilities	39,371	2,960	1,442	157	280	-	2,210,073
Fund balances (deficits)							
Unreserved - undesignated	(22,800)	(427)	13	(157)	(280)	-	629,666
Total fund balances (deficits)	(22,800)	(427)	13	(157)	(280)	-	629,666
Total liabilities and fund balances	\$ 16,571	\$ 2,533	\$ 1,455	\$ -	\$ -	\$ -	\$ 2,839,739

(Continued)

TOWN OF WESTERLY, RHODE ISLAND

Combining Balance Sheet

Nonmajor Governmental Funds (Continued)

June 30, 2010

Capital Project Funds

	<i>Land Acquisition Fund</i>	<i>School Bond Fund</i>	<i>Public Works Garage</i>	<i>Police Station Fund</i>	<i>Roads and Sidewalks</i>	<i>Total Capital Project Funds</i>	<i>Total All Nonmajor Governmental Funds</i>
ASSETS							
Cash	\$ 34,402	\$ -	\$ 279,715	\$ 492,169	\$ 1,768,130	\$ 2,574,416	\$ 3,044,387
Investments	-	-	-	-	-	-	344,294
Accounts receivable	-	-	-	-	-	-	311
Due from federal and state governments	-	2,312,462	-	-	-	2,312,462	4,337,625
Total assets	<u>\$ 34,402</u>	<u>\$ 2,312,462</u>	<u>\$ 279,715</u>	<u>\$ 492,169</u>	<u>\$ 1,768,130</u>	<u>\$ 4,886,878</u>	<u>\$ 7,726,617</u>
 LIABILITIES AND FUND BALANCES							
Liabilities							
Cash overdraft	-	-	-	-	-	-	1,924,520
Accounts payable and accrued expenditures	-	309,818	-	-	57,626	367,444	652,997
Due to other funds	-	10,867	-	-	-	10,867	10,867
Total liabilities	<u>-</u>	<u>320,685</u>	<u>-</u>	<u>-</u>	<u>57,626</u>	<u>378,311</u>	<u>2,588,384</u>
Fund balances (deficits)							
Unreserved - undesignated	34,402	1,991,777	279,715	492,169	1,710,504	4,508,567	5,138,233
Total fund balances (deficits)	<u>34,402</u>	<u>1,991,777</u>	<u>279,715</u>	<u>492,169</u>	<u>1,710,504</u>	<u>4,508,567</u>	<u>5,138,233</u>
Total liabilities and fund balances	<u>\$ 34,402</u>	<u>\$ 2,312,462</u>	<u>\$ 279,715</u>	<u>\$ 492,169</u>	<u>\$ 1,768,130</u>	<u>\$ 4,886,878</u>	<u>\$ 7,726,617</u>

TOWN OF WESTERLY, RHODE ISLAND

*Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2010*

	<i>Special Revenue Funds</i>						
	<i>School Restricted Fund</i>	<i>School Lunch Fund</i>	<i>Animal Shelter Fund</i>	<i>Town Clerks Fund</i>	<i>Civil Defense Fund</i>	<i>Archive Fund</i>	<i>Animal Fund</i>
Revenues							
State and federal aid and grants	\$ 4,046,247	\$ 478,422	\$ -	\$ -	\$ 40,104	\$ -	\$ -
Charges for services	-	408,472	4,239	30,535	-	-	-
Investment and interest income	-	-	3	8	11	6	1
Contributions and private grants	45,626	-	20,494	-	-	-	-
Other revenue	-	-	-	5,741	-	-	-
Total revenues	<u>4,091,873</u>	<u>886,894</u>	<u>24,736</u>	<u>36,284</u>	<u>40,115</u>	<u>6</u>	<u>1</u>
Expenditures							
Current:							
Legislative, financial, judicial and general administrative	-	-	-	29,344	-	-	-
Public works	-	-	-	-	-	-	-
Public safety	-	-	9,018	-	19,975	-	8,128
Health and welfare	-	-	-	-	-	-	-
Education	4,098,461	885,626	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Total expenditures	<u>4,098,461</u>	<u>885,626</u>	<u>9,018</u>	<u>29,344</u>	<u>19,975</u>	<u>-</u>	<u>8,128</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	<u>(6,588)</u>	<u>1,268</u>	<u>15,718</u>	<u>6,940</u>	<u>20,140</u>	<u>6</u>	<u>(8,127)</u>
Other financing sources (uses)							
Bond proceeds	-	-	-	-	-	-	-
Transfers from other funds	-	-	-	-	-	-	-
Transfers to other funds	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>(6,588)</u>	<u>1,268</u>	<u>15,718</u>	<u>6,940</u>	<u>20,140</u>	<u>6</u>	<u>(8,127)</u>
Fund balances (deficits) beginning of year	<u>163,406</u>	<u>-</u>	<u>8,322</u>	<u>26,106</u>	<u>18,083</u>	<u>344</u>	<u>10,285</u>
Fund balances (deficits) end of year	<u>\$ 156,818</u>	<u>\$ 1,268</u>	<u>\$ 24,040</u>	<u>\$ 33,046</u>	<u>\$ 38,223</u>	<u>\$ 350</u>	<u>\$ 2,158</u>

(Continued)

TOWN OF WESTERLY, RHODE ISLAND
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds (Continued)
For the Fiscal Year Ended June 30, 2010

	<i>Special Revenue Funds</i>							
	<i>Revaluation Fund</i>	<i>Riverwalk Greenways Grant</i>	<i>CDBG 2004</i>	<i>CDBG 2005</i>	<i>CDBG 2006</i>	<i>CDBG 2007</i>	<i>CDBG 2008</i>	<i>CDBG 2009</i>
Revenues								
State and federal aid and grants	\$ -	\$ -	\$ -	\$ -	\$ 14,172	\$ -	\$ 38,600	\$ 112,116
Charges for services	-	-	-	-	-	-	-	-
Investment and interest income	3	-	-	-	-	-	-	-
Contributions and private grants	-	-	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-	-	-
Total revenues	<u>3</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,172</u>	<u>-</u>	<u>38,600</u>	<u>112,116</u>
Expenditures								
Current:								
Legislative, financial, judicial and general administrative	-	143,853	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Health and welfare	-	-	19,650	16,140	24,352	8,000	39,207	111,116
Education	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>143,853</u>	<u>19,650</u>	<u>16,140</u>	<u>24,352</u>	<u>8,000</u>	<u>39,207</u>	<u>111,116</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	<u>3</u>	<u>(143,853)</u>	<u>(19,650)</u>	<u>(16,140)</u>	<u>(10,180)</u>	<u>(8,000)</u>	<u>(607)</u>	<u>1,000</u>
Other financing sources (uses)								
Bond proceeds	-	-	-	-	-	-	-	-
Transfers from other funds	-	-	19,650	-	-	-	-	-
Transfers to other funds	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>19,650</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>3</u>	<u>(143,853)</u>	<u>-</u>	<u>(16,140)</u>	<u>(10,180)</u>	<u>(8,000)</u>	<u>(607)</u>	<u>1,000</u>
Fund balances (deficits) beginning of year	<u>9,391</u>	<u>-</u>	<u>-</u>	<u>16,140</u>	<u>16,180</u>	<u>8,000</u>	<u>5,000</u>	<u>-</u>
Fund balances (deficits) end of year	<u>\$ 9,394</u>	<u>\$ (143,853)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,000</u>	<u>\$ -</u>	<u>\$ 4,393</u>	<u>\$ 1,000</u>

(Continued)

TOWN OF WESTERLY, RHODE ISLAND

*Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds (Continued)
For the Fiscal Year Ended June 30, 2010*

