

**CITY OF WOONSOCKET,  
RHODE ISLAND**

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**FOR THE YEAR ENDED  
JUNE 30, 2010**

**PREPARED BY: CITY'S FINANCE DEPARTMENT**

# **CITY OF WOONSOCKET**

## **INTRODUCTORY SECTION**

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- ORGANIZATION CHART
- LIST OF CITY OFFICIALS



CITY OF WOONSOCKET, RHODE ISLAND

YEAR ENDED JUNE 30, 2010

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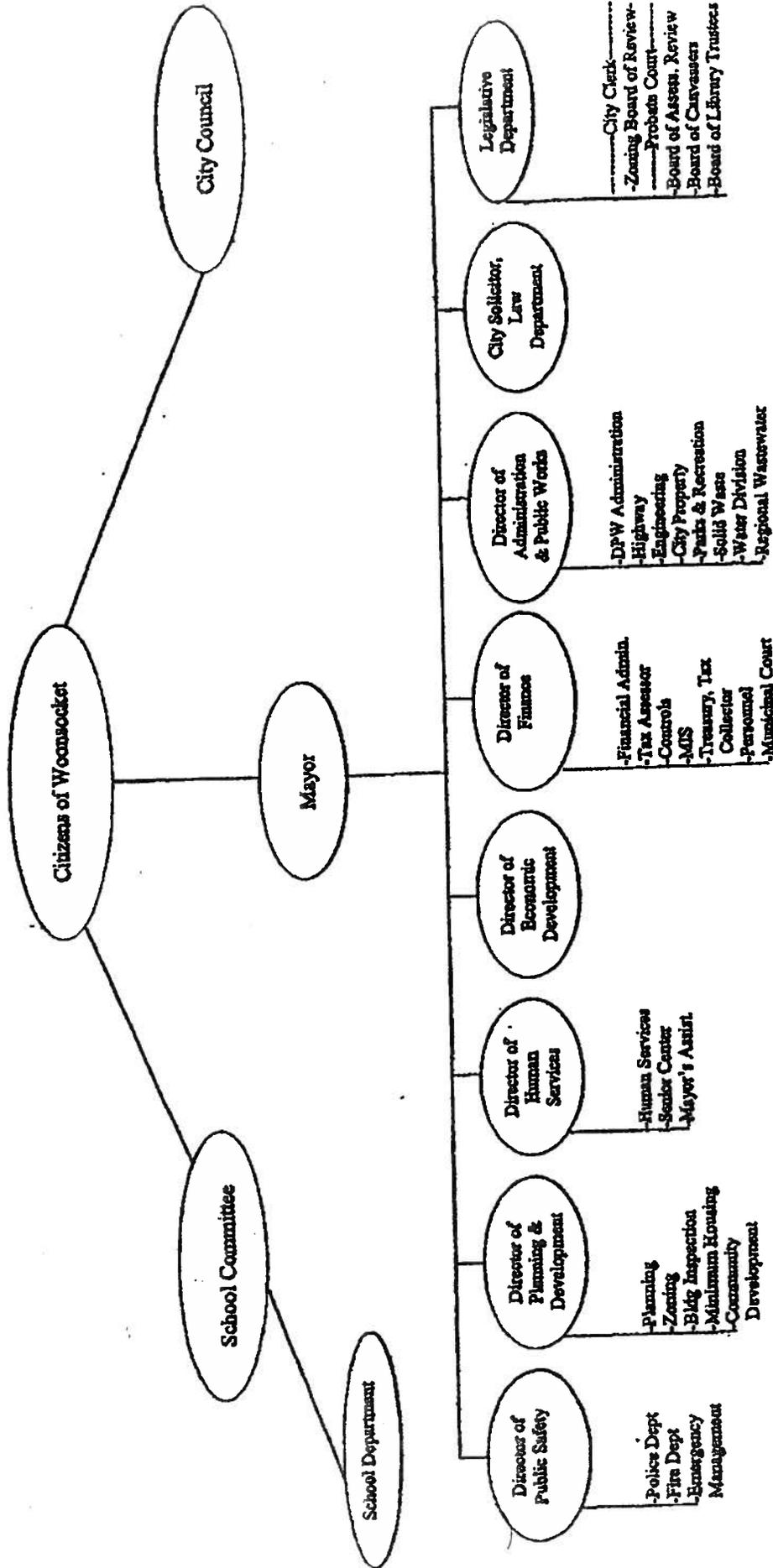
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**THE CITY OF WOONSOCKET, RHODE ISLAND  
GOVERNMENT ORGANIZATIONAL CHART**



**THE CITY OF WOONSOCKET, RHODE ISLAND**

**List of City Officials  
JUNE 30, 2010**

Mayor	Leo T. Fontaine
Director of Administration	Michael Annarummo
Tax Assessor	Christopher Celeste
Finance Director	Thomas Bruce
Controller	Christine Chamberland
Fire Chief	Gary Lataille
Planning & Developing	Joel D. Mathews
Police Chief	Thomas Carey
School Superintendent	Dr. Robert Girardi
Solicitor	Joe Carroll

**City Council**

President	John F, Ward
Vice President	Stella Brien
Councilor	William D. Schneck, Jr.
Councilor	Suzanne J. Vadenais
Councilor	Roger Jalette
Councilor	Daniel Gendron
Councilor	Christopher Beauchamp

# **CITY OF WOONSOCKET**

## **FINANCIAL SECTION**

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

## **INDEPENDENT AUDITORS' REPORT**

To the Honorable Mayor and Members of the City Council  
City of Woonsocket, 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 City of Woonsocket, Rhode Island as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Woonsocket, 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.

Management does not have a policy or procedure for maintaining and updating capital asset records, primarily infrastructure assets, of the City's governmental activities and, accordingly, we were not able to perform adequate audit procedures on the capital assets of the governmental activities. Accounting principles generally accepted in the United States of America require that the capital assets, including general infrastructure assets be capitalized and depreciated, which would increase the assets, net assets, and expenses of the governmental activities. The amount by which this departure would affect the assets, net assets, and expenses of the governmental activities is not reasonably determinable.

The City has not implemented (relative to the Woonsocket Education Department) GASB Statement #45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*, which became effective for the fiscal year ended June 30, 2009 and, accordingly, we were not able to determine the amount of the unfunded OPEB commitment (related to the Woonsocket Education Department) to be disclosed in the notes and required supplementary information in the government-wide financial statements or the Net OPEB Obligation which is required to be recorded as a long-term liability in the Statement of Net Assets for the governmental activities. In addition, the change in the Net OPEB Obligation would be recorded as an expense in the Statement of Activities for the governmental activities. The amount by which this departure would affect the liabilities, net assets, and expenses of the governmental activities is not reasonably determinable.

In our opinion, because of the effects of the matters discussed in the preceding paragraphs, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities of the City of Woonsocket, Rhode Island, as of June 30, 2010, or the changes in financial position thereof for the year then ended.

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

In accordance with Government Auditing Standards, we have also issued our report dated January 31, 2011 on our consideration of the City of Woonsocket, Rhode Island's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund – Budgetary Basis, School Unrestricted Fund – Budgetary Basis, Schedule of Funding Progress for Pension Plans, and Schedule of Funding Progress of OPEB, on pages 3 through 11, pages 71 through 72, page 73, page 74, and page 75, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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



Providence, Rhode Island  
January 31, 2011

**CITY OF WOONSOCKET, RHODE ISLAND**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2010**

As management of the City of Woonsocket, we offer readers of the City's Financial Statements this narrative overview and analysis of financial activities of the City for the fiscal year ended June 30, 2010.

**Financial Highlights**

The assets of the City of Woonsocket exceeded (were less than) its liabilities by (\$654,241) and \$13,216,012 at June 30, 2010 and 2009 (as restated), respectively. Of the amount at June 30, 2010, (\$121,284,949) is the total unrestricted deficit as the balance \$120,630,708 is invested in capital assets.

- ❖ The City's total net assets decreased by \$13,870,253 and \$14,953,175 in fiscal years 2010 and 2009 (as restated), respectively. The decrease of \$13,870,253 in fiscal year 2010 was due to decreases in net assets in the Governmental activities of \$16,387,057 and an increase of \$2,516,804 in the business-type activities. The net assets beginning balance (2009 net asset amount) was restated by a decrease of \$9,884,650. This decrease was comprised of a decrease in the governmental activities of \$9,554,357 and a decrease of \$330,293 in the business type activities. This restatement was the result of the retroactive implementation of GASB 45 related to OPEB Obligations (all except the School Department has been implemented).
- ❖ As of the close of the fiscal years 2010 and 2009 the City's governmental funds reported combined ending fund balances (deficits) of (\$1,097,559) and (\$55,477,526) respectively. The unreserved portion of the fund balance deficit at June 30, 2010 was (\$6,261,994) while the fund balance reserved was \$5,164,435. The City's General Fund had an unreserved fund balance deficit of (\$3,670,390) which represents approximately 3% of the General Fund budget for fiscal 2010.
- ❖ At the end of the current fiscal year, the general fund unreserved fund balance was (\$3,670,390) or 6% of the total General Fund expenditures and other financing uses for the fiscal year ended June 30, 2010. The current fiscal year's expenditures exceeded revenues by \$334,521 (General Fund deficit).
- ❖ The Independent Auditors' Report on pages 1 and 2 expressed an adverse opinion on the Statement of Net Assets and the Statement of Activities of the Governmental Activities of the Government-wide Statements. The adverse opinion is the result of the City's failure to maintain and update capital asset records (including infrastructure assets) for the City's governmental activities. A qualified opinion was issued due to the School Department's failure to implement GASB Statement #45.

**Overview of the Financial Statements**

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

- \* Government – wide financial statements
- \* Fund financial statements
- \* Notes to financial statements

## Overview of the Financial Statements (Continued)

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

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

**Government-wide financial statements** - are designed to provide readers with a broad overview of the City's finances in a manner, which is similar to a private-sector business. They are presented on the accrual basis of accounting whereby 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 City'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 City is improving or deteriorating.

The *Statement of Activities* presents information which shows how the City'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, EMS Rescue fees, revolving loan funds, and earned but unused compensated absences.

Both of the government-wide financial statements distinguish functions of the City 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 City's governmental activities include general government and administration, public safety, development services, cultural and recreational services. The City's business activities include the Regional Wastewater, User Charge, the Water Supply, Hydro, and the School Lunch program.

The government-wide financial statements are reported on pages 12 through 13.

**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 City, 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 City can be divided into two categories: a) governmental funds and b) proprietary funds (business-type funds). The fund statements are presented on pages 14-23.

**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. The governmental fund statements are presented on pages 14-17.

## Overview of the Financial Statements (Continued)

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

The City's governmental fund 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, the City Capital Project Fund, and the School Unrestricted Special Revenue Fund, all of 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 in supplementary information pages 76-85 of this report.

**Proprietary Funds** - The City's proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City has five enterprise funds. A brief description follows:

Water Fund – the city has a municipally owned water system. Its three reservoirs give the City adequate water supply for all industrial, commercial and residential consumption.

Regional Wastewater Disposal Fund – The wastewater treatment plant serving the City is the Woonsocket Regional Wastewater Facility, a regional facility, fed by storm sewers and ninety-five miles of sanitary sewers, capable of handling a wastewater flow of sixteen million gallons per day for Woonsocket. The fund assets are presently leased an outside management company that pays the city a semi-annual lease payment which the city used to offset related sewer debt service.

User charge Collection Fund – The City contracts with an outside third party for the operation of a solid waste transfer station.

Thundermist Hydro-Electric Project- In August 2008 the City reached a long-term lease agreement of this facility to a private company. The lease agreement calls for annual payments of \$150,000 for the first five years. The remaining fifteen years of the agreement require the annual payments of \$150,000 to be adjusted for the Consumer Price Index. The funds from this lease will be utilized as reimbursement to the General Fund for the cumulative loss incurred over the non-productive life of the asset.

School Proprietary Fund – includes a School Lunch Program which serves the needs of the entire school system for both breakfast and lunch food service. In addition the School Department has a Vocation Tech Program reported as a proprietary fund.

Proprietary funds provide the same type of information as the government-wide Business Type financial statements, only in more detail. The proprietary fund financial statements provide separate information for all the proprietary funds since they are considered to be major funds of the City. The basic proprietary fund financial statements are presented on pages 18 through 21.

**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 City'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 22-23. Combining information for the Agency Funds is presented in supplementary information pages 86-87, and for the Private Purpose Trust Funds pages 88-89.

## Overview of the Financial Statements (Continued)

**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 24 through 70.

**Other Information** - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information pertinent to the City's operations. Required Supplementary Information includes budget vs. actual comparisons for the City's General Fund and School Unrestricted Fund as well as the Schedule of Funding Progress for Pension Plans and OPEB Plans. This required supplementary information is presented on pages 71-75.

The combining statements referred to earlier in connection with non-major governmental funds, agency funds, and private purpose trust funds is presented as other supplementary information and is not a required part of the audited financial statements. This information is located on pages 76-91.

### Government-wide Financial Analysis

#### Analysis of the City of Woonsocket'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 City of Woonsocket, assets exceeded (were less than) liabilities by (\$654,241) and \$13,216,012 as of June 30, 2010 and 2009 (as restated) respectively.

The largest portion of the City's net assets (100%) 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 City uses these capital assets to provide services to its citizens. Consequently, these assets are not available for future spending. Although the City'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.

#### CITY OF WOONSOCKET'S NET ASSETS

	Governmental Activities	Business-Type Activities	2010 Total	(Restated) Governmental Activities	(Restated) Business-Type Activities	(Restated) 2009 Total
Current assets	\$ 26,624,679	\$ 10,725,443	\$ 37,350,122	\$ 48,220,565	\$ 9,898,058	\$ 58,118,623
Capital assets	192,285,072	53,660,597	245,945,669	176,980,726	53,952,340	230,199,022
Other assets	1,492,957	1,442,121	2,935,078	84,175	1,464,216	1,548,391
Total assets	220,402,708	65,828,161	286,230,869	225,285,466	65,314,614	289,866,036
Current liabilities	32,905,799	3,987,281	36,893,080	106,923,048	3,973,341	110,896,389
Long-term liabilities	223,254,750	26,737,280	249,992,030	137,733,202	28,754,477	165,753,635
Total liabilities	256,160,549	30,724,561	286,885,110	244,656,250	32,727,818	276,650,024
Net assets:						
Invested in capital assets	93,385,222	27,245,486	120,630,708	101,536,700	24,797,024	126,333,724
Unrestricted	(129,143,063)	7,858,114	(121,284,949)	(120,907,484)	7,789,772	(113,117,712)
Total net assets	(\$35,757,841)	\$35,103,600	(\$654,241)	(\$19,370,784)	\$32,586,796	\$ 13,216,012

**Analysis of the City of Woonsocket's Operations**

The following analysis provides a summary of the City's operations for the year ended June 30, 2010 and 2009. The City presents its Basic Financial Statements, Required Supplementary Information and Managements Discussion and Analysis – for State and Local Governments in the GASB Statement 34 format. Because of this, comparative data has been presented. The information for 2009 is as restated (see Note 17 page 69) to include the impact of implementing GASB Statement 45 during fiscal 2010 retroactive to fiscal 2009 (OPEB for all Departments except for the Woonsocket Education Department has been determined).