	Special Revenue Funds						
	<i>Department of Community Development</i>	<i>GIS System</i>	<i>Athletic Fund</i>	<i>Substance Abuse</i>	<i>Donations K-9 Division</i>	<i>Community Based Substance Abuse</i>	<i>Community Police Officer</i>
Revenues							
State and federal aid and grants	\$ -	\$ -	\$ -	\$ 30,191	\$ -	\$ 252,681	\$ -
Charges for services	-	-	9,493	-	-	-	-
Investment and interest income	4	-	-	-	-	-	-
Contributions and private grants	-	-	-	1,388	-	-	1,000
Other revenue	-	-	-	-	-	-	-
Total revenues	<u>4</u>	<u>-</u>	<u>9,493</u>	<u>31,579</u>	<u>-</u>	<u>252,681</u>	<u>1,000</u>
Expenditures							
Current:							
Legislative, financial, judicial and general administrative	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	981
Health and welfare	-	-	-	31,345	-	242,468	-
Education	-	-	9,722	-	-	-	-
Debt service	-	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>9,722</u>	<u>31,345</u>	<u>-</u>	<u>242,468</u>	<u>981</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	<u>4</u>	<u>-</u>	<u>(229)</u>	<u>234</u>	<u>-</u>	<u>10,213</u>	<u>19</u>
Other financing sources (uses)							
Bond proceeds	-	-	-	-	-	-	-
Transfers from other funds	-	-	-	1,185	-	-	-
Transfers to other funds	-	-	-	-	-	(1,185)	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,185</u>	<u>-</u>	<u>(1,185)</u>	<u>-</u>
Net change in fund balance	<u>4</u>	<u>-</u>	<u>(229)</u>	<u>1,419</u>	<u>-</u>	<u>9,028</u>	<u>19</u>
Fund balances (deficits) beginning of year	<u>3,567</u>	<u>15,000</u>	<u>40,356</u>	<u>2,348</u>	<u>3,061</u>	<u>(9,028)</u>	<u>(41)</u>
Fund balances (deficits) end of year	<u>\$ 3,571</u>	<u>\$ 15,000</u>	<u>\$ 40,127</u>	<u>\$ 3,767</u>	<u>\$ 3,061</u>	<u>\$ -</u>	<u>\$ (22)</u>

(Continued)

TOWN OF WESTERLY, RHODE ISLAND
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds (Continued)
For the Fiscal Year Ended June 30, 2010

	Special Revenue Funds					
	<i>Mentor & Juvenile Hearing</i>	<i>BYRNE Grant</i>	<i>Federal Forfeiture</i>	<i>Homeland Security Reimbursable</i>	<i>Flood 2010</i>	<i>Juvenile Justice</i>
Revenues						
State and federal aid and grants	\$ -	\$ 74,060	\$ 1,727	\$ -	\$ 275,479	\$ 96,122
Charges for services	-	-	-	-	-	-
Investment and interest income	-	-	859	-	-	-
Contributions and private grants	1,376	-	-	-	-	-
Other revenue	-	-	-	-	-	-
Total revenues	<u>1,376</u>	<u>74,060</u>	<u>2,586</u>	<u>-</u>	<u>275,479</u>	<u>96,122</u>
Expenditures						
Current:						
Legislative, financial, judicial and general administrative	-	-	-	-	-	-
Public works	-	-	-	-	128,417	-
Public safety	-	74,339	32,808	-	-	98,931
Health and welfare	200	-	-	-	-	-
Education	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Total expenditures	<u>200</u>	<u>74,339</u>	<u>32,808</u>	<u>-</u>	<u>128,417</u>	<u>98,931</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	<u>1,176</u>	<u>(279)</u>	<u>(30,222)</u>	<u>-</u>	<u>147,062</u>	<u>(2,809)</u>
Other financing sources (uses)						
Bond proceeds	-	-	-	-	-	-
Transfers from other funds	-	-	-	-	-	-
Transfers to other funds	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	1,176	(279)	(30,222)	-	147,062	(2,809)
Fund balances (deficits) beginning of year	<u>4,004</u>	<u>666</u>	<u>334,000</u>	<u>1,378</u>	<u>-</u>	<u>-</u>
Fund balances (deficits) end of year	<u>\$ 5,180</u>	<u>\$ 387</u>	<u>\$ 303,778</u>	<u>\$ 1,378</u>	<u>\$ 147,062</u>	<u>\$ (2,809)</u>

(Continued)

TOWN OF WESTERLY, RHODE ISLAND
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds (Continued)
For the Fiscal Year Ended June 30, 2010

	<u>Special Revenue Funds</u>						<i>Total Special Revenue Funds</i>
	<i>Energy Efficiency Grant</i>	<i>Drink Drive & Lose</i>	<i>Seatbelt Grants</i>	<i>Underage Drinking</i>	<i>GOHS DWI Grant</i>	<i>Bulletproof Vest Grant</i>	
Revenues							
State and federal aid and grants	\$ 16,571	\$ 5,410	\$ 1,455	\$ -	\$ 9,106	\$ 11,755	\$ 5,504,218
Charges for services	-	-	-	-	-	-	452,739
Investment and interest income	-	-	-	-	-	-	895
Contributions and private grants	-	-	-	-	-	-	69,884
Other revenue	-	-	-	-	-	-	5,741
Total revenues	<u>16,571</u>	<u>5,410</u>	<u>1,455</u>	<u>-</u>	<u>9,106</u>	<u>11,755</u>	<u>6,033,477</u>
Expenditures							
Current:							
Legislative, financial, judicial and general administrative	39,371	-	-	-	-	-	212,568
Public works	-	-	-	-	-	-	128,417
Public safety	-	4,469	1,455	-	9,386	11,755	271,245
Health and welfare	-	-	-	-	-	-	492,478
Education	-	-	-	-	-	-	4,993,809
Debt service	-	-	-	-	-	-	-
Total expenditures	<u>39,371</u>	<u>4,469</u>	<u>1,455</u>	<u>-</u>	<u>9,386</u>	<u>11,755</u>	<u>6,098,517</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	<u>(22,800)</u>	<u>941</u>	<u>-</u>	<u>-</u>	<u>(280)</u>	<u>-</u>	<u>(65,040)</u>
Other financing sources (uses)							
Bond proceeds	-	-	-	-	-	-	-
Transfers from other funds	-	-	-	-	-	-	20,835
Transfers to other funds	-	-	-	-	-	-	(1,185)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,650</u>
Net change in fund balance	(22,800)	941	-	-	(280)	-	(45,390)
Fund balances (deficits) beginning of year	<u>-</u>	<u>(1,368)</u>	<u>13</u>	<u>(157)</u>	<u>-</u>	<u>-</u>	<u>675,056</u>
Fund balances (deficits) end of year	<u>\$ (22,800)</u>	<u>\$ (427)</u>	<u>\$ 13</u>	<u>\$ (157)</u>	<u>\$ (280)</u>	<u>\$ -</u>	<u>\$ 629,666</u>

(Continued)

TOWN OF WESTERLY, RHODE ISLAND

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
 Nonmajor Governmental Funds (Continued)
 For the Fiscal Year Ended June 30, 2010

	<u>Capital Project Funds</u>						
	<u>Land Acquisition Fund</u>	<u>School Bond Fund</u>	<u>Public Works Garage</u>	<u>Police Station Fund</u>	<u>Roads and Sidewalks</u>	<u>Total Capital Project Funds</u>	<u>Total All Nonmajor Governmental Funds</u>
Revenues							
State and federal aid and grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,504,218
Charges for services	-	-	-	-	-	-	452,739
Investment and interest income	-	-	836	50	10,633	11,519	12,414
Contributions and private grants	-	-	-	-	-	-	69,884
Other revenue	-	-	-	-	-	-	5,741
Total revenues	<u>-</u>	<u>-</u>	<u>836</u>	<u>50</u>	<u>10,633</u>	<u>11,519</u>	<u>6,044,996</u>
Expenditures							
Current:							
Legislative, financial, judicial and general administrative	137,797	-	-	-	-	137,797	350,365
Public works	-	-	115,048	-	324,012	439,060	567,477
Public safety	-	-	-	-	-	-	271,245
Health and welfare	-	-	-	-	-	-	492,478
Education	-	1,785,861	-	-	-	1,785,861	6,779,670
Debt service	-	77,100	-	-	-	77,100	77,100
Total expenditures	<u>137,797</u>	<u>1,862,961</u>	<u>115,048</u>	<u>-</u>	<u>324,012</u>	<u>2,439,818</u>	<u>8,538,335</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	<u>(137,797)</u>	<u>(1,862,961)</u>	<u>(114,212)</u>	<u>50</u>	<u>(313,379)</u>	<u>(2,428,299)</u>	<u>(2,493,339)</u>
Other financing sources (uses)							
Bond proceeds	-	3,855,000	-	-	-	3,855,000	3,855,000
Transfers from other funds	-	-	-	-	-	-	20,835
Transfers to other funds	-	-	-	-	-	-	(1,185)
Total other financing sources (uses)	<u>-</u>	<u>3,855,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,855,000</u>	<u>3,874,650</u>
Net change in fund balance	<u>(137,797)</u>	<u>1,992,039</u>	<u>(114,212)</u>	<u>50</u>	<u>(313,379)</u>	<u>1,426,701</u>	<u>1,381,311</u>
Fund balances (deficits) beginning of year	<u>172,199</u>	<u>(262)</u>	<u>393,927</u>	<u>492,119</u>	<u>2,023,883</u>	<u>3,081,866</u>	<u>3,756,922</u>
Fund balances (deficits) end of year	<u>\$ 34,402</u>	<u>\$ 1,991,777</u>	<u>\$ 279,715</u>	<u>\$ 492,169</u>	<u>\$ 1,710,504</u>	<u>\$ 4,508,567</u>	<u>\$ 5,138,233</u>