In the fiscal years ended June 30, 2010 and 2009 the Net Assets of the Governmental activities decreased by \$16,387,057 and \$16,259,854 (as restated), respectively. For fiscal 2010 and 2009, total net assets in the Government-wide statements decreased by \$13,870,253 and \$14,953,175 (as restated), respectively.

The net assets of the governmental activities decreased in fiscal 2010 by an additional \$127,200 in comparison to the decrease incurred in fiscal 2009. The key elements to the additional decrease of approximately \$127,200 are as follows:

- 1) Program revenues decreased by approximately \$830,000 (1.1% decrease)
- 2) Function/program expense increased by \$1,315,000 (.9%)
- 3) General revenues increased by \$2,018,700 of which Property tax revenue increased by \$3.1 million (7%).

**CITY OF WOONSOCKET'S CHANGES IN NET ASSETS**

	Governmental Activities <u>2010</u>	Business -Type Activities <u>2010</u>	2010 <u>Total</u>	Governmental Activities <u>2009</u>	Business -Type Activities <u>2009</u>	<u>2009</u> <u>Total</u>
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 8,916,228	\$ 21,408,098	\$ 30,324,326	\$ 7,784,641	\$ 19,513,051	\$ 27,297,692
Operating Grants and Contributions	61,844,050	0	61,844,050	62,732,110	2,078,140	64,810,250
Capital Grants and Contributions	1,152,382	0	1,152,382	2,227,181	0	2,227,181
<b>General Revenues:</b>						
Property taxes	47,806,294	-	47,806,294	44,670,491	-	44,670,491
Investment Earnings	16,235	260,398	276,633	26,215	283,492	309,707
Motor Veh. Phase-out	4,652,576		4,652,576	5,451,446		5,451,446
Telephone, meals etc	1,000,494		1,000,494	950,359		950,359
Host Community	1,159,097		1,159,097			
Gain(Loss)Disposition		52,427	52,427	0	(821,997)	(821,997)
Unrestricted grants/aid	1,011,198	-	1,011,198	2,517,708	-	2,517,708
Transfers	(11,000)	11,000	0			
<b>Total revenues</b>	<b>127,547,554</b>	<b>21,731,923</b>	<b>149,279,477</b>	<b>126,360,151</b>	<b>21,052,686</b>	<b>147,412,837</b>

**CITY OF WOONSOCKET'S CHANGES IN NET ASSETS (Continued)**

	Governmental Activities <u>2010</u>	Business -Type Activities <u>2010</u>	2010 Total	<b>(Restated)</b> Governmental Activities <u>2009</u>	<b>(Restated)</b> Business -Type Activities <u>2009</u>	<b>(Restated)</b> <u>2009</u> Total
<b>Expenditures:</b>						
Legislative	1,225,806		1,225,806	1,434,284		1,434,284
Executive	146,668		146,668	210,076		210,076
Finance	1,525,472		1,525,472	2,006,066		2,006,066
Planning & Dev.	715,071		715,071	775,314		775,314
Law	191,769		191,769	382,216		382,216
Public Safety	33,575,589		33,575,589	32,797,424		32,797,424
Public Works	7,761,137		7,761,137	8,070,942		8,070,942
Human Services	223,392		223,392	380,099		380,099
Economic Develop.	2,225,884		2,225,884	1,966,042		1,966,042
Other Fixed and General Charges	10,205,688		10,205,688	8,495,356		8,495,356
Education	76,967,143		76,967,143	78,998,410		78,998,410
Interest on Long-term Debt	9,170,992		9,170,992	7,103,776		7,103,776
Water		5,603,322	5,603,322		6,151,695	6,151,695
Reg. Wastewater		5,040,488	5,040,488		5,146,717	5,146,717
User charge		5,811,673	5,811,673		5,702,595	5,702,595
Hydro		21,354	21,354		8,506	8,506
School Proprietary		2,738,282	2,738,282		2,736,494	2,736,494
<b>Total Expenditures:</b>	<b>143,934,611</b>	<b>19,215,119</b>	<b>163,149,730</b>	<b>142,620,005</b>	<b>19,746,007</b>	<b>162,366,012</b>
<b>Change in Net Assets</b>	<b>(16,387,057)</b>	<b>2,516,804</b>	<b>(13,870,253)</b>	<b>(16,259,854)</b>	<b>1,306,679</b>	<b>(14,953,175)</b>
<b>Net assets-beginning</b>	<b>(19,370,784)</b>	<b>32,586,796</b>	<b>13,216,012</b>	<b>(3,110,930)</b>	<b>31,280,117</b>	<b>28,169,187</b>
<b>Net assets-ending</b>	<b>(\$35,757,841)</b>	<b>\$35,103,600</b>	<b>(\$654,241)</b>	<b>(\$19,370,784)</b>	<b>\$32,586,796</b>	<b>\$13,216,012</b>

**Financial Analysis of the City of Woonsocket's Funds**

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

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances (deficit) of (\$1,097,559). The General Fund reported an unreserved fund balance deficit of (\$3,670,390) and a total fund balance deficit of (\$1,196,588). The City Capital Projects Fund had at a surplus fund balance of \$5,012,707 at June 30, 2010. The School Unrestricted Fund had at year-end an unreserved fund balance deficit of (\$8,576,876).

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

## **Financial Analysis of the City of Woonsocket's Funds (Continued)**

Total net assets of the respective proprietary funds are the Woonsocket Regional Wastewater Fund \$16,690,627, User Collection Charge Fund \$28,930, Water Fund \$19,881,984, Hydro Fund - deficit (\$2,133,526) and School Proprietary funds \$635,585.

### **General Fund Budgetary Highlights - The City**

Budgetary basis statements can be found in the financial statements as required supplementary information exhibits RSI-1 and RSI-2 on pages 71-72 and 73, respectively. At the end of the fiscal year ended June 30, 2010 the net change in fund balance was a deficit of (\$2,659,063) on a budgetary basis. The decrease was comprised of a net deficiency in the City's General Fund of (\$334,521) and a deficit in the School Unrestricted Fund of (\$2,324,542). The decrease in the General Fund was due primarily to shortfalls in revenues collected versus expected revenues (\$2,314,403). Most of the revenue shortfalls occurred in motor vehicle phase-out, and education department restricted receipts.

### **Wal-Mart Land Sale**

On April 9, 2004, the City of Woonsocket and Wal-Mart first entered into a Purchase & Sales Agreement for the sale of a 6-acre parcel to Wal-Mart to facilitate their expansion. In July 2006, the Planning Board granted approval to Wal-Mart's Master Plan that was required as part of the subdivision process. This action was eventually appealed. Due to wetland permitting issues, the scope of the project was substantially modified and an amended Purchase & Sales Agreement was executed on July 31, 2007 and amended plans were submitted to the Planning Board at that time.

As a condition of the amended Purchase & Sales Agreement, Wal-Mart was required to secure the purchase by providing a letter of credit in the amount of \$485,141.70, deposited with the Chicago Title Insurance Company in advance of the anticipated closing that would be held upon the receipt of the Planning Board approval of the amended subdivision plan.

In December 2007, the Planning Board granted final approval; however, this approval was appealed before the Zoning Board of Review. At their meeting of February 11, 2008, the Woonsocket Zoning Board upheld the Planning Board's decision. The deadline for appealing this decision to the Rhode Island Superior Court is February 29, 2008.

This sale transaction was finalized during fiscal 2010 and as a result the revenue has been collected and realized in the General Fund for the fiscal year ended June 30, 2010.

### **The City of Woonsocket's Capital Assets**

The City of Woonsocket's investment in capital assets for its governmental and business-type activities amounts to \$246,078,268 net of accumulated depreciation at June 30, 2010. Included are land, building and improvements, construction in progress, motor vehicles, furniture and equipment and infrastructure.

**CITY OF WOONSOCKET'S CAPITAL ASSETS AT YEAR END  
NET OF ACCUMULATED DEPRECIATION**

	Governmental	Business-type	<u>Total</u>	(Restated)	Business-type	(Restated)
	Activities	Activities		Governmental	Activities	(Restated)
	2010	2010	2010	2009	2009	2009
Land	\$ 22,307,537	\$ 570,321	\$ 22,877,858	\$ 22,307,537	\$ 570,321	\$ 22,877,858
Buildings and Improvements	199,919,972	53,648,676	253,568,648	129,709,838	53,712,682	183,422,520
Construction in Progress	348,753	1,448,626	1,797,379	51,439,880	2,080,102	53,519,982
Motor Vehicles	8,080,140	592,964	8,673,104	9,279,650	867,148	10,146,798
Furniture and Equipment	8,149,428	7,991,267	16,140,695	7,688,627	7,815,172	15,503,799
Infrastructure	86,294,222	36,106,710	122,400,932	86,217,126	34,150,126	120,367,252
Less: Accumulated Depreciation	(132,814,980)	(46,697,967)	(179,512,947)	(129,661,932)	(45,243,211)	(174,905,143)
<b>Totals</b>	<b>\$192,285,072</b>	<b>\$53,660,597</b>	<b>\$245,945,669</b>	<b>\$176,980,726</b>	<b>\$53,952,340</b>	<b>\$230,933,066</b>

**Note:** The Independent Auditors' Report (pages 1-2 of the Comprehensive Annual Financial Report) expresses an adverse opinion on the Governmental Activities as a result of the lack of documentation and procedures for maintaining capital asset records, mainly infrastructure assets.

Additional information on the City of Woonsocket's capital assets is located in Note 5, pages 41-42 of the financial statements.

**The City of Woonsocket's Debt Administration**

The City of Woonsocket had a total bonded debt of \$205,695,559 and \$133,191,495 at June 30, 2010 and 2009 respectively. Of this amount \$13,393,188 and \$14,549,878 at June 30, 2010 and 2009 respectively, comprised the bonded debt for the Enterprise Funds. In addition, the Business Type Activities also had lease purchase obligations outstanding at June 30, 2010 and 2009 totaling \$14,464,044 and \$16,069,654, respectively. The Governmental Activities also had lease purchase obligations outstanding at June 30, 2010 totaling \$1,605,125.

**CITY OF WOONSOCKET'S OUTSTANDING DEBT AT YEAR END  
BONDS, NOTES AND CAPITALIZED LEASES PAYABLE**

	Governmental	Business-type	<u>Total</u>	(Restated)	Business-type	(Restated)
	Activities	Activities		Governmental	Activities	(Restated)
	2010	2010	2010	2009	2009	2009
General obligation & bonds payable	\$192,302,371	\$13,393,188	\$205,695,559	\$118,641,617	\$14,549,878	\$133,191,495
Leases payable	1,605,125	14,464,044	16,069,169	1,905,861	16,069,654	17,975,515
<b>Totals</b>	<b>\$193,907,496</b>	<b>\$27,857,232</b>	<b>\$221,764,728</b>	<b>\$120,547,478</b>	<b>\$30,619,532</b>	<b>\$151,167,010</b>

## **The City of Woonsocket's Debt Administration (Continued)**

The City's general obligation bond rating as assigned by Moody's Investors Service, on July 7, 2010, is Ba1 with a stable outlook and the rating by Fitch Rating Service is BBB- with a negative outlook (December 8, 2010). This rating decreased from the City's June 30, 2009 rating as disclosed in the audited financial statements.

The State of Rhode Island imposes a limit of three (3) percent of the fair value of all taxable city property on the general obligation debt that a municipality can issue. The City of Woonsocket's limit is approximately \$50,353,000 at June 30, 2010. The City's outstanding general obligation debt is \$203,976,906 at year-end, of which \$42,682,000 is subject to the legal debt limits. The debt limit calculation does not include the \$87,295,000 of pension obligation bonds and \$74,000,000 of Middle School bonds as they are exempt from the legal debt limit calculation under RI Public Law.

Additional information on the long-term debt obligations of the City of Woonsocket can be found in Note 8 on pages 44-46.

See Note 18 on page 70 for information relating to additional debt issued subsequent to June 30, 2010.

### **Economic Factors and Next Year's Budgets and Rates**

The City of Woonsocket's total general fund budget for fiscal year 2011 is \$116,832,538, which reflects an increase of \$3,152,117 from the fiscal 2010 budget. In the City's 2011 budget, \$12,586,560 of tax revenue, or 10.8% is allocated for educational purposes and \$55,509,709 or 47.5% is budgeted for other purposes. Total Education Department budget included in the City's General Fund budget is \$61,322,829 which represents approximately 52.5% of the City's total budget.

The School Department budget for the fiscal year 2011 is \$61,322,829. The primary funding source is state aid for education. As noted above, the city's contribution to the Education Department is \$12,586,560.

### **Economic Factors and Next Year's Budgets and Rates**

The State of Rhode Island budgeted for fiscal year 2011 to contribute \$48,736,269 to the City's education department. The amount is based on the city being considered depressed community. The total population of the School District and the average level of wages earned by its citizens are the determining factors for this designation.

The City's tax rates for fiscal 2011 are \$23.63 per thousand for residential real estate, \$34.30 per thousand for commercial and industrial real estate, and \$46.58 per thousand for personal property and \$46.58 per thousand for motor vehicles. Of the total taxes billed, 27.26% was allocated for general government and 72.74% allocated for education. The last City-wide property re-valuation occurred in 2008.

### **Request for Information**

The financial report is designed to provide our citizens, taxpayers and creditors with a general overview of the City's finances and to show the City'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, Woonsocket City Hall, 169 Main Street, Woonsocket, RI 02895.