TOWN OF WESTERLY, RHODE ISLAND
Combining Balance Sheet
Special Revenue Funds - School Restricted Fund
June 30, 2010

	<i>Title I</i>	<i>Title II</i>	<i>Title III</i>	<i>Title IV</i>	<i>IDEA Part B</i>	<i>Section 619 Preschool</i>
ASSETS						
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from federal and state governments	263,824	144,781	6,233	9,803	458,283	15,846
Total assets	\$ 263,824	\$ 144,781	\$ 6,233	\$ 9,803	\$ 458,283	\$ 15,846
 LIABILITIES AND FUND BALANCES						
<i>Liabilities</i>						
Cash overdraft	\$ 263,614	\$ 144,781	\$ 6,233	\$ 9,803	\$ 458,147	\$ 15,846
Accounts payable and accrued expenditures	210	-	-	-	-	-
Total liabilities	263,824	144,781	6,233	9,803	458,147	15,846
Fund balances	-	-	-	-	136	-
Total liabilities and fund balances	\$ 263,824	\$ 144,781	\$ 6,233	\$ 9,803	\$ 458,283	\$ 15,846

(Continued)

TOWN OF WESTERLY, RHODE ISLAND
Combining Balance Sheet
Special Revenue Funds - School Restricted Fund (Continued)
June 30, 2010

	<i>ARRA IDEA Part B</i>	<i>ARRA Title I</i>	<i>ARRA Preschool</i>	<i>Volunteers</i>	<i>Child Opportunity Zone</i>	<i>Even Start</i>	<i>Literacy Set Aside</i>
ASSETS							
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 32,209
Due from federal and state governments	293,949	80,552	4,235	925	23,000	41,734	-
Total assets	\$ 293,949	\$ 80,552	\$ 4,235	\$ 925	\$ 23,000	\$ 41,734	\$ 32,209
 LIABILITIES AND FUND BALANCES							
<i>Liabilities</i>							
Cash overdraft	\$ 198,401	\$ 79,690	\$ 3,650	\$ 758	\$ 21,317	\$ 41,386	\$ -
Accounts payable and accrued expenditures	95,548	862	585	167	-	348	-
Total liabilities	293,949	80,552	4,235	925	21,317	41,734	-
Fund balances	-	-	-	-	1,683	-	32,209
Total liabilities and fund balances	\$ 293,949	\$ 80,552	\$ 4,235	\$ 925	\$ 23,000	\$ 41,734	\$ 32,209

(Continued)

TOWN OF WESTERLY, RHODE ISLAND
Combining Balance Sheet
Special Revenue Funds - School Restricted Fund (Continued)
June 30, 2010

	<i>Vocational Education</i>	<i>Early Childhood</i>	<i>Full Day Kindergarten</i>	<i>Student Equity</i>	<i>Charter School</i>	<i>Language Assistance</i>
ASSETS						
Cash	\$ -	\$ -	\$ 13,385	\$ 18,180	\$ -	\$ 5,862
Due from federal and state governments	-	-	-	-	-	-
Total assets	\$ -	\$ -	\$ 13,385	\$ 18,180	\$ -	\$ 5,862
 LIABILITIES AND FUND BALANCES						
Liabilities						
Cash overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable and accrued expenditures	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-
Fund balances	-	-	13,385	18,180	-	5,862
Total liabilities and fund balances	\$ -	\$ -	\$ 13,385	\$ 18,180	\$ -	\$ 5,862

(Continued)

TOWN OF WESTERLY, RHODE ISLAND
Combining Balance Sheet
Special Revenue Funds - School Restricted Fund (Continued)
June 30, 2010

	<u>Technology</u>	<u>Federal Stabilization</u>	<u>Algebra I Test</u>	<u>UCOA</u>	<u>Donations</u>	<u>United Way</u>
ASSETS						
Cash	\$ 7,664	\$ -	\$ -	\$ 1,030	\$ 21,366	\$ 5,629
Due from federal and state governments	-	260,160	9,747	-	-	-
Total assets	<u>\$ 7,664</u>	<u>\$ 260,160</u>	<u>\$ 9,747</u>	<u>\$ 1,030</u>	<u>\$ 21,366</u>	<u>\$ 5,629</u>
 LIABILITIES AND FUND BALANCES						
Liabilities						
Cash overdraft	\$ -	\$ 260,160	\$ -	\$ -	\$ -	\$ -
Accounts payable and accrued expenditures	-	-	9,747	-	1,121	375
Total liabilities	<u>-</u>	<u>260,160</u>	<u>9,747</u>	<u>-</u>	<u>1,121</u>	<u>375</u>
Fund balances	<u>7,664</u>	<u>-</u>	<u>-</u>	<u>1,030</u>	<u>20,245</u>	<u>5,254</u>
Total liabilities and fund balances	<u>\$ 7,664</u>	<u>\$ 260,160</u>	<u>\$ 9,747</u>	<u>\$ 1,030</u>	<u>\$ 21,366</u>	<u>\$ 5,629</u>

(Continued)

TOWN OF WESTERLY, RHODE ISLAND
Combining Balance Sheet
Special Revenue Funds - School Restricted Fund (Continued)
June 30, 2010

	<u>RI Foundation</u>	<u>Perkins Vocational Education</u>	<u>Community Crusade for Children</u>	<u>Wal-Mart</u>	<u>RIPIN PERC Funds</u>	<u>DOH Mini Grants</u>
ASSETS						
Cash	\$ 17,169	\$ 1,951	\$ 1,314	\$ 294	\$ 4,623	\$ 625
Due from federal and state governments	-	-	-	-	-	-
Total assets	<u>\$ 17,169</u>	<u>\$ 1,951</u>	<u>\$ 1,314</u>	<u>\$ 294</u>	<u>\$ 4,623</u>	<u>\$ 625</u>
 LIABILITIES AND FUND BALANCES						
Liabilities						
Cash overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable and accrued expenditures	-	-	-	-	-	625
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>625</u>
Fund balances	<u>17,169</u>	<u>1,951</u>	<u>1,314</u>	<u>294</u>	<u>4,623</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 17,169</u>	<u>\$ 1,951</u>	<u>\$ 1,314</u>	<u>\$ 294</u>	<u>\$ 4,623</u>	<u>\$ 625</u>

(Continued)

TOWN OF WESTERLY, RHODE ISLAND
Combining Balance Sheet
Special Revenue Funds - School Restricted Fund (Continued)
June 30, 2010

	<u>WISSP Center</u>	<u>Citigroup Foundation</u>	<u>NEA Foundation</u>	<u>RICAPP</u>	<u>Pfizer Grant</u>	<u>E2T2</u>	<u>Total</u>
ASSETS							
Cash	\$ 25,134	\$ 255	\$ 184	\$ 269	\$ -	\$ -	\$ 157,143
Due from federal and state governments	-	-	-	-	-	-	1,613,072
Total assets	<u>\$ 25,134</u>	<u>\$ 255</u>	<u>\$ 184</u>	<u>\$ 269</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,770,215</u>
 LIABILITIES AND FUND BALANCES							
Liabilities							
Cash overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	1,503,786
Accounts payable and accrued expenditures	23	-	-	-	-	-	109,611
Total liabilities	<u>23</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,613,397</u>
Fund balances	<u>25,111</u>	<u>255</u>	<u>184</u>	<u>269</u>	<u>-</u>	<u>-</u>	<u>156,818</u>
Total liabilities and fund balances	<u>\$ 25,134</u>	<u>\$ 255</u>	<u>\$ 184</u>	<u>\$ 269</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,770,215</u>

TOWN OF WESTERLY, RHODE ISLAND
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Special Revenue Funds - School Restricted Fund
For the Fiscal Year Ended June 30, 2010

	<u>Title I</u>	<u>Title II</u>	<u>Title III</u>	<u>Title IV</u>	<u>IDEA Part B</u>	<u>Section 619 Preschool</u>
Revenues						
Federal and state aid and grants	\$ 399,841	\$ 208,501	\$ 16,001	\$ 14,585	\$ 752,936	\$ 22,080
Contributions and private grants	-	-	-	-	-	-
Total revenues	<u>399,841</u>	<u>208,501</u>	<u>16,001</u>	<u>14,585</u>	<u>752,936</u>	<u>22,080</u>
Expenditures						
Education	<u>399,841</u>	<u>208,501</u>	<u>16,001</u>	<u>14,585</u>	<u>752,936</u>	<u>22,080</u>
Total expenditures	<u>399,841</u>	<u>208,501</u>	<u>16,001</u>	<u>14,585</u>	<u>752,936</u>	<u>22,080</u>
Net change in fund balance	-	-	-	-	-	-
Fund balances beginning of year	-	-	-	-	136	-
Fund balances end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 136</u>	<u>\$ -</u>

(Continued)

TOWN OF WESTERLY, RHODE ISLAND
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Special Revenue Funds - School Restricted Fund (Continued)
For the Fiscal Year Ended June 30, 2010

	<u>ARRA IDEA Part B</u>	<u>ARRA Title I</u>	<u>ARRA Preschool</u>	<u>Volunteers</u>	<u>Child Opportunity Zone</u>	<u>Even Start</u>	<u>Literacy Set Aside</u>
Revenues							
Federal and state aid and grants	\$ 350,736	\$ 125,887	\$ 6,696	\$ 925	\$ 23,000	\$ 76,695	\$ 136,433
Contributions and private grants	-	-	-	-	-	-	-
Total revenues	<u>350,736</u>	<u>125,887</u>	<u>6,696</u>	<u>925</u>	<u>23,000</u>	<u>76,695</u>	<u>136,433</u>
Expenditures							
Education	<u>350,736</u>	<u>125,887</u>	<u>6,696</u>	<u>925</u>	<u>22,176</u>	<u>76,695</u>	<u>122,206</u>
Total expenditures	<u>350,736</u>	<u>125,887</u>	<u>6,696</u>	<u>925</u>	<u>22,176</u>	<u>76,695</u>	<u>122,206</u>
Net change in fund balance	-	-	-	-	824	-	14,227
Fund balances beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>859</u>	<u>-</u>	<u>17,982</u>
Fund balances end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,683</u>	<u>\$ -</u>	<u>\$ 32,209</u>

(Continued)

TOWN OF WESTERLY, RHODE ISLAND
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Special Revenue Funds - School Restricted Fund (Continued)
For the Fiscal Year Ended June 30, 2010

	<u>Vocational Education</u>	<u>Early Childhood</u>	<u>Full Day Kindergarten</u>	<u>Student Equity</u>	<u>Charter School</u>	<u>Language Assistance</u>
Revenues						
Federal and state aid and grants	\$ 18,000	\$ 175,645	\$ 109,000	\$ 1,036,262	\$ 2,810	\$ 102,455
Contributions and private grants	-	-	-	-	-	-
Total revenues	<u>18,000</u>	<u>175,645</u>	<u>109,000</u>	<u>1,036,262</u>	<u>2,810</u>	<u>102,455</u>
Expenditures						
Education	<u>18,000</u>	<u>175,645</u>	<u>95,615</u>	<u>1,056,046</u>	<u>2,810</u>	<u>96,593</u>
Total expenditures	<u>18,000</u>	<u>175,645</u>	<u>95,615</u>	<u>1,056,046</u>	<u>2,810</u>	<u>96,593</u>
Net change in fund balance	-	-	13,385	(19,784)	-	5,862
Fund balances beginning of year	-	-	-	37,964	-	-
Fund balances end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,385</u>	<u>\$ 18,180</u>	<u>\$ -</u>	<u>\$ 5,862</u>

(Continued)

TOWN OF WESTERLY, RHODE ISLAND
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Special Revenue Funds - School Restricted Fund (Continued)
For the Fiscal Year Ended June 30, 2010

	<u>Technology</u>	<u>Federal Stabilization</u>	<u>Algebra I Test</u>	<u>UCOA</u>	<u>Donations</u>	<u>United Way</u>
Revenues						
Federal and state aid and grants	\$ 84,538	\$ 332,007	\$ 9,747	\$ -	\$ -	\$ -
Contributions and private grants	-	-	-	-	12,755	11,500
Total revenues	<u>84,538</u>	<u>332,007</u>	<u>9,747</u>	<u>-</u>	<u>12,755</u>	<u>11,500</u>
Expenditures						
Education	<u>97,492</u>	<u>332,007</u>	<u>9,747</u>	<u>7,750</u>	<u>10,338</u>	<u>6,246</u>
Total expenditures	<u>97,492</u>	<u>332,007</u>	<u>9,747</u>	<u>7,750</u>	<u>10,338</u>	<u>6,246</u>
Net change in fund balance	(12,954)	-	-	(7,750)	2,417	5,254
Fund balances beginning of year	<u>20,618</u>	<u>-</u>	<u>-</u>	<u>8,780</u>	<u>17,828</u>	<u>-</u>
Fund balances end of year	<u>\$ 7,664</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,030</u>	<u>\$ 20,245</u>	<u>\$ 5,254</u>

(Continued)

TOWN OF WESTERLY, RHODE ISLAND
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Special Revenue Funds - School Restricted Fund (Continued)
For the Fiscal Year Ended June 30, 2010

	<u>RI Foundation</u>	<u>Perkins Vocational Education</u>	<u>Community Crusade for Children</u>	<u>Wal-Mart</u>	<u>RIPIN PERC Funds</u>	<u>DOH Mini Grants</u>
Revenues						
Federal and state aid and grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,900
Contributions and private grants	15,713	-	194	-	4,331	-
Total revenues	<u>15,713</u>	<u>-</u>	<u>194</u>	<u>-</u>	<u>4,331</u>	<u>4,900</u>
Expenditures						
Education	17,162	-	707	-	1,505	4,900
Total expenditures	<u>17,162</u>	<u>-</u>	<u>707</u>	<u>-</u>	<u>1,505</u>	<u>4,900</u>
Net change in fund balance	(1,449)	-	(513)	-	2,826	-
Fund balances beginning of year	<u>18,618</u>	<u>1,951</u>	<u>1,827</u>	<u>294</u>	<u>1,797</u>	<u>-</u>
Fund balances end of year	<u>\$ 17,169</u>	<u>\$ 1,951</u>	<u>\$ 1,314</u>	<u>\$ 294</u>	<u>\$ 4,623</u>	<u>\$ -</u>

(Continued)

TOWN OF WESTERLY, RHODE ISLAND
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Special Revenue Funds - School Restricted Fund (Continued)
For the Fiscal Year Ended June 30, 2010

	<u>WISSP Center</u>	<u>Citigroup Foundation</u>	<u>NEA Foundation</u>	<u>RICAPP</u>	<u>Pfizer Grant</u>	<u>E2T2</u>	<u>Total</u>
Revenues							
Federal and state aid and grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 36,567	\$ 4,046,247
Contributions and private grants	246	-	-	787	100	-	45,626
Total revenues	<u>246</u>	<u>-</u>	<u>-</u>	<u>787</u>	<u>100</u>	<u>36,567</u>	<u>4,091,873</u>
Expenditures							
Education	9,505	-	-	518	43	36,567	4,098,461
Total expenditures	<u>9,505</u>	<u>-</u>	<u>-</u>	<u>518</u>	<u>43</u>	<u>36,567</u>	<u>4,098,461</u>
Net change in fund balance	(9,259)	-	-	269	57	-	(6,588)
Fund balances beginning of year	<u>34,370</u>	<u>255</u>	<u>184</u>	<u>-</u>	<u>(57)</u>	<u>-</u>	<u>163,406</u>
Fund balances end of year	<u>\$ 25,111</u>	<u>\$ 255</u>	<u>\$ 184</u>	<u>\$ 269</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 156,818</u>