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# **CITY OF WOONSOCKET**

## **BASIC FINANCIAL STATEMENTS**



CITY OF WOONSOCKET, RHODE ISLANDStatement of Net Assets  
June 30, 2010

	Governmental Activities	Business-type Activities	Total
<b>ASSETS:</b>			
<b>Current Assets:</b>			
Cash and cash equivalents	\$ 13,018,103	\$ 5,382,155	\$ 18,400,258
Accounts receivable, net	6,692,992	4,093,675	10,786,667
Internal balances	(1,062,156)	1,062,156	-
Due from federal and state governments	7,285,574	187,457	7,473,031
Prepays	690,166	-	690,166
<b>Total Current Assets</b>	<b>26,624,679</b>	<b>10,725,443</b>	<b>37,350,122</b>
<b>Noncurrent Assets:</b>			
Restricted cash		1,231,156	1,231,156
Deferred charges - bond issuance	1,492,957	210,965	1,703,922
Capital assets not being depreciated	22,656,290	2,018,947	24,675,237
Capital assets, net of accumulated depreciation	169,628,782	51,641,650	221,270,432
<b>Total Noncurrent Assets</b>	<b>193,778,029</b>	<b>55,102,718</b>	<b>248,880,747</b>
<b>TOTAL ASSETS</b>	<b>220,402,708</b>	<b>65,828,161</b>	<b>286,230,869</b>
<b>LIABILITIES:</b>			
<b>Current Liabilities:</b>			
Cash overdraft	169,092		169,092
Bond Anticipation Note	250,000		250,000
Accounts payable	9,660,830	1,490,852	11,151,682
Accrued liabilities	14,663,998	182,818	14,846,816
Due to federal and state governments	135,231	62,329	197,560
Unearned revenue	3,802,863	13,420	3,816,283
Current portion of notes & leases payable	312,503	1,228,673	1,541,176
Current portion of bonds payable	3,911,282	1,009,189	4,920,471
<b>Total Current Liabilities</b>	<b>32,905,799</b>	<b>3,987,281</b>	<b>36,893,080</b>
<b>Noncurrent Liabilities:</b>			
Bonds payable long term portion	188,391,089	12,383,999	200,775,088
Net Pension Obligation	4,150,545		4,150,545
Net OPEB Obligation	19,484,531	672,812	20,157,343
Notes and leases payable long term portion	1,292,622	13,235,371	14,527,993
Accrued compensated absences	9,935,963	445,098	10,381,061
<b>Total Noncurrent Liabilities</b>	<b>223,254,750</b>	<b>26,737,280</b>	<b>249,992,030</b>
<b>TOTAL LIABILITIES</b>	<b>256,160,549</b>	<b>30,724,561</b>	<b>286,885,110</b>
<b>NET ASSETS:</b>			
Invested in capital assets net of related debt	93,385,222	27,245,486	120,630,708
Unrestricted	(129,143,063)	7,858,114	(121,284,949)
<b>TOTAL NET ASSETS</b>	<b>\$ (35,757,841)</b>	<b>\$ 35,103,600</b>	<b>\$ (654,241)</b>

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

## CITY OF WOONSOCKET, RHODE ISLAND

Statement of Activities  
For the Year Ended June 30, 2010

Functions/Programs:	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services, Fees & Licenses	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental activities:</b>							
Executive	\$ 146,668				\$ (146,668)		\$ (146,668)
Legislative	1,225,806	\$ 1,163,711			(62,095)		(62,095)
Planning & Development	715,071	9,521	\$ 39,586		(665,964)		(665,964)
Finance	1,525,472	73,356			(1,452,116)		(1,452,116)
Law	191,769	-			(191,769)		(191,769)
Public safety	33,575,589	1,264,407	\$ 2,086,362		(30,224,820)		(30,224,820)
Public works	7,761,137	1,511,539			(6,249,598)		(6,249,598)
Human services	223,392	92,268	124,474	\$ 165,296	158,646		158,646
Economic development	2,225,884	486,687	1,571,042		(168,155)		(168,155)
Education	76,967,143	3,180,721	56,575,456	987,086	(16,223,880)		(16,223,880)
Other fixed and general charges	10,205,688	1,134,018	218,422		(8,853,248)		(8,853,248)
Interest on long-term debt	9,170,992	-	1,228,708		(7,942,284)		(7,942,284)
<b>Total governmental activities</b>	<b>143,934,611</b>	<b>8,916,228</b>	<b>61,844,050</b>	<b>1,152,382</b>	<b>(72,021,951)</b>		<b>(72,021,951)</b>
<b>Business-type activities:</b>							
Water	5,603,322	7,192,384				\$ 1,589,062	1,589,062
Regional Wastewater	5,040,488	5,671,962				631,474	631,474
User Charge	5,811,673	5,662,763				(148,910)	(148,910)
Hydro	21,354	94,521				73,167	73,167
School Proprietary	2,738,282	2,786,468	-			48,186	48,186
<b>Total business-type activities</b>	<b>19,215,119</b>	<b>21,408,098</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,192,979</b>	<b>2,192,979</b>
<b>Total</b>	<b>\$ 163,149,730</b>	<b>\$ 30,324,326</b>	<b>\$ 61,844,050</b>	<b>\$ 1,152,382</b>	<b>(72,021,951)</b>	<b>2,192,979</b>	<b>(69,828,972)</b>
<b>General revenues:</b>							
Property taxes					47,806,294		47,806,294
Motor vehicle phase-out taxes					4,652,576		4,652,576
Telephone and hotel taxes					505,808		505,808
Meals & beverage tax					494,686		494,686
Grants and aid not restricted for a specific program					1,011,198		1,011,198
Host Community agreements					1,159,097		1,159,097
Gain on disposition of capital assets						52,427	52,427
Unrestricted investment earnings					16,235	260,398	276,633
<b>Transfers</b>					(11,000)	11,000	-
<b>Total general revenues</b>					<b>55,634,894</b>	<b>323,825</b>	<b>55,958,719</b>
<b>Change in Net assets</b>					<b>(16,387,057)</b>	<b>2,516,804</b>	<b>(13,870,253)</b>
<b>Net assets - beginning of year (as restated)</b>					<b>(19,370,784)</b>	<b>32,586,796</b>	<b>13,216,012</b>
<b>Net assets - ending of year</b>					<b>\$ (35,757,841)</b>	<b>\$ 35,103,600</b>	<b>\$ (654,241)</b>

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

CITY OF WOONSOCKET, RHODE ISLAND

**Balance Sheet**  
**Governmental Funds**  
**June 30, 2010**

	General Fund	City Capital Projects	School Unrestricted Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>					
Cash and cash equivalents	\$ 4,564,011	\$ 4,270,971	\$ 2,110,586	\$ 2,072,535	\$ 13,018,103
Accounts receivable, net	1,995,375		306,539	667,826	2,969,740
Due from other governments	730,598		393,318	6,161,658	7,285,574
Other receivables, net	1,199,595			2,523,657	3,723,252
Prepaid expenditures	245,658		438,571		684,229
Due from other funds	4,301,158	2,000,105	6,386,418	306,799	12,994,480
Inventory at cost	5,937				5,937
<b>TOTAL ASSETS</b>	<b>\$ 13,042,332</b>	<b>\$ 6,271,076</b>	<b>\$ 9,635,432</b>	<b>\$ 11,732,475</b>	<b>\$ 40,681,315</b>
<b>LIABILITIES AND FUND BALANCES:</b>					
<b>LIABILITIES:</b>					
Cash overdraft				\$ 169,092	\$ 169,092
Note Payable		\$ 250,000			250,000
Accounts payable	2,150,124	17,569	\$ 7,154,170	338,967	9,660,830
Accrued expenses	963,239		8,137,735	-	9,100,974
Due to other funds	9,274,173	990,800	229,770	3,561,893	14,056,636
Deferred revenue	1,800,433			6,605,678	8,406,111
Due to other governments	50,951			84,280	135,231
<b>TOTAL LIABILITIES</b>	<b>14,238,920</b>	<b>1,258,369</b>	<b>15,521,675</b>	<b>10,759,910</b>	<b>41,778,874</b>
<b>FUND BALANCES:</b>					
Reserved for inventory	5,937	-	-	-	5,937
Reserved for prepaid expenditures	245,658	-	438,571	-	684,229
Reserve for amounts due from other funds	2,222,207		2,252,062		4,474,269
Unreserved:					
General Fund	(3,670,390)				(3,670,390)
Special Revenue Funds			(8,576,876)	979,887	(7,596,989)
Capital Project Funds		5,012,707		(7,322)	5,005,385
<b>TOTAL FUND BALANCES</b>	<b>(1,196,588)</b>	<b>5,012,707</b>	<b>(5,886,243)</b>	<b>972,565</b>	<b>(1,097,559)</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 13,042,332</b>	<b>\$ 6,271,076</b>	<b>\$ 9,635,432</b>	<b>\$ 11,732,475</b>	<b>\$ 40,681,315</b>

(CONTINUED)

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

CITY OF WOONSOCKET, RHODE ISLAND

**Balance Sheet**  
**Governmental Funds**  
**June 30, 2010**

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

<b>Total Fund Balance reported in Exhibit B-1</b>	\$ (1,097,559)
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the Gov't Fund balance sheet	192,285,072
Deferred bond issuance costs and other debt charges resulting from issuance of bond obligations. These charges have been included in the governmental activities in the Statement of Net Assets.	1,492,957
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. These liabilities are reported in the Statement of Net Assets.	(227,478,535)
Deferred revenues (net of allowances for uncollectibles) are recorded in the funds, but are not deferred under the measurement focus employed in the Statement of Net Assets.	4,603,248
Accrued interest on long-term debt obligations is reported in the Government-wide Statements but not presented on the funds as it is not expected to be paid with current available resources.	(5,563,024)
<b>Total Net Assets reported in Exhibit A-1</b>	<b><u>\$ (35,757,841)</u></b>

(CONCLUDED)

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

**CITY OF WOONSOCKET, RHODE ISLAND**

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

	General Fund	City Capital Project	School Unrestricted Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>					
General property taxes	\$ 47,400,800				\$ 47,400,800
Revenue in lieu of taxes	180,428				180,428
Intergovernmental grants and contracts	8,058,272	\$ 187,086	\$ 42,170,770	\$ 16,022,958	66,439,086
Departmental revenues	2,221,949				2,221,949
Licenses, fines and fees	2,113,195				2,113,195
Interest on investments	14,670			1,565	16,235
Intergovernmental pension contribution			2,401,449		2,401,449
Contributions		800,000			800,000
Tuition			793,951		793,951
Medicaid			1,316,054		1,316,054
Other	1,055,557		1,022,756	1,400,795	3,479,108
<b>TOTAL REVENUES</b>	<b>61,044,871</b>	<b>\$ 987,086</b>	<b>47,704,980</b>	<b>17,425,318</b>	<b>127,162,255</b>
<b>EXPENDITURES:</b>					
Executive	117,082			26,695	143,777
Legislative - General Government	1,181,009				1,181,009
Planning & Development	827,495				827,495
Finance	1,553,545				1,553,545
Law	205,873				205,873
Public safety	17,526,569			1,614,058	19,140,627
Public works	6,350,881				6,350,881
Human services	133,877			214,188	348,065
Economic development	16,947			2,227,221	2,244,168
Education			62,409,517	12,014,430	74,423,947
Pension expense	2,423,819				2,423,819
Other fixed and general charges	8,406,676			256,616	8,663,292
<b>Debt Service:</b>					
Principal	4,286,328			-	4,286,328
Interest and other costs	6,851,845			-	6,851,845
Bond issuance cost		1,470,898			1,470,898
<b>Capital:</b>					
Capital expenditures		20,159,656		213,887	20,373,543
<b>TOTAL EXPENDITURES</b>	<b>49,881,946</b>	<b>21,630,554</b>	<b>62,409,517</b>	<b>16,567,095</b>	<b>150,489,112</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)</b>	<b>11,162,925</b>	<b>(20,643,468)</b>	<b>(14,704,537)</b>	<b>858,223</b>	<b>(23,326,857)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from bond issuance & lease purchases		77,717,824			77,717,824
Transfers in	1,149,114	152,403	12,586,560	306,152	14,194,229
Transfers out	(12,646,560)		(206,565)	(1,352,104)	(14,205,229)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(11,497,446)</b>	<b>77,870,227</b>	<b>12,379,995</b>	<b>(1,045,952)</b>	<b>77,706,824</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(334,521)</b>	<b>57,226,759</b>	<b>(2,324,542)</b>	<b>(187,729)</b>	<b>54,379,967</b>
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<b>(862,067)</b>	<b>(52,214,052)</b>	<b>(3,561,701)</b>	<b>1,160,294</b>	<b>(55,477,526)</b>
<b>FUND BALANCE AT END OF YEAR</b>	<b>\$ (1,196,588)</b>	<b>\$ 5,012,707</b>	<b>\$ (5,886,243)</b>	<b>\$ 972,565</b>	<b>\$ (1,097,559)</b>

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

CITY OF WOONSOCKET, RHODE ISLAND

**Reconciliation of the Statement of Revenues, Expenditures, and Changes In Fund Balances  
of Governmental Funds (Exhibit B-2) to the Statement of Activities (Exhibit A-2)  
Year Ended June 30, 2010**

<b>Net Change in Fund Balances - Total Governmental Funds (Exhibit B-2):</b>	\$	54,379,967
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation and gain on disposals in the current period.		15,327,474
Governmental funds do not report capital assets. Accordingly, gains and losses on disposition of capital assets are not reflected in the fund statements. This is the amount of loss reported on the disposition of capital assets in the Government-wide statements.		(23,128)
Governmental funds report proceeds from financing as other financing sources. These borrowings are not recognized as revenue in the government wide statements but instead are reported as long-term debt obligations. This is the amount of proceeds received in fiscal 2010.		(77,717,824)
Governmental funds report principal repayments on debt obligations as an expenditure. However, the repayment of principal has no effect on the statement of activities		4,286,328
Governmental funds report liabilities when they are to be paid with current measurable and available resources. Accrued deferred compensation - contractual, represents amounts due to employees in future years based on negotiated revisions to certain contracts. This is the decrease in the liability during the year ended June 30, 2010.		349,594
Governmental funds report debt issuance costs and premiums on debt financing when they occur. The Government-wide statements amortize these costs over the life of the bond. This is the net amount of the amortization of bond premium and issuance costs reported on the Government-wide statements but not reported in the Fund financial statements		9,362
Governmental funds report bond issuance costs as an expenditure when incurred. These costs are capitalized and amortized over the life of the bond in the Government-wide statements. This is the amount of bond issuance costs incurred and reported as an expenditure in the Governmental Fund statements.		1,470,898
Tax and EMS Rescue revenues in the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds. These revenues are reported as deferred revenue in the fund statements but get recognized as revenue in the Statement of Activities. This represents the increase in the deferred revenue reported on these receivables in the Fund statements from 2009.		837,659
Governmental funds report deferred revenue for various Special Revenue Funds as a result of the revenue not being available at year end. The Government-wide Statements report these items as revenue as it is deemed to be earned at year end. Accordingly, this is the amount in which the items reported as deferred revenue in the Fund statements at June 30, 2010 increased from the amounts reported at June 30, 2009.		145,549
Allowance for doubtful accounts on tax and EMS receivables is not reported in the governmental fund statement of revenue, expenditures and changes in fund balances. The change in the allowance is included in the fund balance sheet as a contra to tax & EMS receivables and deferred tax and EMS revenue. The increase in the allowance provision is recorded against revenue in the Statement of Activities.		(563,781)
Interest accrued on long-term debt obligations is reported in the Statement of Activities but not reported in the Fund Statements until paid. This represents the Increase in accrued interest from 2009.		(2,328,509)
Increase in Net Pension Obligation. The governmental fund reflects this activity when it will be paid with measurable and available resources. The change from prior year balances is reflected in the statement of activities and changes in net assets.		(2,657,845)
Increase in Net OPEB Obligation. The governmental fund reflects this activity when it will be paid with measurable and available resources. The change from prior year balances is reflected in the statement of activities and changes in net assets as an expense in the Government-wide statements.		(9,930,174)
Decrease in compensated absences. The governmental fund reflects this activity when it will be paid with measurable and available resources. The change from prior year balances is reflected in the statement of activities and changes in net assets.		27,373
<b>Change in Net Assets of Governmental Activities in the Statement of Activities (Exhibit A-2)</b>	\$	<u>(16,387,057)</u>

CITY OF WOONSOCKET, RHODE ISLAND

**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2010**

	Business-type Activities-Enterprise Funds					Totals
	Water Fund	Regional Wastewater Fund	User Charge Fund	Hydro Fund	School Proprietary Funds	
<b>ASSETS:</b>						
<b>Current Assets:</b>						
Cash and cash equivalents	\$ 3,500,482	\$ 676,534	\$ 508,077	\$ 94,521	\$ 602,541	\$ 5,382,155
Accounts and other receivables, net	1,777,469	553,553	1,762,653			4,093,675
Due from federal and state governments		820			186,637	187,457
Due from other funds	2,663,899	4,016,680	1,031,724		141,703	7,854,006
Prepaid expenses						-
<b>Total Current Assets</b>	<b>7,941,850</b>	<b>5,247,587</b>	<b>3,302,454</b>	<b>94,521</b>	<b>930,881</b>	<b>17,517,293</b>
<b>Noncurrent Assets:</b>						
Restricted cash	1,159,965	-	71,191			1,231,156
Deferred charges, bond issuance costs		178,665	32,300			210,965
Property, plant and equipment, net	26,415,523	26,456,316	550,894		237,864	53,660,597
<b>Total Noncurrent Assets</b>	<b>27,575,488</b>	<b>26,634,981</b>	<b>654,385</b>	<b>-</b>	<b>237,864</b>	<b>55,102,718</b>
<b>TOTAL ASSETS</b>	<b>35,517,338</b>	<b>31,882,568</b>	<b>3,956,839</b>	<b>94,521</b>	<b>1,168,745</b>	<b>72,620,011</b>
<b>LIABILITIES:</b>						
<b>Current Liabilities:</b>						
Accounts payable	601,423	479,978	187,358	5,840	216,253	1,490,852
Accrued liabilities	177,048	5,770				182,818
Due to federal and state governments	62,329					62,329
Due to other funds	318,874	192,500	3,741,362	2,222,207	316,907	6,791,850
Deferred revenue	13,420					13,420
Current portion of notes & leases payable		1,228,673				1,228,673
Current portion of bonds payable	1,010,000	-	(811)			1,009,189
<b>Total Current Liabilities</b>	<b>2,183,094</b>	<b>1,906,921</b>	<b>3,927,909</b>	<b>2,228,047</b>	<b>533,160</b>	<b>10,779,131</b>
<b>Noncurrent Liabilities:</b>						
Bonds payable long term portion	12,383,999					12,383,999
Notes and leases payable long term portion		13,235,371				13,235,371
Net OPEB obligation	668,065	4,747				672,812
Accrued compensated absences	400,196	44,902				445,098
<b>Total Noncurrent Liabilities</b>	<b>13,452,260</b>	<b>13,285,020</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>26,737,280</b>
<b>TOTAL LIABILITIES</b>	<b>15,635,354</b>	<b>15,191,941</b>	<b>3,927,909</b>	<b>2,228,047</b>	<b>533,160</b>	<b>37,516,411</b>
<b>NET ASSETS:</b>						
Invested in capital assets, net of related debt	14,181,489	12,170,937	655,196	-	237,864	27,245,486
Unrestricted	5,700,495	4,519,690	(626,266)	(2,133,526)	397,721	7,858,114
<b>TOTAL NET ASSETS</b>	<b>\$ 19,881,984</b>	<b>\$ 16,690,627</b>	<b>\$ 28,930</b>	<b>\$ (2,133,526)</b>	<b>\$ 635,585</b>	<b>\$ 35,103,600</b>

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

**CITY OF WOONSOCKET, RHODE ISLAND**

**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Year Ended June 30, 2010**

	Business-type Activities-Enterprise Funds					Totals
	Water Fund	Regional Wastewater Fund	User Charge Fund	Hydro Fund	School Proprietary Funds	
<b>OPERATING REVENUES:</b>						
Usage sales and fees	\$ 7,192,384	\$ 5,671,962	\$ 5,662,763		\$ 570,136	\$ 19,097,245
Intergovernmental grants					2,216,332	2,216,332
<b>Total Operating Revenues</b>	<b>7,192,384</b>	<b>5,671,962</b>	<b>5,662,763</b>	<b>\$ -</b>	<b>2,786,468</b>	<b>21,313,577</b>
<b>OPERATING EXPENSES:</b>						
Salaries and benefits	1,744,605	114,428	21,039			1,880,072
Purchase services	893,967	2,722,870	952,923	21,354	2,678,496	7,269,610
Operating supplies	262,203	158,746	109,305			530,254
Fixed and general charges	1,547,653	260,732	4,669,116			6,477,501
Increase in provision for doubtful accounts	-	20,500				20,500
Depreciation	657,824	983,141	45,042		59,786	1,745,793
<b>Total Operating Expenses</b>	<b>5,106,252</b>	<b>4,260,417</b>	<b>5,797,425</b>	<b>21,354</b>	<b>2,738,282</b>	<b>17,923,730</b>
<b>OPERATING INCOME (LOSS)</b>	<b>2,086,132</b>	<b>1,411,545</b>	<b>(134,662)</b>	<b>(21,354)</b>	<b>48,186</b>	<b>3,389,847</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>						
Investment income	148,874	2,723	107,813		988	260,398
Interest expense	(497,070)	(759,874)	(12,348)			(1,269,292)
Gain (loss) of sale/disposition of asset			67,843		(15,416)	52,427
Amortization		(20,197)	(1,900)			(22,097)
Rental income				94,521		94,521
<b>Net Nonoperating Revenues (Expenses)</b>	<b>(348,196)</b>	<b>(777,348)</b>	<b>161,408</b>	<b>94,521</b>	<b>(14,428)</b>	<b>(884,043)</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in			11,160		11,000	22,160
Transfers out		(11,160)				(11,160)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>(11,160)</b>	<b>11,160</b>	<b>-</b>	<b>11,000</b>	<b>11,000</b>
<b>CHANGE IN NET ASSETS</b>	<b>1,737,936</b>	<b>623,037</b>	<b>37,906</b>	<b>73,167</b>	<b>44,758</b>	<b>2,516,804</b>
<b>TOTAL NET ASSETS - BEGINNING (As Restated)</b>	<b>18,144,048</b>	<b>16,067,590</b>	<b>(8,976)</b>	<b>(2,206,693)</b>	<b>590,827</b>	<b>32,586,796</b>
<b>TOTAL NET ASSETS - ENDING</b>	<b>\$ 19,881,984</b>	<b>\$ 16,690,627</b>	<b>\$ 28,930</b>	<b>\$ (2,133,526)</b>	<b>\$ 635,585</b>	<b>\$ 35,103,600</b>

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

CITY OF WOONSOCKET, RHODE ISLAND

**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2010**

	Business-type Activities- Enterprise Funds					Totals
	Water Fund	Regional Wastewater Fund	User Charge Fund	Hydro Fund	School Proprietary Funds	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>						
Cash received from customers	\$ 7,698,645	\$ 5,563,510	\$ 5,782,464		\$ 570,136	\$ 19,614,755
Cash received from intergovernmental operating grants					2,433,093	2,433,093
Cash received from providing services				\$ 94,521		94,521
Cash paid to suppliers for goods and services and other operating payments	(2,861,914)	(2,949,969)	(6,148,448)	(3)	(2,833,808)	(14,794,142)
Cash paid to employees	(1,496,363)	(122,226)	(38,712)			(1,657,301)
Cash paid for claims						-
Cash paid for other operating expenses						-
<b>Net cash provided (used ) by operating activities</b>	<b>3,340,368</b>	<b>2,491,315</b>	<b>(404,696)</b>	<b>94,518</b>	<b>169,421</b>	<b>5,690,926</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>						
Increase in due to (from) other funds	(1,969,452)	(119,814)	(931,496)		(106,989)	(3,127,751)
<b>Net cash provided (used ) by noncapital financing activities</b>	<b>(1,969,452)</b>	<b>(119,814)</b>	<b>(931,496)</b>	<b>-</b>	<b>(106,989)</b>	<b>(3,127,751)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>						
Acquisition of capital assets	(1,348,634)	(64,332)	(210,775)		(7,883)	(1,631,624)
Grant income transferred in for capital improvements					11,000	11,000
Proceeds from sale of capital assets			230,000			230,000
Amortization of deferred debt - issuance costs		(20,197)	(1,900)			(22,097)
Principal paid on bonds	(1,101,690)	(1,605,610)	(55,000)			(2,762,300)
Interest paid on bonds, notes and loans	(505,950)	(752,008)	(12,348)			(1,270,306)
<b>Net cash used for capital and related financing activities</b>	<b>(2,956,274)</b>	<b>(2,442,147)</b>	<b>(50,023)</b>	<b>-</b>	<b>3,117</b>	<b>(5,445,327)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>						
Investment income	148,874	2,723	107,813		988	260,398
<b>Net cash provided by investing activities</b>	<b>148,874</b>	<b>2,723</b>	<b>107,813</b>	<b>-</b>	<b>988</b>	<b>260,398</b>

(CONTINUED)

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

CITY OF WOONSOCKET, RHODE ISLAND

**Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2010**

	Business-type Activities- Enterprise Funds					Totals
	Water Fund	Regional Wastewater Fund	User Charge Fund	Hydro Fund	School Proprietary Funds	
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(1,436,484)	(67,923)	(1,278,402)	94,518	66,537	(2,621,754)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	6,096,931	744,457	1,857,670	3	536,004	9,235,065
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 4,660,447</u>	<u>\$ 676,534</u>	<u>\$ 579,268</u>	<u>\$ 94,521</u>	<u>\$ 602,541</u>	<u>\$ 6,613,311</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>						
Operating income (loss)	\$ 2,086,132	\$ 1,411,545	\$ (134,662)	\$ (21,354)	\$ 48,186	\$ 3,389,847
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation and amortization expense	657,824	1,003,338	46,942	-	59,786	1,767,890
Increase (decrease) in provision for doubtful accounts	-	20,425	-	-	-	20,425
Increase (decrease) in compensated absences	(109,140)	1,179	(13,083)	-	-	(121,044)
(Increase) decrease in accounts receivable	507,894	(107,557)	119,701	94,521	216,420	830,979
Increase (decrease) in accounts payable	398,645	164,053	166,245	2,256	(183,226)	547,973
Increase (decrease) in accrued liabilities	19,610	(13,724)	(4,590)	-	-	1,296
Increase (decrease) in net OPEB obligation	337,772	4,747	-	-	-	342,519
Increase in due to other funds	(547,683)	8,129	(585,249)	19,095	28,255	(1,077,453)
Decrease in due to federal and state governments	(9,053)	-	-	-	-	(9,053)
Increase in due from federal and state governments	-	(820)	-	-	-	(820)
Increase in deferred revenue	(1,633)	-	-	-	-	(1,633)
<b>Net cash provided (used) by operating activities</b>	<u>\$ 3,340,368</u>	<u>\$ 2,491,315</u>	<u>\$ (404,696)</u>	<u>\$ 94,518</u>	<u>\$ 169,421</u>	<u>\$ 5,690,926</u>

**Non-cash transactions:**

During the fiscal year ended June 30, 2010 there were no non-cash investing or financing activities of the Proprietary Funds.

(CONCLUDED)

CITY OF WOONSOCKET, RHODE ISLAND

**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**June 30, 2010**

	Employee Retirement Plan	Private Purpose Trusts	Agency Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 158,269	\$ 70,124	\$ 1,182,911
Accrued interest	136,052		
Investments, at fair value:			
Certificates of Deposit		222,580	
U.S. Government obligations	9,451,048		
Money market funds	1,403,368		
Equity securities	12,910,150		
Corporate and foreign bonds	6,440,955		
Municipal obligations	182,132		
Domestic mutual funds	25,697,880		
Total investments	56,085,533	222,580	-
<b>TOTAL ASSETS</b>	56,379,854	292,704	1,182,911
<b>LIABILITIES</b>			
Cash overdraft			
Accounts payable and accrued expenses	218,325		
Deposits held in custody for others			1,182,911
<b>TOTAL LIABILITIES</b>	218,325	-	1,182,911
<b>NET ASSETS</b>			
Held in trust for pension benefits and other purposes	\$ 56,161,529	\$ 292,704	\$ -

\* Accounts payable and accrued expenses of the Employee Retirement Plan includes \$69,704 due to the City General Fund for the assessment of administrative fees and \$105,583 due to the City General Fund for reimbursement of pension payments made to retirees in June 2010.

CITY OF WOONSOCKET, RHODE ISLAND

**Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds  
For the year ended June 30, 2010**

	Employee Retirement Plan	Private Purpose Trusts
<b>ADDITIONS:</b>		
Contributions - employer	\$ 15,611	
Contributions - employee	24,979	
Total contributions	<u>40,590</u>	\$ -
Investment earnings:		
Net unrealized depreciation in fair value of investments	9,077,644	
Interest and dividends	1,020,952	3,880
Realized gains (loss) from investments	(2,315,211)	
Total investment earnings	<u>7,783,385</u>	<u>3,880</u>
Less investment management expenses	262,938	
Net investment earnings (losses)	<u>7,520,447</u>	<u>3,880</u>
<b>TOTAL ADDITIONS (DECREASES)</b>	<u>7,561,037</u>	<u>3,880</u>
<b>DEDUCTIONS:</b>		
Benefits paid	7,513,418	
Operating expenses		4,558
<b>TOTAL DEDUCTIONS</b>	<u>7,513,418</u>	<u>4,558</u>
<b>CHANGE IN NET ASSETS</b>	47,619	(678)
NET ASSETS - BEGINNING OF YEAR	56,113,910	292,938
NET ASSETS - END OF YEAR	<u>\$ 56,161,529</u>	<u>\$ 292,260</u>

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

**CITY OF WOONSOCKET, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City operates under a Council – Mayor form of government and provides the following services as authorized by its charter: public safety (police and fire), highway and streets, sanitation, health and social services, culture, recreation, education, public improvements, planning and zoning and general administrative services.

The City complies with generally accepted accounting principles (GAAP) except for the infrastructure reporting requirements under GASB Statement #34 and the OPEB requirements under GASB Statement #45 as it relates to the OPEB benefits of the Woonsocket Education Department. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The City has elected not to follow subsequent private-sector guidance. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this note.

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

***Reporting Entity***

The City of Woonsocket, Rhode Island, was incorporated on June 13, 1888 under the provisions of Chapter 728 of the Public Laws of the State of Rhode Island. The City operates under a Home Rule Charter, adopted in 1952, and amended from time to time, providing for a strong mayoral form of government; a Mayor and a seven-member City Council govern the City. All legislative powers of the City are vested in the City Council, subject to the constitution of the State and the provisions of the Home Rule Charter. The Home Rule Charter grants the City Council the authority to enact, amend or repeal ordinances relating to all local governmental matters.

In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement No. 39. Under GASB Statement No. 39, the financial reporting entity includes both the primary government and all of its component units. Component units are legally separate entities that meet any one of the following three tests:

- Test 1 – The primary government appoints the voting majority of the board of the potential component unit and is able to impose its will on the potential component unit and/or is in a relationship of financial benefit or burden with the potential component unit;
- Test 2 – The potential component is fiscally dependent upon the primary government; or
- Test 3 – The financial statements would be misleading if data from the potential component unit were not included.

The following entities were considered for classification as component unit for fiscal year 2010.

- Woonsocket Education Department
- Woonsocket Employee Retirement Plan

Although these entities meet certain criteria of the tests listed above, neither entity is deemed to have a separate legal status apart from the City. As a result, the financial data of the Woonsocket Education Department has been included in the Special Revenue Funds and the Employee Retirement Plan has been included as a Fiduciary Fund within the City's financial statements.

(CONTINUED)

**CITY OF WOONSOCKET, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Reporting Entity***

Other governmental type entities not meeting the established criteria for inclusion in the reporting entity include:

- Woonsocket Housing Authority
- Woonsocket Redevelopment Agency
- Woonsocket Industrial Development Corporation
- Woonsocket Housing Development Corporation
- Main Street 2000 Development Corporation

The operations of these organizations are administered solely by the autonomous management of each entity. In addition, each entity has the ability to issue debt, set revenue generation mechanisms, and establish operational and capital budgets.