TOWN OF WESTERLY, RHODE ISLAND

Combining Statement of Net Assets

Internal Service Funds

June 30, 2010

	<i>Health Fund</i>	<i>Self Insurance Fund</i>	<i>Total</i>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 787,252	\$ 118,121	\$ 905,373
Due from other funds	306,669	-	306,669
Total current assets	<u>1,093,921</u>	<u>118,121</u>	<u>1,212,042</u>
Noncurrent assets			
Other assets	177,275	-	177,275
Total noncurrent assets	<u>177,275</u>	<u>-</u>	<u>177,275</u>
Total assets	<u>1,271,196</u>	<u>118,121</u>	<u>1,389,317</u>
LIABILITIES			
Current liabilities:			
Accounts payable	-	2,875	2,875
Claims payable	739,289	-	739,289
Due to other funds	354,797	-	354,797
Total current liabilities	<u>1,094,086</u>	<u>2,875</u>	<u>1,096,961</u>
NET ASSETS			
Unrestricted	177,110	115,246	292,356
Total net assets	<u>\$ 177,110</u>	<u>\$ 115,246</u>	<u>\$ 292,356</u>

TOWN OF WESTERLY, RHODE ISLAND
Combining Statement of Revenues, Expenses and Changes in Net Assets
Internal Service Funds
For the Fiscal Year Ended June 30, 2010

	<u>Health Fund</u>	<u>Self Insurance Fund</u>	<u>Total</u>
Operating revenues			
Charges for insurance	\$ 8,156,652	\$ -	\$ 8,156,652
Other	-	39,333	39,333
Total operating revenues	<u>8,156,652</u>	<u>39,333</u>	<u>8,195,985</u>
Operating expenses			
Claims	8,331,063	43,530	8,374,593
Other	133,589	16,076	149,665
Total operating expenses	<u>8,464,652</u>	<u>59,606</u>	<u>8,524,258</u>
Operating income (loss)	<u>(308,000)</u>	<u>(20,273)</u>	<u>(328,273)</u>
Nonoperating revenues			
Interest income	-	35	35
Total nonoperating revenues	<u>-</u>	<u>35</u>	<u>35</u>
Income (loss) before transfers	(308,000)	(20,238)	(328,238)
Transfers in	<u>0</u>	<u>60,000</u>	<u>60,000</u>
Change in net assets	(308,000)	39,762	(268,238)
Net assets - beginning of year	<u>485,110</u>	<u>75,484</u>	<u>560,594</u>
Net assets - end of year	<u>\$ 177,110</u>	<u>\$ 115,246</u>	<u>\$ 292,356</u>

TOWN OF WESTERLY, RHODE ISLAND

Combining Statement of Cash Flows

Internal Service Funds

For the Fiscal Year Ended June 30, 2010

	<i>Health Fund</i>	<i>Self Insurance Fund</i>	<i>Total</i>
<i>Cash flows from operating activities</i>			
Cash received from insurance charges	\$ 8,868,077	\$ -	\$ 8,868,077
Claims payments	(8,426,747)	(103,981)	(8,530,728)
Cash payments to suppliers for goods and services	(133,589)	-	(133,589)
Other operating cash receipts	308,000	39,333	347,333
Other operating cash disbursements	-	(16,076)	(16,076)
<i>Net cash provided by (used) for operating activities</i>	<u>615,741</u>	<u>(80,724)</u>	<u>535,017</u>
<i>Cash flows from non-capital financing activities</i>			
Transfers from other funds	-	60,000	60,000
<i>Net cash provided by non-capital related financing activities</i>	<u>-</u>	<u>60,000</u>	<u>60,000</u>
<i>Cash flows from investing activities</i>			
Investment income	-	35	35
<i>Net cash provided by investing activities</i>	<u>-</u>	<u>35</u>	<u>35</u>
<i>Net increase (decrease) in cash and cash equivalents</i>	615,741	(20,689)	595,052
<i>Cash and cash equivalents - beginning of year</i>	171,511	138,810	310,321
<i>Cash and cash equivalents - end of year</i>	<u>\$ 787,252</u>	<u>\$ 118,121</u>	<u>\$ 905,373</u>
<i>Reconciliation of operating loss to net cash provided by (used for) operating activities</i>			
<i>Operating loss</i>	\$ (308,000)	\$ (20,273)	\$ (328,273)
<i>Adjustments to reconcile operating loss to net cash used for operating activities:</i>			
Decrease in other assets	307,969	-	307,969
Increase in due from/to other funds	711,456	-	711,456
Decrease in accounts payable and accrued expenses	(95,684)	(60,451)	(156,135)
<i>Total adjustments</i>	<u>923,741</u>	<u>(60,451)</u>	<u>863,290</u>
<i>Net cash used for operating activities</i>	<u>\$ 615,741</u>	<u>\$ (80,724)</u>	<u>\$ 535,017</u>

TOWN OF WESTERLY, RHODE ISLAND

Combining Statement of Net Assets

Private-Purpose Trust Funds

June 30, 2010

	<i>Permanent Neighbor Committee</i>	<i>Honor Roll Fund</i>	<i>Brandywine Village Fund</i>	<i>Welfare Fund</i>	<i>Lois B. Stillmen Fund</i>	<i>Richmond Brewer Fund</i>
ASSETS						
Cash and cash equivalents	\$ 1,653	\$ 895	\$ 44,694	\$ 4,410	\$ 9,210	\$ 32,673
Total assets	<u>1,653</u>	<u>895</u>	<u>44,694</u>	<u>4,410</u>	<u>9,210</u>	<u>32,673</u>
 Net Assets						
Held in trust for other purposes	<u>\$ 1,653</u>	<u>\$ 895</u>	<u>\$ 44,694</u>	<u>\$ 4,410</u>	<u>\$ 9,210</u>	<u>\$ 32,673</u>

(Continued)

TOWN OF WESTERLY, RHODE ISLAND

*Combining Statement of Net Assets
Private-Purpose Trust Funds (Continued)
June 30, 2010*

	<i>Irene Vose Fund</i>	<i>Martha C. Babcock Memorial</i>	<i>Premio L. Russo Memorial</i>	<i>Class of 1886</i>	<i>Otis P. Chapman Fund</i>	<i>Municipal Court</i>
ASSETS						
Cash and cash equivalents	\$ 47,097	\$ 2,868	\$ 1,425	\$ 1,059	\$ 1,861	\$ 473
Total assets	<u>47,097</u>	<u>2,868</u>	<u>1,425</u>	<u>1,059</u>	<u>1,861</u>	<u>473</u>
 Net Assets						
Held in trust for other purposes	<u>\$ 47,097</u>	<u>\$ 2,868</u>	<u>\$ 1,425</u>	<u>\$ 1,059</u>	<u>\$ 1,861</u>	<u>\$ 473</u>

(Continued)

TOWN OF WESTERLY, RHODE ISLAND

Combining Statement of Net Assets

Private-Purpose Trust Funds (Continued)

June 30, 2010

	<i>Francis Pat Coyle Memorial</i>	<i>Betty Zerbarini Fund</i>	<i>Berardinelli Trust Fund</i>	<i>John J. & Mary C. Smith Scholarship</i>	<i>Robert F. Serra Fund</i>	<i>Total</i>
ASSETS						
Cash and cash equivalents	\$ 986	\$ 1,158	\$ 18,039	\$ 11,893	\$ 1,683	\$ 182,077
Total assets	<u>986</u>	<u>1,158</u>	<u>18,039</u>	<u>11,893</u>	<u>1,683</u>	<u>182,077</u>
 Net Assets						
Held in trust for other purposes	<u>\$ 986</u>	<u>\$ 1,158</u>	<u>\$ 18,039</u>	<u>\$ 11,893</u>	<u>\$ 1,683</u>	<u>\$ 182,077</u>

TOWN OF WESTERLY, RHODE ISLAND

Combining Statement of Changes in Net Assets

Private-Purpose Trust Funds

For the Fiscal Year Ended June 30, 2010

	<i>Permanent Neighbor Committee</i>	<i>Honor Roll Fund</i>	<i>Brandywine Village Fund</i>	<i>Welfare Fund</i>	<i>Lois B. Stillmen Fund</i>	<i>Richmond Brewer Fund</i>
Additions						
<i>Investment earnings</i>						
Interest income	\$ 1	\$ -	\$ 21	\$ 2	\$ 5	\$ 15
Other revenue	185	-	-	-	-	-
Total additions	<u>186</u>	<u>-</u>	<u>21</u>	<u>2</u>	<u>5</u>	<u>15</u>
Deductions						
Miscellaneous	100	-	-	-	1,000	73
Total deductions	<u>100</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,000</u>	<u>73</u>
Change in net assets	86	-	21	2	(995)	(58)
Nets assets - beginning of year	<u>1,567</u>	<u>895</u>	<u>44,673</u>	<u>4,408</u>	<u>10,205</u>	<u>32,731</u>
Nets assets - end of year	<u>\$ 1,653</u>	<u>\$ 895</u>	<u>\$ 44,694</u>	<u>\$ 4,410</u>	<u>\$ 9,210</u>	<u>\$ 32,673</u>