***Basis of Presentation***

***Government-Wide Financial Statements***

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

***Fund Financial Statements***

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

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

***Governmental Funds***

The funds of the financial reporting entity are described below:

(CONTINUED)

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**CITY OF WOONSOCKET, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**General Fund**

The General Fund is used to account for resources devoted to financing the general services that the City performs for its citizens. General tax revenues and other sources of revenues used to finance the fundamental operations of the City are included in this Fund. The fund is charged with all costs of operating the government for which a separate fund has not yet been established.

**Special Revenue Funds**

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

**Capital Project Funds**

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

**Permanent Funds**

The Permanent Funds account for assets held by the City pursuant to trust agreements. The principal portion of this fund type must remain intact, but the earnings may be used to achieve the objectives of the fund. The City of Woonsocket did not maintain any funds meeting the definitions of Permanent Funds at June 30, 2010.

**Proprietary Funds**

Proprietary funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The Proprietary Funds include both Enterprise and Internal Service Funds. The City of Woonsocket had six Enterprise Funds (including two held at the School Department) at June 30, 2010. The City does not currently maintain any Internal Service Funds.

**Fiduciary Funds (Not included in government wide statements)**

**Agency Funds**

Agency funds account for assets held by the City in a purely custodial capacity. The reporting entity includes ten agency funds at June 30, 2010. Since agency funds are custodial in nature (i.e. assets equal liabilities), they do not involve the measurement of results of operations. The agency funds are as follows:

- Sidewalk Deposit Fund
- Construction Escrow Account
- Fire Dental Plan
- Thundermist Hydro/Putnam Hydro
- Vica Fund (School)
- Middle School Fund (School)
- Curbing Deposit Fund
- Deduction Services Fund
- Fire Dental Level II
- Senior Awards Banquet (School)
- High School Fund (School)

(CONTINUED)

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**CITY OF WOONSOCKET, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

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**Fiduciary Funds (Not included in government wide statements) (Continued)**

**Private-purpose Trust Funds**

Private-purpose trust funds are used to account for resources legally held in trust for use by parties outside of the City, and cannot be used at the City's discretion or to support the City's general operations. The following Private-purpose Trust Funds were held by the City at June 30, 2010:

- John Bellows Trust Fund
- EMS Public Fund
- Valois Animal Trust Fund
- Stella M. Gould Memorial Scholarship (School Fund)
- Sandra H. Whipple Memorial Scholarship (School Fund)
- Arthur J. Cournoyer Memorial Scholarship (School Fund)
- ADA Memorial Scholarship (School Fund)

**Employee Retirement Plan**

The Employee Retirement Plan accounts for funding and payment of pension benefits provided to police officers and firefighters that are part of the City's self funded pension system.

***Major and Non-Major Funds***

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

<u>Fund</u>	<u>Brief Description</u>
<b>Major:</b>	
General Fund:	See above for description.
<b>Special Revenue Funds:</b>	
School Unrestricted Fund	This fund is used to report all financial transactions of the Woonsocket Education Department, which are not legally required to be accounted for separately.
<b>Capital Projects Funds:</b>	
City Capital Projects	This fund is used to account for the Capital Projects – Bond Fund of the City. This fund reports various activity related to the acquisition or construction of major capital facilities of the City.
<b>Proprietary Fund:</b>	
Regional Wastewater	This fund is used to account for fees and expenses associated with providing sewer service to the City's residents.
Water Fund	This fund is used to account for water user fees and the expenses associated with providing water services to City residents.

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**CITY OF WOONSOCKET, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Major and Non-Major Funds (Continued)**

**Major (Continued):**

<u>Fund</u>	<u>Brief Description</u>
User Charge	Accounts for the operations of a solid waste transfer station.
Hydro Fund	Accounts for the City of Woonsocket's Thundermist Hydro-Electric Plant. <b>This fund did not meet the criteria for reporting as a major fund however, management has elected to present the fund as a major fund.</b>
School Proprietary Funds	Consists of the School Food Service Fund and the School Vocational Education Fund. <b>These funds did not meet the criteria for reporting as a major fund however, management has elected to combine these school funds and present the combined fund as a major fund.</b>

**Non-major:**

**Special Revenue Funds:**

Land and Outdoor Recreation Trust Fund, Emergency Shelter Fund, Hamlet Ave Enhancement, Juvenile Fire Setters' Education, Planning Board Fund, Business Revolving Loan, Community Development Housing Preservation Grant Fund, Rhode Island Home Fund, Library Services Fund, Harris Library Grant, Woonsocket Senior Citizens Fund, Neighborhood Crime Watch, UDAG Loan Repayment Fund, Comprehensive Planning Grant, Rivers Edge Recreation Grant, Fed & State Drug Forfeiture/Police Special Squad Fund, Task Force on Drugs and Alcohol Abuse Fund, Bramley Bill Fund, LLEBG Grant 2004/2006, Community Development Block Grant, Building Inspection Services Fund, Hazardous Material Grant, Fire P.P.E. Grant, Special Squad Holding, Lead Hazard Control, LLEBG Grant 2002-2004, EMS Public Fund, Cops Hiring Grant, Woonsocket EMA Grant, Justice Assistance Grant 09, Library Fines and Fees, Planning Challenge Grant, Hamlet Ave. Economic Program, Homeland Security Grant, Recovery Justice Assistance Grant 09, Recycling Coordinator Fund, Recycling Containers Fund, Lead Hazard Demo Grant, Justice Assistance Grant 06, 2008 Cops Technology Grant, City Clerk Records Restoration Fund, Justice Assistance Grant 07, Justice Assistance Grant 08, Wayfinding Master Plan, Brownsfield Assessment

(CONTINUED)

**CITY OF WOONSOCKET, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Major and Non-Major Funds (Continued)**

**Non-major (Continued):**

**Special Revenue Funds (Continued):**

and School Restricted Funds. School Restricted Fund is comprised of various individual grant funds as follows: Cozi, Title I, Title III, Title II Title IV, Homeless Education, E2T2, ARRA Accept and Special Ed Part B, Preschool Sec 619, Perkins, Perkins Long-Term, Evenstart, Family Literacy Even Start, Title I School Improvement, WIA ABE Family Literacy, ARRA IDEA, Math & Science PRIMES, 21<sup>st</sup> Century Learning Community, 21<sup>st</sup> Century High School, 21<sup>st</sup> Century Middle School, District Negotiated Agreement, SSPI Grant, PS&I Grant, Legislative Grant, Harris Playground, Jr. Air force ROTC, Technology for All, RI Parent Info Network, Feinstein Foundation, CVS Grant, ING Unsung Heroes, Lowe's Skills USA, Project Opportunity, United Way, ARRA Kitchen Equipment, Wallace Grant, Spelling Bee, Feinstein Community Relief, Savioe Donations, RI Improvement, Smile Program, Wal-Mart Literacy, ELT Grant, Big Yellow Bus, Quota Speech, College Crusade, Riverz Edge, and State Fiscal Stabilization Funds.

**Capital Projects Funds:**

School capital projects fund.

**Measurement Focus**

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

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

- (a) All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period. The City considers property taxes as available if they are collected within 60 days after year end. Substantially all other revenue of the governmental funds is recognized utilizing the modified accrual method of accounting and as such it is recognized as it is earned and available. Items for reimbursement of costs incurred are recorded and recognized when billed unless they are not expected to be collected within one year. Certain funding received from the State of Rhode Island (i.e. telephone tax, meals and beverage tax) is reported as revenue for the fiscal year ended June 30, 2010 due to collection within 60 days after the end of the fiscal year.

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**CITY OF WOONSOCKET, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Measurement Focus (Continued)***

- (b) The proprietary funds and private purpose trust funds utilize "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of net income, financial position and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Fund equity is classified as net assets.
- (c) Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

***Basis of Accounting***

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

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

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

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

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

***Assets, Liabilities, and Fund Equity***

**Cash**

Cash and cash equivalents are carried at cost. Cash equivalents include all highly liquid investments with an original maturity of three months or less when purchased. Substantially, all of the City's cash and cash equivalents are held in public deposit institutions. Pursuant to Section 35-10-1 of the Rhode Island General Laws, as of October 1, 1991, public deposit institutions are required to insure accounts which hold public funds in excess of the amount which is guaranteed by FDIC.

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**CITY OF WOONSOCKET, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Cash (Continued)**

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

**Investments**

The City invests in various types of investments, which are stated at fair value.

The City treasurer shall have custody of all investments and invested funds of the City or which are in the possession of the City in a fiduciary capacity.

The City treasurer shall invest the monies and funds of the City in the manner provided by ordinance and shall have the safekeeping of the bonds and notes of the City and the receipt and delivery of bonds and notes of transfer, registration, and exchange.

The council, by ordinance, shall provide for an investment board of five (5) members to advise and direct the City treasurer in the investment of the City's funds. Such investment board shall include three (3) members who are qualified electors of the City.

**Accounts Receivable**

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. The allowance for uncollectible accounts receivable amounted to approximately \$7,896,900 at June 30, 2010. This allowance for uncollectible accounts includes approximately \$5,369,000 for property taxes, \$538,000 for EMS rescue runs, \$10,000 for police detail billings, \$200,000 for issued loans in revolving loan funds, \$1,030,000 for the Water Fund, \$643,400 for the User Charge Fund, and \$106,500 for the Regional Wastewater Fund.

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

**Inventories**

Inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method.

**Property Taxes**

Real and personal property taxes are based on values assessed as of each December 31 (lien date) and attach as an enforceable lien on property as of July 1 (levy date). Taxes are due in equal quarterly installments on July 15, October 15, January 15, and April 15 following the levy date. The taxpayer may elect to pay the taxes in full by September 1, annually. Taxes due and unpaid after the respective due dates are subject to interest at a rate of 12% per annum calculated on the unpaid portion of the total tax. An automatic lien is placed on the taxpayer's property if payment has not been received by the tax due date. Property taxes levied are recorded as receivables in the fiscal year of the levy. Property tax revenues are recorded in accordance with the modified accrual basis of accounting in the fund financial statements.

(CONTINUED)

**CITY OF WOONSOCKET, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Bond Premium**

In the Government-wide financial statements and Proprietary Fund Statements, premiums on general obligation bonds are capitalized and amortized over the life of the bond, using the straight-line method. The premiums are included in long-term debt obligations. In the fund financial statements bond premiums are reported as part of the proceeds received from bond issuance under other financing sources.

**Prepays**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid assets. Prepays recorded in governmental type funds do not reflect current appropriated resources and, thus, an equivalent portion of the fund balance is reserved.

**Property, Plant and Equipment**

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

**Government-Wide Statements**

In the government-wide financial statements, long-lived assets are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets, which are recorded at their estimated fair value at the date of donation.

Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year.

As of June 30, 2010, the City did not have established policies or procedures in place for maintaining and valuing the capital asset records (including infrastructure assets) of the governmental activities. Accordingly, the auditors' report expresses an adverse opinion related to the governmental activities of the government wide financial statements as of and for the year ended June 30, 2010.

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

Buildings	25 - 65 years
Land improvements	10 – 65 years
Building improvements	15 – 30 years
Equipment	6 – 30 years
Vehicles	6 years
Infrastructure	65 years

**Fund Financial Statements**

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

(CONTINUED)

**CITY OF WOONSOCKET, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Assets, Liabilities, and Fund Equity (Continued)***

**Deferred Revenues**

In the government-wide financial statements, deferred revenues represent funds received in advance of being earned/owed or receivables which will be collected and included in revenues of future fiscal years. In the General Fund, (of the fund financial statements), deferred revenues include property tax receivables which are assessed on December 31, 2008 and prior and are not collected within 60 days of June 30, 2010. Net deferred taxes included in the fund financial statements (City's General Fund) were approximately \$1,800,000 at June 30, 2010.

**Interfund Transactions**

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

Reciprocal interfund activities:

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

Non-reciprocal interfund activities:

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

***Equity Classifications***

**Government-Wide Statements**

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

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

(CONTINUED)

CITY OF WOONSOCKET, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Equity Classifications***

**Fund Financial Statements**

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

**Compensated Absences**

Employees are granted vacation and sick leave in varying amounts. Upon retirement, termination or death, certain employees are compensated for unused vacation and sick leave (subject to certain limitations) at their current rates of pay. The amount recorded is the unused days earned at the current rate of pay. For governmental activities the general fund is used to satisfy this liability as it becomes due, while each enterprise fund accounts for all its settlement of business-type liabilities for compensated absences. Compensated absences are accrued at varying amounts based on the collective bargaining unit contracts of the various unions.

**Long Term Obligations**

Long-term debt is recognized as a liability of the governmental funds when due. For other long-term obligations, only that portion expected to be financed from expandable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in long-term liabilities on the government activities.

**Fund Equity**

Reserves represent those portions of fund equity not available for current expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

**Bond Discount/Issuance Costs**

In governmental fund types, bond discounts and issuance costs are recognized in the current period. Bond discounts and issuance costs for proprietary fund types as well as the government wide financial statements are deferred and amortized over the term of the bonds using straight-line method. Bond discounts are presented as a reduction of the face amount of bonds whereas issuance costs are recorded as deferred charges.

**Reconciliation of Government-wide and Fund Financial Statements**

The governmental fund balance sheet includes reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$227,478,535 are as follows:

Bond, notes and lease obligations payable.	\$193,907,496
Net Pension Obligation .....	4,150,545
Net OPEB Obligation .....	19,484,531
Compensated absences .....	<u>9,935,963</u>
<b>Total .....</b>	<b><u>\$227,478,535</u></b>

(CONTINUED)

**CITY OF WOONSOCKET, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense.” The details of this \$15,327,474 difference are as follows:

Capital outlays .....	\$19,919,897
Depreciation expense .....	<u>(4,592,423)</u>
<b>Net adjustment</b> .....	<b><u>\$15,327,474</u></b>

Another element of the reconciliation states that “Tax and EMS Rescue revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.” The details of the \$837,659 are as follows:

Deferred taxes, gross, beginning of year .....	(\$6,042,592)
Deferred taxes, gross, end of year .....	6,791,501
Deferred EMS, gross, beginning of year .....	(1,106,185)
Deferred EMS, gross, end of year .....	<u>1,194,935</u>
<b>Net adjustment</b> .....	<b><u>\$ 837,659</u></b>

Another element of that reconciliation states that, “Governmental funds report deferred revenues for various Special Revenue Funds as a result of revenues not being available at year end. The Government-wide Statements report these items as revenue.....” The details of this \$145,549 difference are as follows:

Deferred revenue - ending .....	\$2,523,657
Deferred revenue – beginning .....	<u>(2,378,108)</u>
<b>Net adjustment</b> .....	<b><u>\$ 145,549</u></b>

**Recently Issued Accounting Standards**

The following are recently issued governmental accounting standards which will be implemented by the City in future years. The impact of these pronouncements has not been determined.

- ✓ GASB Statement No. 54 – Fund Balance Reporting and Governmental Fund Type Definitions, effective for the City’s fiscal year ending June 30, 2011.
- ✓ GASB Statement No. 57 – OPEB Measurements by Agent Employers and Agent Multiple Employer Plans, full implementation effective for the City’s fiscal year ending June 30, 2011.
- ✓ GASB Statement No. 59 – Financial Instruments Omnibus, Effective for the City’s fiscal year ending June 30, 2011.
- ✓ GASB Statement No. 45 - Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions, effective for the City’s fiscal year ending June 30, 2009. The City is in the process of completing an actuarial study on the OPEB obligation of the Woonsocket Education Department (see Qualification of Independent Auditors’ Report).

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**CITY OF WOONSOCKET, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Recently Issued Accounting Standards (Continued)**

During the fiscal year ended June 30, 2010 the City implemented the following governmental accounting standards:

- ✓ GASB Statement No. 45 – Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions, effective for the City’s fiscal year ending June 30, 2009. During fiscal 2010 the City implemented this Statement for all of its funds and Departments except for the Woonsocket Education Department. The Actuarial Valuation of the School Departments OPEB obligation and unfunded liability is currently being calculated. The information will be available and reported in the June 30, 2011 financial statements.
- ✓ GASB Statement No. 51 – Accounting and Financial Reporting for Intangible Assets.
- ✓ GASB Statement No. 53 – Accounting and Financial Reporting for Derivative Instruments.

**2. BUDGETARY PROCESS**

**(a) Adoption**

The City Charter provides that the Mayor must file with the City Clerk at least sixty (60) days prior to the beginning of each fiscal year, a proposed operating budget, capital budget, and message containing an explanation of proposed financial policies and the important features of the budget plan. The Mayor must file at the same time proposed appropriation ordinances providing for the support of the City for the ensuing fiscal year. The budget must reflect all anticipated revenues and proposed expenditures. By State law the proposed expenditures cannot exceed anticipated revenues. The City Council may revise the proposed budget; however, the Council must provide for increasing anticipated revenues equal to an increase in expenditures. The Charter provides that “no revenue shall be inserted by the Council in the budget unless the Director of Finance determines that the facts clearly demonstrate that such amount will be realized in cash during the budget year.” The Charter also provides that the City Council will hold a public hearing on the budget not later than June 15<sup>th</sup> of each year.

The City Council shall hold a public hearing on the budgets not later than June first of each year, at which interested persons shall have an opportunity to be heard; legal notice shall be published at least ten (10) days in advance thereof.

**(b) General Fund**

Actual General Fund expenditures on the Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budgetary Basis) (Exhibit RSI-1) are adjusted to reflect the budgetary basis of accounting which differs from actual expenditures recognized for the General Fund in the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds (Exhibit B-2) in that encumbrances are considered to be expenditures for budgetary purposes but not for GAAP purposes and transfers are considered other financing uses for GAAP but expenditures for budgetary purposes.

A reconciliation of the General Fund revenues and expenditures and other financing sources (uses), as reported on Exhibits B-2 and RSI - 1 is presented below:

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**CITY OF WOONSOCKET, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**2. BUDGETARY PROCESS (Continued)**

**(b) General Fund (Continued)**

**REVENUES**

<b>Total General Fund revenues, from Exhibit B-2 .....</b>	<b>\$ 61,044,871</b>
<b>Adjustments:</b>	
Restricted receipts for education department reported in General Fund for budget ..	48,548,476
Reimbursement for debt service reported as revenue for budget purposes .....	623,557
Transfers from other funds reported as revenue for budget purposes .....	1,149,114
<b>Total budgetary basis revenues, from Exhibit RSI - 1 .....</b>	<b><u>\$111,366,018</u></b>

**EXPENDITURES**

<b>Total General Fund expenditures, from Exhibit B-2 .....</b>	<b>\$ 49,881,946</b>
<b>Adjustments:</b>	
Reimbursement of debt service reported as revenue for budget purposes .....	623,557
Transfer to other funds reported as expenditures for budget purposes .....	60,000
Education department expenditures reported in General Fund for budget .....	50,873,018
<b>Total budgetary basis expenditures, from Exhibit RSI - 1 .....</b>	<b><u>\$101,438,521</u></b>

Note: There were no encumbrances outstanding at June 30, 2010 or 2009.

**(c) Special Revenue Funds**

The actual revenues and expenditures of Special Revenue Funds included in the Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – School Unrestricted Fund – (Exhibit RSI - 2) are presented on the budgetary basis of accounting which differs from actual revenues and expenditures recognized for the School Unrestricted Fund in the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds (Exhibit B-2) in that encumbrances are considered to be expenditures for budgetary purposes but not for GAAP purposes, on behalf pension contributions by the State of Rhode Island are reported as both revenue and expenditures in the funds statements, and transfers to other funds are considered other financing uses for GAAP and an expenditure for budgetary purposes. In addition effective with fiscal 2009 the School Department received State Fiscal Stabilization Funds which are required by the State of Rhode Island Department of Education to be shown as a restricted fund but for budget purposes the activity is reported as part of the School Unrestricted Fund.

Only the revenues and expenditures of special revenue funds which have legally adopted annual budgeted appropriations are included in Exhibit RSI - 2. The School Unrestricted Fund is the only Special revenue Fund which legally adopts an annual budget. A reconciliation of the School Unrestricted Fund revenues and expenditures and other financing sources (uses), as reported on Exhibits B-2 and RSI-2, is presented below:

**REVENUES**

<b>Total School Unrestricted revenues, from Exhibit B-2 .....</b>	<b>\$ 47,704,980</b>
<b>Adjustments:</b>	
State Fiscal Stabilization Funds reported as a Restricted Fund for GAAP .....	3,244,945
State on behalf pension contribution not budgeted .....	(2,401,449)
<b>Total budgetary basis revenues, from Exhibit RSI - 2 .....</b>	<b><u>\$ 48,548,476</u></b>

(CONTINUED)

**CITY OF WOONSOCKET, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**2. BUDGETARY PROCESS (Continued)**

**(c) Special Revenue Funds**

**EXPENDITURES**

<b>Total School Unrestricted expenditures, from Exhibit B-2.....</b>	<b>\$62,409,517</b>
<b>Adjustments:</b>	
State Fiscal Stabilization Fund expenditures in restricted fund for GAAP .....	3,244,945
State on behalf pension contribution not budgeted .....	(2,401,449)
Add transfer to School Capital Projects Fund .....	<u>206,565</u>
<b>Total budgetary basis expenditures from Exhibit RSI-2.....</b>	<b><u>\$63,459,578</u></b>

**3. CASH AND INVESTMENTS**

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

***Deposits***

The carrying amount of the City's cash and cash equivalents at June 30, 2010 was \$20,873,626 (including Private Purpose Trust Funds and Agency Funds) while the bank balance was \$21,787,414. The carrying amount is presented as follows – cash and cash equivalents of \$19,811,562, restricted cash \$1,231,156, and cash overdrafts of (\$169,092). The School Department maintains a pooled cash account for its restricted grant funds. Accordingly, some of the funds are presented with positive cash balances while others are presented with an overdraft at June 30, 2010. Of the bank balance of approximately \$21,787,000, the amount covered by federal depository insurance was approximately \$16,618,000 and the uninsured balance was approximately \$5,169,000. Management ensures that the uninsured balance is covered under collateralization agreements with various financial institutions.

Restricted cash at June 30, 2010 totaled \$1,231,156 and represented the balance of bond proceeds of the Water and User Charge Funds which were held by the financial institution for debt service reserves.

The City limits its exposure to fair value losses arising from changes in interest rates by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity, and investing operating funds primarily in shorter-term securities, money market funds, or similar investment pools. The City's policy is to maintain a diversified portfolio to minimize the risk of loss resulting from over concentration of assets in a specific investment and maturity.

At June 30, 2010 the City held investments with a fair value of \$56,308,113 all of which were reported in the Fiduciary Funds of the City (see Exhibit D-1).

Investments are recorded in the financial statements at fair value. Fair value is the amount that a plan can reasonably expect to receive for an investment in a current sale between a willing buyer and a willing seller – that is, other than a forced liquidation sale. The fair value of fixed income and domestic and international stocks are generally based on published market prices and quotations from national security exchanges and securities pricing services. The respective fund manager values other securities and investments, which are not traded on a national security exchange. Short-term investments are stated at cost, which approximates fair value.

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**CITY OF WOONSOCKET, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**3. CASH AND INVESTMENTS (Continued)**

**Interest Rate Risk** – Approximately 20% and 10% of investments are in long-term Corporate and Government Bonds, and mortgage backed securities and emerging markets, respectively, which have interest rates that are fixed for long-term periods and are subject to more variability in their fair value as a result of future changes in interest rates. Certificates of deposit at year end represent time deposits with an original maturity if six to twelve months. The remaining 70% of the investments are held in common stock and mutual funds. These investments do not specify an interest rate rather the rate of return is dependent on operating results and economic conditions.

**Concentration of Credit Risks** – At June 30, 2010 the City had a diversified portfolio and was not deemed to be concentrated in any one investment category. Although 70% of the investments are held in common stock and mutual funds (including money market mutual funds) these investments were in a wide range of companies and various industries enabling the City to minimize its risk.

**Custodial Credit Risk** – Custodial credit risk is the risk that in the event of financial institution failure, the City's deposits and/or investments may not be returned. The City does not believe that it has a significant custodial credit risk as substantially all investments securities are registered and held in the name of the City. Additionally, the City's deposit policy requires that deposits be placed in financial institutions that are FDIC insured up to \$250,000 (excess balances collateralized), rated "well capitalized" on its most recent audited financial statement/SEC filings if deposits exceed \$250,000, and if the capital ratios are currently acceptable but may be in jeopardy, the City will engage an outside rating agency to determine status of the institution.

Investments at June 30, 2010 consisted of the following (including Fiduciary Fund Investments):

	<u>Fair</u>	<u>Interest</u>	<u>Maturity</u>	<u>Rating</u>
	<u>Value</u>	<u>Rate</u>		
Money Market Mutual Funds.....	\$ 1,403,368	.003%	n/a	n/a
Certificate of Deposits .....	222,580	.49%-.65%	1/2011	n/a
Common Stock & Mutual Funds....	37,834,754	n/a	n/a	n/a
United State Securities.....	5,121,186	0.324%-5.375%	10/2010-4/2056	Aaa
Corporate and Foreign Bonds .....	71,021	3.45%-5.50%	9/2014-8/2040	Aaa
Corporate and Foreign Bonds .....	173,550	0.934%-5.77%	5/2012-11/2043	Aa1
Corporate and Foreign Bonds .....	327,062	5.125%-6.20%	5/2014-4/2049	Aa2
Corporate and Foreign Bonds .....	275,207	3.90%-6.95%	7/2013-12/2018	Aa3
Corporate and Foreign Bonds .....	548,097	4.30%-6.00%	4/2014-2/2019	A1
Corporate and Foreign Bonds .....	564,707	5.00%-8.50%	3/2013-5/2057	A2
Corporate and Foreign Bonds .....	932,244	3.0%-6.75%	5/2013-6/2067	A3
Corporate and Foreign Bonds .....	610,407	4.75%-9.70%	2/2011-2/2082	Baa1
Corporate and Foreign Bonds .....	1,042,941	4.30%-9.375%	7/2010-12/2037	Baa2
Corporate and Foreign Bonds .....	419,268	5.125%-10.75%	2/2011- 6/2039	Baa3
Corporate and Foreign Bonds .....	61,164	5.8%-7.7%	9/2016-12/2049	Ba1
Mortgage Backed Securities .....	5,017,850	4.0%-7.0%	5/2010-5/2040	Aaa
Asset Backed Securities.....	427,042	0.75%-5.24%	4/2012-3/2020	Aaa
Commercial Mtge. Backed Sec. ....	796,710	4.715%-6.297%	9/2037-12/2049	Aaa
Commercial Mtge. Backed Sec. ....	39,304	0.05747%	6/2050	Aa2
Commercial Mtge. Backed Sec. ....	45,143	0.05223%	8/2048	Aa3
Commercial Mtge. Backed Sec. ....	25,710	0.0602%	6/2050	A1
Commercial Mtge. Backed Sec. ....	12,879	0.5888%	12/2049	A2
Emerging Markets .....	51,832	5.125%-8.125%	5/2015-6/2019	A1
Emerging Markets .....	19,802	0.5625%	11/2017	A2
Emerging Markets .....	131,653	5.95%-6.875%	3/2019-1/2040	Baa1
Emerging Markets .....	53,059	6.75%-6.875%	11/2039-4/2040	Baa2
Emerging Markets .....	79,573	6.50%-8.00%	1/2018-4/2040	Baa3
<b>Total Investments</b> .....	<b><u>\$56,308,113</u></b>			

(CONTINUED)

**CITY OF WOONSOCKET, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

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**4. PROPERTY TAXES AND OTHER RECEIVABLES**

Property taxes are the principal source of revenue of the City. Property taxes represent an enforceable lien on property as of December 31, 2008. Taxes are levied on the assessed value of property on December 31. Taxes are billed on or about July 1 annually and are due in quarterly installments on July 15<sup>th</sup>, October 15<sup>th</sup>, January 15<sup>th</sup>, and April 15<sup>th</sup>. The assessed value of motor vehicles is determined annually by the state vehicle value commission. An automatic lien is placed on the taxpayer's property if payment has not been received by the due date. Interest is charged on past due accounts at a rate of 12% per annum calculated on the unpaid portion of the total tax.

The 2009 tax roll certification prepared by the City's tax assessor as of December 31, 2008 presents the taxes assessed on approximately July 1, 2009 for the fiscal year ended June 30, 2010. The net assessed value of the property was \$1,678,445,404 and the net tax levy was approximately \$44,130,600. In addition, there were additional taxes levied of approximately \$3,040,200 representing tax revenue due under various P.I.L.O.T. agreements. As a result the grand net total levy for the fiscal year ended June 30, 2010 was approximately \$47,170,800. As of June 30, 2010 total collections were approximately \$45,826,000 (excludes 60 day rule receipts) or 97% of the net total levy. The following tax rates were assessed on each \$1,000 of the assessed valuation for the fiscal year ended June 30, 2010; residential property \$22.36, commercial property \$33.54, fixtures and equipment \$46.58, and motor vehicles \$46.58.

In addition to the assessment of taxes the City also received \$4,652,576 from the State of Rhode Island as payment in accordance with legislation regarding the phase-out of motor vehicle tax during the fiscal year ended June 30, 2010. Under the law, excise tax on motor vehicles and trailers were originally supposed to be phased out entirely over a seven-year period commencing with the 1999-2000 fiscal year. Based on fiscal problems with the State budget over the last few years the program has been reduced to a maximum exemption of \$6,000 as of June 30, 2007 in accordance with legislation passed as part of the State's budget for the fiscal year ended June 30, 2007. The phase-out program freezes the tax rate at \$46.58 which was the rate in fiscal year 1997-1998. The exemption remained at \$6,000 per vehicle for the 2007-2008 and 2008-2009 fiscal years. During fiscal 2010 the State reduced the reimbursement amount for the 3<sup>rd</sup> and 4<sup>th</sup> quarters of the fiscal year. Effective July 1, 2010 the State reduced the exemption amount to \$500 per vehicle however the City was required to maintain the rate frozen at \$46.58.