(Continued)

TOWN OF WESTERLY, RHODE ISLAND

Combining Statement of Changes in Net Assets

Private-Purpose Trust Funds (Continued)

For the Fiscal Year Ended June 30, 2010

	<u>Irene Vose Fund</u>	<u>Martha C. Babcock Memorial</u>	<u>Premio L. Russo Memorial</u>	<u>Class of 1886</u>	<u>Otis P. Chapman Fund</u>	<u>Municipal Court</u>
Additions						
Investment earnings						
Interest income	\$ 24	\$ 1	\$ 1	\$ -	\$ 1	\$ -
Other revenue	-	-	-	-	-	-
Total additions	<u>24</u>	<u>1</u>	<u>1</u>	<u>-</u>	<u>1</u>	<u>-</u>
Deductions						
Miscellaneous	<u>1,800</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total deductions	<u>1,800</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net assets	(1,776)	1	1	-	1	-
Nets assets - beginning of year	<u>48,873</u>	<u>2,867</u>	<u>1,424</u>	<u>1,059</u>	<u>1,860</u>	<u>473</u>
Nets assets - end of year	<u>\$ 47,097</u>	<u>\$ 2,868</u>	<u>\$ 1,425</u>	<u>\$ 1,059</u>	<u>\$ 1,861</u>	<u>\$ 473</u>

(Continued)

TOWN OF WESTERLY, RHODE ISLAND

Combining Statement of Changes in Net Assets

Private-Purpose Trust Funds (Continued)

For the Fiscal Year Ended June 30, 2010

	<u>Francis Pat Coyle Memorial</u>	<u>Betty Zerbarini Fund</u>	<u>Berardinelli Trust Fund</u>	<u>John J. & Mary C. Smith Scholarship</u>	<u>Robert F. Serra Fund</u>	<u>Total</u>
Additions						
Investment earnings						
Interest income	\$ 1	\$ -	\$ 8	\$ 5	\$ 1	\$ 86
Other revenue	-	-	-	-	-	185
Total additions	<u>1</u>	<u>-</u>	<u>8</u>	<u>5</u>	<u>1</u>	<u>271</u>
Deductions						
Miscellaneous	-	-	-	-	-	2,973
Total deductions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,973</u>
Change in net assets	1	-	8	5	1	(2,702)
Nets assets - beginning of year	<u>985</u>	<u>1,158</u>	<u>18,031</u>	<u>11,888</u>	<u>1,682</u>	<u>184,779</u>
Nets assets - end of year	<u>\$ 986</u>	<u>\$ 1,158</u>	<u>\$ 18,039</u>	<u>\$ 11,893</u>	<u>\$ 1,683</u>	<u>\$ 182,077</u>

TOWN OF WESTERLY, RHODE ISLAND

Statement of Net Assets

Agency Funds

June 30, 2010

	<u>Title II P.W.E.A.</u>	<u>Babcock Middle School Student Activity Fund</u>	<u>Westerly High School Student Activity Fund</u>	<u>Construction Escrow Deposits</u>	<u>Probate Accounts</u>	<u>Total</u>
ASSETS						
Cash and cash equivalents	\$ 2,581	\$ 24,439	\$ 132,069	\$ 293,089	\$ 10,036	\$ 462,214
Total assets	<u>\$ 2,581</u>	<u>\$ 24,439</u>	<u>\$ 132,069</u>	<u>\$ 293,089</u>	<u>\$ 10,036</u>	<u>\$ 462,214</u>
 LIABILITIES						
Deposits held in custody for others	\$ 2,581	\$ 24,439	\$ 132,069	\$ 293,089	\$ 10,036	\$ 462,214
Total liabilities	<u>\$ 2,581</u>	<u>\$ 24,439</u>	<u>\$ 132,069</u>	<u>\$ 293,089</u>	<u>\$ 10,036</u>	<u>\$ 462,214</u>

TOWN OF WESTERLY, RHODE ISLAND

Tax Collector's Annual Report

For the Fiscal Year Ended June 30, 2010

Real Estate and Personal Property Taxes

<u>Fiscal Year</u>	<u>Balance June 30, 2009</u>	<u>Current year Assessment</u>	<u>Additions</u>	<u>Abatements</u>	<u>Amount to be Collected</u>	<u>Current Year Collections</u>	<u>Balance June 30, 2010</u>
2010	\$ -	\$ 59,205,119	\$ 129,691	\$ 146,679	\$ 59,188,131	\$ 58,104,182	\$ 1,083,949
2009	955,918	-	-	3,708	952,210	669,678	282,532
2008	174,440	-	-	15,767	158,673	51,960	106,713
2007	82,238	-	-	231	82,007	4,642	77,365
2006	77,285	-	-	5,998	71,287	(2,423)	73,710
2005	60,600	-	-	-	60,600	1,497	59,103
2004	47,386	-	-	-	47,386	822	46,564
2003	44,841	-	-	-	44,841	1,355	43,486
2002	59,090	-	-	-	59,090	1,967	57,123
2001	77,124	-	-	-	77,124	1,499	75,625
2000	93,829	-	-	-	93,829	656	93,173
1999	86,684	-	-	-	86,684	166	86,518
1998	77,075	-	-	-	77,075	329	76,746
1997	72,400	-	-	-	72,400	10	72,390
1996	77,875	-	-	-	77,875	72	77,803
1995	93,639	-	-	-	93,639	19	93,620
Suspense	1,520,299	-	-	-	1,520,299	-	1,520,299
	<u>\$ 3,600,723</u>	<u>\$ 59,205,119</u>	<u>\$ 129,691</u>	<u>\$ 172,383</u>	<u>\$ 62,763,150</u>	<u>\$ 58,836,431</u>	<u>\$ 3,926,719</u>

Schedule of Most Recent Net Assessed Property Value by Category

<u>Description of Property</u>	<u>Valuation</u>	<u>Levy</u>
Real property	\$ 6,409,080,500	\$ 56,848,544
Motor vehicles	165,920,358	4,922,857
Tangible personal property	103,052,933	914,079
Total	<u>6,678,053,791</u>	<u>62,685,480</u>
Exemptions and tax freeze	(187,658,148)	(3,480,361)
Net assessed value	<u>\$ 6,490,395,643</u>	<u>\$ 59,205,119</u>

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***

To the Honorable President and
Members of the Town Council
Westerly, 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 Westerly, Rhode Island, as of and for the year ended June 30, 2010, which collectively comprise the Town of Westerly, Rhode Island's basic financial statements and have issued our report thereon dated February 28, 2011. 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 Westerly, Rhode Island's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Westerly, Rhode Island's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Westerly, Rhode Island's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 10-01 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Westerly, 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 matters that we reported to the management of the Town of Westerly, Rhode Island in a separate letter dated February 28, 2011.

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

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

Baer & Company, LLC

Warwick, Rhode Island
February 28, 2011

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

To the Honorable President and
Members of the Town Council
Westerly, Rhode Island

Compliance

We have audited the Town of Westerly, Rhode Island's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Town of Westerly, Rhode Island's major federal programs for the year ended June 30, 2010. The Town of Westerly, Rhode Island's major federal programs is 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 Westerly, Rhode Island's management. Our responsibility is to express an opinion on the Town of Westerly, 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 Westerly, Rhode Island's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Town of Westerly, Rhode Island's compliance with those requirements.

As described in item 10-02 in the accompanying schedule of findings and questioned costs, the Town of Westerly, Rhode Island did not comply with requirements regarding allowable costs/cost principles that are applicable to its Title II – Improving Teacher Quality program. Compliance with such requirements is necessary, in our opinion, for the Town of Westerly, Rhode Island to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Town of Westerly, Rhode Island complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

Management of the Town of Westerly, Rhode Island is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Town of Westerly, Rhode Island's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Westerly, Rhode Island's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 10-02 to be a material weakness.

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

This report is intended solely for the information and use of management, the Town Council, the School Committee, the State of Rhode Island Auditor General, 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.



Warwick, Rhode Island
February 28, 2011

TOWN OF WESTERLY, RHODE ISLAND
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2010

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

- Material weakness(es) identified? X yes no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? yes X none reported
- Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? X yes no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? yes X none reported

Type of auditor's report issued on compliance for major programs: qualified

- Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? X yes no

Identification of major programs

<i>CFDA Number</i>	<i>Name of Program or Cluster</i>
97.036	Disaster Grants
84.027A	<i>Special Education Cluster – IDEA</i>
84.173A	<i>Special Education Cluster – Preschool</i>
84.391	<i>Special Education Cluster – IDEA ARRA</i>
84.392	<i>Special Education Cluster – Preschool ARRA</i>
84.394	State Fiscal Stabilization Fund
84.010A	<i>Title I, Part A Cluster – Title I</i>
84.389	<i>Title I, Part A Cluster – Title I ARRA</i>
84.367A	Title II – Improving Teacher Quality

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

- Auditee qualified as low-risk auditee? Yes X no

TOWN OF WESTERLY, RHODE ISLAND
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2010

SECTION II – FINANCIAL STATEMENT FINDINGS

Capital Assets

10-01 Material Weakness - The Town does not have policies and procedures in place to properly account for the Town's construction in progress, capital assets, accumulated depreciation and depreciation expense on a perpetual basis and only updates the detail schedule of capital assets after year-end. The Town also does not have procedures in place to account for the disposal of capital assets and does not perform a physical inventory of the Town's capital assets. As a result of the Town's lack of policies and procedures, we had to propose several material audit adjustments to correct errors and to add assets omitted from the Town's capital asset schedules.

The Town is also not recording the capital asset transactions to the Enterprise Funds on the general ledger. We had to propose audit adjustments to record all current year capital asset transactions, including additions and transfers from construction in progress, capital asset additions and depreciation expense.

Recommendation - We recommend that the Town establish specific policies and procedures to account for the addition, deletion and adjustments to capital assets, construction in progress and depreciation expense on a perpetual basis. The Town should also perform at least an annual physical inventory that is reconciled to schedule of capital assets.

We also recommend that the Town record, at least at year-end, all capital assets transactions to the general ledger for all Enterprise Funds and reconcile the detail capital assets schedules to the general ledger.

These procedures are necessary to ensure that the proper recording and safeguarding of the Town's capital assets.

Management's Response - The Town Accountant is working on creating and improving the policies and procedures for all aspects of recording Capital Assets. New procedures for fiscal year 2011 will include a Reconciliation Report that will tie out the depreciation schedules to the general ledger. The Town will keep track of capital asset transactions to the Enterprise fund on a monthly basis and record the transactions to the general ledger in the thirteenth period.

This past fiscal year a physical inventory was conducted by giving each department a current asset list. It was requested that each department add or delete any items to the list.

Improvements to physical inventory for fiscal year 2011 will include a written policy that will include a date the inventory must be completed by; a person assigned by each department head, to be responsible for the asset additions and deletions, and a description of the procedures for the inventory. The written policy and having a finance department member present during the physical count should assist in compliance from all departments. The 2011 Inventory will also concentrate on removing depreciated assets on the depreciation schedule that are no longer in service.

TOWN OF WESTERLY, RHODE ISLAND
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2010

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding: 10-02 – Allowable Costs/Cost Principles
Agency: U.S. Department of Education
Programs: Special Education Cluster; Title I, Part A Cluster; Title II – Improving Teacher Quality
Pass-through entity: R.I. Department of Education
CFDA Number: 84.027A; 84.173A; 84.391; 84.392; 84.010A; 84.389; 84.367A

Criteria - Attachment B of OMB Circular A-87 “*Cost Principles for State, Local, and Indian Tribal Governments*” states that wages, salaries and fringe benefits charged to federal awards are allowable only to the extent that they are determined and documented as provided in Section 8(h). Specifically, where employees work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications must be prepared semi-annually and signed by the employee or supervisory official having first hand knowledge of the work performed by the employee. Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation. Personnel activity reports or equivalent documentation must reflect after-the-fact distribution of the actual activity of the employee and must account for the total activity for which the employee was compensated. Personnel activity reports must be prepared at least monthly and must coincide with one or more pay periods. Finally, personnel activity reports must be signed by the employee. Budget estimates or other distribution percentages determined before the services are performed **do not qualify** as support for the charges to Federal awards.

Condition - Although the School Department has established procedures to ensure compliance with time certification and documentation requirements, during the tests of controls and compliance, we noted that time certifications were not prepared for employees charged to the Title II - Improving Teacher Quality grant. We also noted several instances where personnel activity reports were not signed by the employee and/or supervisor.

Questioned Costs - \$131,495

Recommendation - We recommend that the School Department ensure that all employees charged to Federal grants who work on a single cost objective complete semi-annual certifications and that all employees charged to Federal grants who work on multiple cost objectives complete personnel activity reports as required by OMB Circular A-87. The School Department should also review its procedures to ensure employees are completing the appropriate documentation (e.g. semi-annual certifications versus personnel activity reports) and that personnel activity reports coincide directly with pay periods. We also recommend that the School Department ensure all semi-annual certifications and personnel activity reports are signed by the employee or supervisor as required by OMB Circular A-87.

TOWN OF WESTERLY, RHODE ISLAND
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2010

Management's Response - As you note, “the School Department has established procedures to ensure compliance with time certification and documentation requirements.” We believe that these procedures meet the requisites of Attachment B of OMB circular A-87, including Section 8(h) thereof, and you have not suggested otherwise. We have prepared time certifications for employees charged to the Title II -Improving Teacher Quality grant since July 1, 2010, and will continue to do so. We will apply these requirements to employees paid under the Title II - Improving Teacher Quality fund, in whole or in part, for FY 2011, as well. We will continue to insist that periodic certifications - and, where appropriate, personnel activity reports - be prepared for employees charged to the Title II grant also. We will, in the future, take all reasonable steps to assure full and uniform compliance with this requirement by all employees to whom the requirement applies. In this regard, we will conduct a periodic sample review and informal audit of pertinent documentation as to employees paid in whole or in part under this grant, and we will address promptly any issues which arise from them.

TOWN OF WESTERLY, RHODE ISLAND

*Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2010*

Finding: 09-02 – Allowable Costs/Cost Principles
Agency: U.S. Department of Education
Programs: Special Education Cluster - IDEA and Preschool; Title I; Federal Stabilization
Pass-through entity: R.I. Department of Education
CFDA Number: 84.027; 84.173; 84.010; 84.394

Criteria - Attachment B of OMB Circular A-87 “*Cost Principles for State, Local, and Indian Tribal Governments*” states that wages, salaries and fringe benefits charged to federal awards are allowable only to the extent that they are determined and documented as provided in Section 8(h). Specifically, where employees work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications must be prepared semi-annually and signed by the employee or supervisory official having first hand knowledge of the work performed by the employee. Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation. Personnel activity reports or equivalent documentation must reflect after-the-fact distribution of the actual activity of the employee and must account for the total activity for which the employee was compensated. Personnel activity reports must be prepared at least monthly and must coincide with one or more pay periods. Finally, personnel activity reports must be signed by the employee. Budget estimates or other distribution percentages determined before the services are performed **do not qualify** as support for the charges to Federal awards.

Condition - During fiscal year 2009, the School Department established procedures to ensure compliance with time certification and documentation requirements. However, during the tests of controls and compliance, we noted that time certifications were not prepared for employees charged to the State Fiscal Stabilization Fund grant; that time certifications were not prepared for employees charged to the Special Education Cluster grants for the period July 1, 2008 through April 30, 2009; and that one employee charged to the Title I grant had no certification for the period April 1, 2009 through June 30, 2009.

Questioned Costs - None

Recommendation - The auditors recommended that the School Department ensure that all employees charged to Federal grants who work on a single cost objective complete semi-annual certifications. The auditors recommended that the School Department require employees charged to Federal grants who work on multiple cost objectives to complete personnel activity reports as required by OMB Circular A-87.