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

The City recognizes property tax revenues in accordance with Section P70, "Property Taxes" of the Codification of Governmental Accounting and Financial Reporting Standards on the Fund statements. Unpaid property taxes as of June 30, 2010 were approximately \$7,205,000 and are recorded as a receivable, net of an allowance for uncollectible property taxes of approximately \$5,369,000 (net property taxes receivable recorded on the Balance Sheet, Exhibit B-1, on June 30, 2010 was \$1,836,000). Those net property taxes receivable which were not collected within the 60 days immediately following June 30, 2010 are recorded as deferred revenue and amounted to approximately \$1,422,400 at June 30, 2010. Accordingly, property taxes recognized as revenue on the Fund statements for the fiscal year ended June 30, 2010 (due to their collection within the 60 days immediately following June 30, 2010) amounted to approximately \$413,000.

(CONTINUED)

**CITY OF WOONSOCKET, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**4. PROPERTY TAXES AND OTHER RECEIVABLES**

Accounts receivable at June 30, 2010 consisted of the following:

**Governmental Activities:**

	<b>General Fund</b>	<b>School Unrestricted Fund</b>	<b>Other Non-Major Funds</b>	<b>Total</b>
Tax receivables.....	\$7,204,581			\$7,204,581
Medicaid and tuition reimbursements.....		\$306,539		306,539
Revolving loan programs.....			\$2,723,657	2,723,657
Other receivables.....	1,369,513		10,613	1,380,126
EMS rescue billings.....			1,194,934	1,194,934
<b>Total receivables.....</b>	<b>8,574,094</b>	<b>306,539</b>	<b>3,929,204</b>	<b>12,809,837</b>
Less allowance provision loans & other ..	(10,000)	0	(200,000)	(210,000)
Less allowance provision taxes and EMS	(5,369,124)	0	(537,721)	(5,906,845)
<b>Net receivables .....</b>	<b>\$3,194,970</b>	<b>\$306,539</b>	<b>\$3,191,483</b>	<b>\$6,692,992</b>

Other receivables of the General Fund include \$105,583 due from the City of Woonsocket Employee Retirement Plan (a Fiduciary Fund).

**Business Activities:**

	<b>Water Fund</b>	<b>Regional Wastewater Fund</b>	<b>User Charge Fund</b>	<b>Total</b>
Accounts receivable.....	\$2,807,469	\$660,039	\$2,406,011	\$5,873,519
Less allowance provision.....	(1,030,000)	(106,486)	(643,358)	(1,779,844)
<b>Net receivables .....</b>	<b>\$1,777,469</b>	<b>\$553,553</b>	<b>\$1,762,653</b>	<b>\$4,093,675</b>

**5. CAPITAL ASSETS UPDATED**

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

	<b>(Restated)</b>			
	<b>Balance 6/30/09</b>	<b>Additions</b>	<b>Retirements &amp; Disposals</b>	<b>Balance 6/30/10</b>
<b>Governmental Activity:</b>				
<b>Nondepreciable Assets</b>				
Land.....	\$ 22,307,537			\$ 22,307,537
Construction in progress.....	51,439,880	\$ 126,628	\$51,217,755	348,753
<b>Depreciable Assets:</b>				
Buildings and improvements.....	129,709,838	70,210,134		199,919,972
Equipment.....	7,688,627	460,801		8,149,428
Vehicles.....	9,279,650	262,993	1,462,503	8,080,140
Infrastructure.....	86,217,126	77,096		86,294,222
<b>Total cost.....</b>	<b>306,642,658</b>	<b>71,137,652</b>	<b>52,680,258</b>	<b>325,100,052</b>
<b>Accumulated Depreciation:</b>				
Buildings and improvements.....	(56,866,257)	(2,582,137)		(59,448,394)
Equipment.....	(7,022,255)	(168,670)		(7,190,925)
Vehicles.....	(7,535,498)	(389,855)	1,439,375	(6,485,978)
Infrastructure.....	(58,237,922)	(1,451,761)		(59,689,683)
<b>Total accumulated depreciation.....</b>	<b>(129,661,932)</b>	<b>(4,592,423)</b>	<b>1,439,375</b>	<b>(132,814,980)</b>
<b>Net capital assets .....</b>	<b>\$ 176,980,726</b>	<b>\$66,545,229</b>	<b>\$51,240,883</b>	<b>\$192,285,072</b>

(CONTINUED)

**CITY OF WOONSOCKET, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**5. CAPITAL ASSETS (Continued)**

	Balance <u>7/1/09</u>	<u>Additions</u>	Retirements & <u>Disposals</u>	Balance <u>6/30/10</u>
<b>Business- type Activities:</b>				
<b>Nondepreciable Assets:</b>				
Land.....	\$ 570,321			\$ 570,321
Construction in progress.....	2,080,102	\$ 1,056,805	\$(1,688,281)	1,448,626
<b>Depreciable Assets</b>				
Buildings & improvements .....	53,712,682	64,332	(128,338)	53,648,676
Equipment.....	7,815,172	270,527	(94,432)	7,991,267
Vehicles .....	867,148		(274,184)	592,964
Infrastructure .....	<u>34,150,126</u>	<u>2,056,579</u>	<u>(99,995)</u>	<u>36,106,710</u>
<b>Total cost.....</b>	<u>99,195,551</u>	<u>3,448,243</u>	<u>(2,285,230)</u>	<u>100,358,564</u>
<b>Accumulated Depreciation:</b>				
Buildings and improvements.....	(26,896,718)	(983,141)		(27,879,859)
Equipment.....	(6,190,442)	(149,860)	62,217	(6,278,085)
Vehicles .....	(758,700)	(28,313)	212,154	(574,859)
Infrastructure.....	<u>(11,397,351)</u>	<u>(584,479)</u>	<u>16,666</u>	<u>(11,965,164)</u>
<b>Total accumulated depreciation.....</b>	<u>(45,243,211)</u>	<u>(1,745,793)</u>	<u>291,037</u>	<u>(46,697,967)</u>
<b>Net capital assets .....</b>	<u>\$ 53,952,340</u>	<u>\$ 1,702,450</u>	<u>\$ (1,994,193)</u>	<u>\$ 53,660,597</u>

Depreciation expense for the year ended June 30, 2010 was charged to the following functions/programs of the City:

<b>Governmental Activities:</b>	
Legislative .....	\$ 108,518
Education .....	2,424,108
Public safety.....	511,874
Public works.....	1,528,242
Recreation.....	<u>19,681</u>
<b>Total .....</b>	<b><u>\$4,592,423</u></b>
<b>Business-type Activities:</b>	
Water Fund .....	\$ 657,824
Regional Wastewater Fund .....	983,141
User Fund .....	45,042
School Cafeteria Fund .....	<u>59,786</u>
<b>Total .....</b>	<b><u>\$1,745,793</u></b>

The following is a summary of Construction in Progress for the Governmental Activities at June 30, 2010:

Public Works .....	\$ 126,628
School Department .....	<u>222,125</u>
<b>Total governmental activities .....</b>	<b><u>\$ 348,753</u></b>

The following is a summary of Construction in Progress for the Business-Type Activities at June 30, 2010:

Water .....	<u>\$ 1,448,626</u>
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(CONTINUED)

**CITY OF WOONSOCKET, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**6. DUE FROM FEDERAL AND STATE GOVERNMENTS**

Due from/to federal and state governments represent balances on contracts and grants as well as for services provided and consisted of the following at June 30, 2010:

	<u>Due From</u>	<u>Due To</u>
<b>General Fund:</b>		
State of Rhode Island .....	\$ 730,598	\$ 50,951
<b>Other Governmental Funds:</b>		
Federal Government & State of Rhode Island (pass through)	6,161,658	84,280
<b>Water Fund:</b>		
State of Rhode Island .....	0	62,329
<b>Regional Wastewater Fund:</b>		
State of Rhode Island .....	820	0
<b>School Unrestricted Fund:</b>		
Federal Government.....	393,318	0
<b>School Proprietary Funds:</b>		
State of Rhode Island (pass through).....	186,637	0
<b>Total all fund types .....</b>	<b><u>\$ 7,473,031</u></b>	<b><u>\$ 197,560</u></b>

**7. TAX & BOND ANTICIPATION NOTES**

At June 30, 2009 the City had a bond anticipation note (BAN) payable dated April 15, 2009 in the amount of \$70,000,000. The note was due and paid on approximately November 16, 2009 with interest at an annual rate of 3.0%-3.10%. The accrued interest on this obligation was included in accrued liabilities in the government-wide Statement of Net Assets and as an expense in the government-wide Statement of Activities at June 30, 2009. Interest is not accrued or expensed in the governmental funds until it is paid with current measurable and available resources. Activity of the City's BAN obligations was as follows for the fiscal year ended June 30, 2010.

In approximately October 2009 the City received funding from HUD for use in the City Capital Projects Fund. The original short-term obligation totaled \$2,300,000. Subsequent to year end the short-term obligation was converted to a long-term obligation in the principal amount of \$2,050,000 with a maturity date of August 1, 2019. The remaining balance of \$250,000 represented the payment due July 2010.

<u>Balance</u> <u>7/1/2009</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/2010</u>
<u>\$70,000,000</u>	<u>\$2,300,000</u>	<u>\$72,050,000</u>	<u>\$250,000</u>

At June 30, 2009 the City had a tax anticipation note (TAN) payable dated March 6, 2009 in the amount of \$3,000,000. In addition, during fiscal 2010 the City received two additional TANs in the amount of \$5,550,000 and \$3,450,000 dated July 2009 and January 2010, respectively. These notes had interest rates ranging from 1.95% to 2.92%.

<u>Balance</u> <u>7/1/2009</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/2010</u>
<u>\$3,000,000</u>	<u>\$9,000,000</u>	<u>\$12,000,000</u>	<u>\$0</u>

(CONTINUED)

**CITY OF WOONSOCKET, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**8. LONG-TERM DEBT UPDATED**

(a) At June 30, 2010, the City's long-term debt outstanding and activity consisted of the following:

Description	Date Issued	Original Principal	Maturity Date	Interest Rate	(Restated)	Additions	Retirements	Outstanding June 30, 2010	Due Within One Year
					Outstanding June 30, 2009				
<b>Governmental Activities:</b>									
<b>General obligation bonds:</b>									
High School .....	11/15/94	\$ 1,880,000	11/15/09	6.048%	\$ 125,000		\$ 125,000	\$ 0	\$ 0
Revaluation settlement .....	07/15/96	3,650,000	06/30/12	5.415%	900,000		300,000	600,000	300,000
Road and utilities .....	(*) 09/01/98	2,072,490	09/01/09	3.9% - 5.0%	114,310		114,310	0	0
GO Highway and road improvements..	06/30/99	12,000,000	06/30/20	4.0% - 6.5%	8,030,000		560,000	7,470,000	590,000
GO Library and school.....	10/01/00	17,940,000	10/01/20	5.0% - 6.0%	13,075,000		800,000	12,275,000	840,000
Davidson Avenue Landfill .....	05/26/05	5,000,000	03/01/35	4.07% - 4.42%	4,800,000		105,000	4,695,000	110,000
Pension Obligation Bonds.....	01/15/03	90,000,000	06/30/33	2.3% - 5.71%	89,025,000		1,730,000	87,295,000	1,820,000
GO Promac Settlement.....	03/06/09	2,450,000	06/03/19	4.25%	2,450,000		251,282	2,198,718	251,282
GO Middle School.....	01/12/09	74,000,000	06/30/34	2.0% - 6.00%	0	\$74,000,000		74,000,000	0
108 Hud Loan Middle School.....	07/21/10	<u>2,050,000</u>	08/21/19	1.9%	0	2,050,000		2,050,000	0
Premium on Bond Issuance.....					122,307	1,667,824	71,478	1,718,653	
<b>Total general obligations bonds....</b>		<b>\$211,042,490</b>			<b>118,641,617</b>	<b>77,717,824</b>	<b>4,057,070</b>	<b>192,302,371</b>	<b>3,911,282</b>
<b>Lease Purchase obligations:</b>									
Recycling Container lease .....	10/15/07	\$ 1,300,000	10/15/14	3.92%	967,311		145,917	821,394	151,720
John Deere Equipment lease.....	04/15/08	132,260	4/15/14	4.75%	95,008		17,244	77,764	18,081
Elgin Sweeper Equipment lease .....	03/17/09	140,178	3/17/14	4.72%	109,498		25,510	83,988	26,715
Fire Apparatus lease.....	10/15/08	<u>857,626</u>	10/15/14	3.50%	<u>734,044</u>		<u>112,065</u>	<u>621,979</u>	<u>115,987</u>
<b>Total lease purchase obligations ..</b>		<b>\$ 2,430,064</b>			<b>1,905,861</b>	<b>0</b>	<b>300,736</b>	<b>1,605,125</b>	<b>312,503</b>
Net Pension Obligation .....					1,492,700	2,657,845	0	4,150,545	
Net OPEB Obligation .....					9,554,357	9,930,174	0	19,484,531	
Compensated absences - City.....					8,218,346	0	496,055	7,722,291	
Accrued Deferred Compensation .....					349,594	0	349,594	0	
Compensated absences - School .....					<u>1,744,990</u>	<u>3,804,438</u>	<u>3,335,756</u>	<u>2,213,672</u>	
<b>Governmental activities long-term Liabilities .....</b>					<b>\$141,907,465</b>	<b>\$94,110,281</b>	<b>\$8,539,211</b>	<b>\$227,478,535</b>	<b>\$4,223,785</b>

(\*) The total bond issued on 09/01/98 was for \$4,170,000 and is being allocated between governmental activities 49.7% (\$2,072,490) and business-type activities 50.3% (\$2,097,510). The allocation is based on the use of the bond proceeds. The debt service is paid by the General Fund and then reimbursed by the Water Fund.

(CONTINUED)

**CITY OF WOONSOCKET, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**8. LONG-TERM DEBT (Continued)**

**(a) Long-Term Debt Outstanding and Activity (Continued):**

Description	Date Issued	Original Principal	Maturity Date	Interest Rate	(Restated) Outstanding June 30, 2009	Additions	Retirements	Outstanding June 30, 2010	Due Within One Year
<b>Business Type Activities:</b>									
<b>General obligation bonds:</b>									
Water fund .....	(*)09/01/98	\$ 2,097,510	09/01/09	3.9% - 5.0%	\$ 115,690		\$ 115,690	\$ 0	\$ 0
Water fund .....	05/26/05	3,755,000	03/01/14	3.25%-5.0%	2,225,000		415,000	1,810,000	425,000
RI Clean Water – Water Fund.....	05/13/03	10,165,250	09/01/24	3.49%	8,615,000		410,000	8,205,000	420,000
RI Clean Water – Water Fund.....	03/23/05	4,000,000	09/01/25	2.704%	3,539,999		161,000	3,378,999	165,000
RI Clean Water – User Fund.....(**)	12/12/07	<u>1,100,000</u>	09/01/27	1.538%	54,189		55,000	(811)	(811)
<b>Total bonds .....</b>		<b><u>\$21,117,760</u></b>			<b><u>14,549,878</u></b>	<b>\$ 0</b>	<b><u>1,156,690</u></b>	<b><u>13,393,188</u></b>	<b><u>1,009,189</u></b>
<b>Lease purchase obligations payable:</b>									
Wastewater lease .....	06/18/03	\$ 1,400,000	6/15/10	5.35% - 6.9%	435,000		435,000	0	0
Wastewater lease .....	07/29/03	<u>21,151,452</u>	7/29/19	5.0% - 5.7%	<u>15,634,654</u>		<u>1,170,610</u>	<u>14,464,044</u>	<u>1,228,673</u>
<b>Total lease purchase obligations ..</b>		<b><u>\$22,551,452</u></b>			<b><u>16,069,654</u></b>	<b>0</b>	<b><u>1,605,610</u></b>	<b><u>14,464,044</u></b>	<b><u>1,228,673</u></b>
Net OPEB Obligation .....					<u>330,293</u>	<u>342,519</u>	<u>0</u>	<u>672,812</u>	
Compensated absences .....					<u>566,142</u>	<u>0</u>	<u>121,044</u>	<u>445,098</u>	
<b>Business-type activities, long-term liabilities .....</b>					<b><u>\$31,515,967</u></b>	<b><u>\$342,519</u></b>	<b><u>\$2,883,344</u></b>	<b><u>\$28,975,142</u></b>	<b><u>\$2,237,862</u></b>

(\*) The total bond issued on 09/01/98 was for \$4,170,000 and is being allocated between governmental activities 49.7% (\$2,072,490) and business-type activities 50.3% (\$2,097,510). The allocation is based on the use of the bond proceeds. The debt service is paid by the General Fund and then reimbursed by the Water Fund.