TOWN OF WESTERLY, RHODE ISLAND

Summary Schedule of Prior Audit Findings

For the Fiscal Year Ended June 30, 2010

Current Status - The School Department did, during 2009, establish “procedures to ensure compliance with time certification and documentation requirements.” We have prepared time certifications for employees charged to the Special Education Cluster grants since May 1, 2009, and we will continue to do so. We have applied these requirements to employees paid under the State Fiscal Stabilization Fund, in whole or in part, for 2010 as well. We continue to insist that periodic certifications - and, where appropriate, personal activity reports - be prepared for employees charged to the Title I grant also. The failure to have a certification in place for one Title I employee for the period April 1, 2009 through June 30, 2009 was an isolated incident, and we will take all reasonable steps to assure full and uniform compliance with this requirement by all employees to whom the requirement applies.

Finding: 09-03 – Eligibility
Agency: U.S. Department of Agriculture
Program: National School Lunch Program Cluster
Pass-through entity: R.I. Department of Education
CFDA Number: 10.555/10.553

Criteria - For a child to be eligible for free or reduced lunch benefits the child must be directly certified or the household must submit a complete application and be determined to be either categorically eligible or income eligible. The certifying school official must verify the application is complete, determine eligibility and approve the application.

Condition - During our testing of compliance of the eligibility requirements, we noted fifteen applications that were not completed properly. For example, several applications were missing the social security number, address, or phone number. Also, several applications did not list all household members in Part 4 – Total Household Gross Income.

Questioned Costs - None

Recommendation - The auditors recommended that more care be taken when reviewing the applications to ensure applications are properly completed as required by U.S.D.A guidelines.

Current Status - We met with responsible staff members regarding the procedure used to review the applications. We have reiterated to them the importance of careful and meticulous scrutiny of these documents. We have also directed them to review the allowed applications on file for the 2009-2010 academic year for completeness and for compliance as well. We conducted our own sample audit of these documents in the spring, and we have so notified responsible staff members. Hopefully, this will enhance our compliance with this requirement substantially.

TOWN OF WESTERLY, RHODE ISLAND

Summary Schedule of Prior Audit Findings

For the Fiscal Year Ended June 30, 2010

Finding: 09-04 – Davis-Bacon Act
Agency: U.S. Department of Transportation
Program: Highway Planning and Construction
Pass-through entity: R.I. Department of Transportation
CFDA Number: 20.205

Criteria - The Davis-Bacon Act requires contractors or subcontractors on construction contracts in excess of \$2,000 financed by federal assistance funds to submit to the contracting entity, payroll records and a statement of compliance with the Davis-Bacon requirements. The contracting entity is responsible for notifying the contractors of the requirement to comply with the Davis-Bacon Act.

Condition - The Town of Westerly does not have a system of controls in place to monitor compliance with Davis-Bacon Act requirements. Although the contract contained the Davis-Bacon Act notifications, the Town was not aware of the requirements and did not obtain copies of certified payroll from the construction company that performed work on the West Street Bridge Project.

Questioned Costs - None

Recommendation - The auditors recommended that the Town implement procedures to monitor the Town's compliance with the Davis-Bacon Act requirement, including obtaining and reviewing the contractor payroll records.

Current Status - The Finance Department Staff members as well as Town Planner attended a seminar sponsored by RIDOT on February 17, 2010. The seminar went over the procedures and requirements for Federally-funded projects. The seminar included the requirement for Davis Bacon prevailing wages. The instructor explained that the Town must receive a copy of the certified payroll from the contractors for each contract. The Town Accountant has already communicated this to the Town Engineer. The Town Accountant also recommended that the Town Engineer review the procedures with the Town Planner. The Town of Westerly's Operations Officer includes a statement in Bid Specs that states: The Town of Westerly complies with the Davis-Bacon Act. The Town Accountant has verified that the following department administrators are aware of the Davis-Bacon Act and the requirement that contractors must pay prevailing wages: Operations Officer; Town Planner; Town Engineer; Public Works Superintendent; and the Utilities Superintendent.

TOWN OF WESTERLY, RHODE ISLAND

Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended June 30, 2010

<i>Federal Grantor/ Pass-Through Grantor/ Program Title</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Federal Expenditures</i>
<i>U.S. Department of Agriculture</i>			
Passed through R.I. Department of Education:			
<i>Child Nutrition Cluster:</i>			
National School Lunch Program	10.555	N/A	\$ 371,921
National School Breakfast Program	10.553	N/A	88,668
Food Distribution	10.550	N/A	<u>50,672</u>
<i>Total U.S. Department of Agriculture</i>			<u>511,261</u>
<i>U.S. Department of Housing and Urban Development</i>			
Passed through the Rhode Island Division of Planning, Office of Housing and Community Development:			
<i>CDBG- Entitlement Grants Cluster:</i>			
Community Development Block Grant-2007	14.228	07/36/26	8,000
Community Development Block Grant-2006	14.228	06/36/25	24,352
Community Development Block Grant-2005	14.228	05/36/24	16,140
Community Development Block Grant-2008	14.228	08/36/27	39,207
Community Development Block Grant-2009	14.228	09/36/28	<u>111,116</u>
<i>Total U.S. Department of Housing and Urban Development</i>			<u>198,815</u>
<i>U.S. Department of Justice</i>			
Direct Program:			
ARRA Byrne/JAG	16.804	N/A	10,000
Federal Seized Assets	16.000	N/A	32,808
Bulletproof vests	16.607	N/A	11,775
Juvenile Justice Delinquency	16.000	N/A	86,753
Passed through R.I. Public Safety Grant Administration Office:			
ARRA Byrne/JAG	16.804	N/A	44,245
Byrne Grant	16.579	GR8254	20,094
<i>Total U.S. Department of Justice</i>			<u>205,675</u>
<i>U.S. Department of Transportation</i>			
Passed through the R.I. Department of Transportation:			
<i>Highway Safety Cluster:</i>			
State and Community Highway Safety	20.600	N/A	24,678
<i>Total U.S. Department of Transportation</i>			<u>24,678</u>

(Continued)

TOWN OF WESTERLY, RHODE ISLAND
Schedule of Expenditures of Federal Awards (Continued)
For the Fiscal Year Ended June 30, 2010

<i>Federal Grantor/ Pass-Through Grantor/ Program Title</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Federal Expenditures</i>
<i>U.S. Department of Education</i>			
Passed through R.I. Department of Education:			
<i>Title I, Part A Cluster:</i>			
Title I	84.010A	2725-11702-001	399,841
ARRA -Title I	84.389	4572-10102-001	125,887
<i>Special Education Cluster (IDEA):</i>			
IDEA Part B	84.027A	2725-13202-001	752,936
ARRA - IDEA Part B	84.391	4572-10202-001	350,736
Preschool	84.173A	2725-13502-001	22,080
ARRA- Preschool	84.392	4572-10802-001	6,696
COZ	84.027A	2720-10501-001	5,000
Title IV	84.186A	2725-12602-001	14,585
Even Start	84.213C	2725-12002-001	76,695
<i>State Fiscal Stabilization Cluster:</i>			
State Fiscal Stabilization	84.394	4572-10502-001	332,007
<i>Educational Technology States Grant Cluster:</i>			
E2T2	84.318X	1420-53600-930	36,567
Title III	84.365A	2725-16502-001	16,001
Title II - Improving Teacher Quality	84.367A	2725-16402-001	208,501
<i>Total U.S. Department of Education</i>			<u>2,347,532</u>
<i>U.S. Department of Health and Human Services</i>			
Passed through R.I. Department of Behavioral Healthcare Developmental Disabilities and Hospitals			
Strategic Planning Framework State Incentive Grant	93.243	N/A	243,653
Passed through R.I. Department of Health:			
MEDS	93.069	N/A	11,771
<i>Total U.S. Department of Health and Human Services</i>			<u>255,424</u>
<i>U.S. Department of Energy</i>			
Passed through R.I. Office of Energy Resources:			
ARRA- Energy Efficiency and Conservation Block Grant	81.128	EECBG ARRA 2010-01	16,571
<i>Total U.S. Department of Energy</i>			<u>16,571</u>
<i>U.S. Department of Homeland Security</i>			
Passed through R.I. Emergency Management Agency:			
Disaster Grants	97.036	N/A	360,960
Law Enforcement Terrorism Prevention Program	97.074	38-115-FY06	8,204
<i>Total U.S. Department of Homeland Security</i>			<u>369,164</u>
<i>Total Expenditures of Federal Awards</i>			<u><u>\$3,929,120</u></u>

TOWN OF WESTERLY, RHODE ISLAND
Notes to Schedule of Expenditures of Federal Awards
June 30, 2010

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Town of Westerly, Rhode Island and is presented on the modified accrual basis of accounting. 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 financial statements.