(\*\*) At June 30, 2010 the City has \$990,811 of funds available under this loan obligation. The balance available has not been included in the outstanding debt obligation at June 30, 2010 and has been subtracted from the final principal payment due under the bond amortization schedule. The balance noted above of (\$811) represents an overpayment of principal paid by the City in fiscal 2010.

(CONTINUED)

**CITY OF WOONSOCKET, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**8. LONG-TERM DEBT (Continued)**

**(b) Additional Debt Information**

Of the City's \$203,976,906 total bonds payable (including bonds payable of the water fund and Clean Water obligations), approximately \$42,682,000 may be subject to its legal debt limits. The pension obligation bonds of \$87,295,000 and \$74,000,000 of Middle school bond are exempt from the legal debt limit under Rhode Island Public Law. The \$42,682,000 outstanding does exceed the City's legal debt limit of approximately \$50,353,000, which is 3% of the assessed value (\$1,678,445,000) of taxable property of the City. The total long-term debt bonds (excluding the pension bond and Middle School Bond) and Clean Water note obligations of the City represent approximately 2.5% of the assessed value of the taxable property of the City at June 30, 2010.

**(c) Debt Service Requirements**

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

Year ending June 30:	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2011 .....	\$ 4,223,785	\$ 12,260,627	\$ 2,237,862	\$ 1,169,347	\$ 19,891,621
2012 .....	4,666,019	10,213,342	2,339,616	1,076,075	18,295,052
2013 .....	6,523,736	9,952,192	2,437,581	977,664	19,891,173
2014 .....	6,741,278	9,673,137	2,545,719	869,366	19,829,500
2015 .....	6,829,380	9,325,648	2,156,187	753,478	19,064,693
2016 - 2020 .....	38,329,645	40,864,080	11,391,267	2,213,727	92,798,719
2021 - 2025 .....	35,110,000	30,793,541	4,478,000	490,546	70,872,087
2026 - 2030 .....	44,800,000	19,214,481	271,000	4,403	64,289,884
2031 - 2035 .....	44,965,000	4,643,423	0	0	49,608,423
Total .....	<u>\$192,188,843</u>	<u>\$146,940,471</u>	<u>\$27,857,232</u>	<u>\$7,554,606</u>	<u>\$374,541,152</u>

(CONTINUED)

**CITY OF WOONSOCKET, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**9. INFORMATION FOR BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS**

**Financial Information**

The following summarized financial information is not required as each of these enterprise funds are stated separately in the statements of net assets and revenues, expenses and changes in fund net assets. All funds have been presented as major funds in the basic financial statements. The Hydro and School Proprietary Funds did not meet the definition of a major fund however management has elected to classify all of the proprietary funds as major funds. This summarized information as of and for the year ending June 30, 2010 is presented for the reader's informational purposes only:

	<u>Water Fund</u>	<u>Regional Wastewater Fund</u>	<u>User Fund</u>	<u>Hydro Fund</u>	<u>School Proprietary Funds</u>	<u>Total</u>
Operating revenues .....	\$7,192,384	\$5,671,962	\$5,662,763	\$ 0	\$2,786,468	\$21,313,577
Depreciation and amortization . expense .....	657,824	983,141	45,042	0	59,786	1,745,793
Operating income (loss).....	2,086,132	1,411,545	(134,662)	(21,354)	48,186	3,389,847
Change in net assets .....	1,737,936	623,037	37,906	73,167	44,758	2,516,804
Fixed asset additions .....	1,348,634	64,332	210,775	0	7,883	1,631,624
Net working capital .....	5,758,756	3,340,666	(625,455)	(2,133,526)	397,721	6,738,162
Total assets.....	35,517,338	31,882,568	3,956,839	94,521	1,168,745	72,620,011
Bonds payable .....	13,393,999	0	(811)	0	0	13,393,188
Notes and leases payable .....	0	14,464,044	0	0	0	14,464,044
Total net assets (deficiency) ....	19,881,984	16,690,627	28,930	(2,133,526)	635,585	35,103,600

**10. FUND EQUITY BALANCES (DEFICITS)**

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

**(a) Fund Balance Reservations**

Reservations of fund balances at June 30, 2010 were as follows:

**MAJOR GOVERNMENTAL FUNDS:**

**General Fund:**

Reserve for amounts due from other funds .....	\$ 2,222,207
Reserved for prepaid expenditures .....	245,658
Reserved for inventory.....	5,937
<b>Total reservations of General Fund.....</b>	<b><u>\$ 2,473,802</u></b>

**School Unrestricted Fund:**

Reserve for amounts due from other funds .....	\$ 2,252,062
Reserved for prepaid expenditures .....	438,571
<b>Total reservations School Unrestricted Fund .....</b>	<b><u>\$ 2,690,633</u></b>

(CONTINUED)

**CITY OF WOONSOCKET, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**10. FUND EQUITY BALANCES (DEFICITS) (Continued)**

**(b) Fund Deficits**

The following funds had deficit fund equity balances at June 30, 2010:

<b>Major Governmental Fund:</b>	
General Fund.....	\$1,196,588
School Unrestricted Fund.....	<u>5,886,243</u>
<b>Total major governmental funds.....</b>	<b><u>\$7,082,831</u></b>
<b>Non-major Governmental Funds:</b>	
Emergency Shelter Fund.....	\$ 5
Hamlet Enhancement.....	1,087
Business Revolving Loan Fund.....	150,868
Homeland Security Grants .....	147
Lead Hazard Demo Grant .....	20,097
Justice Assistance Grant 08.....	188
School Capital Projects Fund.....	<u>7,322</u>
<b>Total non-major governmental funds.....</b>	<b><u>\$179,714</u></b>
<b>Business-Type Funds:</b>	
Hydro Fund.....	<u>\$2,133,526</u>
<b>Total deficits Business-Type Activities</b>	<b><u>\$2,133,526</u></b>

The cumulative fund equity deficit in the Hydro Fund has been reserved for in the City's General Fund as the amounts due to the General Fund are not expected to be repaid within one year. Subsequent to June 30, 2010 the City was approved for a deficit reduction bond. Some of the proceeds from this bond will be utilized to cover the receivable on the General Fund from the Hydro Fund.

The following individual funds had deficits for the year ending June 30, 2010:

<b>Major Governmental Activities:</b>	
General Fund.....	\$ 334,521
School Unrestricted Fund.....	<u>2,324,542</u>
<b>Total deficits Major Governmental Activities .....</b>	<b><u>\$2,659,063</u></b>

(CONTINUED)

**CITY OF WOONSOCKET, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**10. FUND EQUITY BALANCES (DEFICITS) (Continued)**

**(b) Fund Deficits (Continued)**

**Non-major Governmental Activities:**

**Special Revenue Funds:**

Emergency Shelter Fund.....	\$	5
Juvenile Fire Setters' Education .....		937
Planning Board Fund .....		4,185
Business Revolving Loan Fund .....		8,498
Rhode Island Home Fund.....		433,441
Comprehensive Planning Grant .....		868
River's Edge Recreation Complex .....		17,166
Recycling Containers Fund .....		18,114
Lead Hazard Demo Grant.....		24,444
Justice Assistance Grant 06 .....		9,778
Justice Assistance Grant 07 .....		1,054
Justice Assistance Grant08 .....		188

**Capital Project Funds:**

School Capital Projects.....	<u>7,322</u>
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**Total deficits non-major governmental activities** \$526,000

**11. INTERFUND BALANCES AND TRANSFERS**

The principal purpose of interfund transfers is to provide a financing source to various funds that may not have the ability to cover all operating costs with revenue generated by the fund. The composition of interfund transfers for the year ended June 30, 2010 is as follows:

<u>Transfer Out</u>	<u>General Fund</u>	<u>School Unrestricted Fund</u>	<u>Non-major Governmental Funds</u>	<u>Capital Projects Funds</u>	<u>Total Transfer Out</u>
General Fund .....		\$12,586,560	\$ 60,000		\$ 12,646,560
School Unrestricted Fund.....			206,565		206,565
Non-major Governmental Funds...	\$ 1,149,114		39,587	\$152,403	1,341,104
<b>Total transfer in</b> .....	<u>\$ 1,149,114</u>	<u>\$12,586,560</u>	<u>\$306,152</u>	<u>\$152,403</u>	<u>\$ 14,194,229</u>

<u>Transfer Out</u>	<u>User Charge Fund</u>	<u>School Proprietary Funds</u>	<u>Total Transfer Out</u>
Regional Wastewater .....	\$11,160		\$11,160
Non-major Governmental Funds...		\$11,000	11,000
<b>Total transfer in</b> .....	<u>\$11,160</u>	<u>\$11,000</u>	<u>\$22,160</u>

(CONTINUED)

**CITY OF WOONSOCKET, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**11. INTERFUND BALANCES AND TRANSFERS (Continued)**

Interfund balances represent short-term advances from one fund (primarily the General Fund) to another fund. The advances may represent balances resulting from operating advances or reimbursement for expenditures paid by one fund on behalf of another fund. The composition of interfund balances at June 30, 2010 is as follows:

	Due From <u>Other Funds</u>	Due to <u>Other Funds</u>
<b><u>Governmental Funds:</u></b>		
<b><i>Major Governmental Funds:</i></b>		
General Fund .....	\$ 4,301,158	\$ 9,274,173
School Unrestricted Fund .....	6,386,418	229,770
Capital Projects Funds.....	2,000,105	990,800
<b><i>Non-major Governmental Funds:</i></b>		
School Restricted Funds.....	51,206	2,511,660
Emergency Shelter Funds .....	0	15
Hamlet Ave Enhancement .....	0	1,087
Juvenile Fire Setters' Education Fund.....	0	1,000
EMA Grant .....	500	0
Homeland Security Grant .....	6,003	260,000
Rhode Island Home Fund.....	0	33,071
Business Revolving Loan Fund .....	0	158,191
Task Force on Drugs/Alcohol .....	33,342	32,137
Woonsocket Senior Center .....	0	3,200
Police Department Special Squad Fund.....	22,702	2,996
Bramley Bill .....	19,804	640
Community Development Block Grant .....	158,191	98,148
Hazardous Material Grant.....	3,736	4,252
EMS Public Fund .....	0	111,426
Cops Hiring Grant .....	0	138,755
Cops Technology Grant.....	815	4,500
Justice Assistance Grant 08 .....	0	815
Brownfield Assessment Program.....	10,500	200,000
<b><i>Total governmental funds</i></b> .....	<b><u>12,994,480</u></b>	<b><u>14,056,636</u></b>
<b><i>Proprietary Funds:</i></b>		
Water Fund .....	2,663,899	318,874
Wastewater Fund.....	4,016,680	192,500
User Charge Fund .....	1,031,724	3,741,362
Hydro Fund .....	0	2,222,207
School Proprietary Fund .....	141,703	316,907
<b><i>Total proprietary funds</i></b> .....	<b><u>7,854,006</u></b>	<b><u>6,791,850</u></b>
<b>TOTAL ALL FUNDS</b> .....	<b><u>\$ 20,848,486</u></b>	<b><u>\$ 20,848,486</u></b>

(CONTINUED)

**CITY OF WOONSOCKET, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

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**12. DEFINED BENEFIT PENSION PLANS**

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

The City of Woonsocket participates in the Municipal Employees' Retirement System, an agent multiple employer defined benefit pension plan administered by the State of Rhode Island ("System"). The plan provides retirement and disability benefits, annual cost-of-living adjustments, death and disability benefits to plan members and beneficiaries. MERS is an agent multiple employer defined benefit plan that acts as a common investment agent for participants.

The payroll for employees covered by the System for the year ended June 30, 2010 was approximately \$11,112,800 and the City wide payroll (including School Department) was approximately \$67,851,000.

***Plan Description***

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

***Contributions Required and Contributions Made***

General employees are required by State Statute to contribute 7 percent of their annual earnings until the maximum benefit (75 percent of final average salary) is accrued. The City is required to contribute based on an actuarially computed amount and as provided by State Statute for each participating municipality. The actuarial method used is the entry age normal cost with part of each municipality's unfunded actuarial liability funded over a fixed amortization period and the balance funded over the projected future payroll of active members. Due to large fluctuations in the contribution rates of certain municipalities, the plan has adopted a procedure which would allow a unit the option of paying a smoothed contribution rate. The smoothed contribution rate equals the previous fiscal year's contribution rate plus the greater of 2 percent or one eighth of the increase in contribution rate plus the cost of any benefit improvements. The actuarially determined contribution amount for the City was determined as described above and was based on an actuarial valuation as of June 30, 2007.

The annual required contribution for the City which equals the annual pension cost for the year ended June 30, 2010 was approximately \$280,700 for general employees. This contribution represents 2.35% of covered payroll. General municipal employees were required to contribute approximately \$778,000. This contribution represents 7% of covered payroll for the period July 1, 2009 to June 30, 2010.

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

(CONTINUED)

**CITY OF WOONSOCKET, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

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

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

**Trend Information**

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2008	\$198,703	100%	\$0
2009	\$405,000	100%	\$0
2010	\$280,700	100%	\$0

Trend information showing the System's progress (See RSI – 3) in accumulating sufficient assets to pay benefits when due is presented in the State of Rhode Island's Employee Retirement System's June 30, 2009 annual financial report, which may be obtained from the administrative offices of the State of Rhode Island Retirement Board, 40 Fountain Street, Providence, Rhode Island. This report is the most recent report available from the State, who administers the Plan.

**Funded Status of Plan**

The required supplementary information which follows the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Listed below are the details of the funding progress of the General Municipal Employees' Pension Plan with a valuation date of June 30, 2009 which is the most recent report available from the State who administers this plan.

- Actuarial value of assets - \$64,835,107
- Actuarial accrued liability - \$59,703,241
- Funded Excess (Deficit) - \$5,131,866
- Funded Ratio – 108.6%
- Annual covered payroll - \$11,960,719
- Funding Excess (Deficit) as percentage of payroll – 42.9%

**(b) Municipal Police Pension Plan**

All members of the permanent police force of the City of Woonsocket who were hired after July 1, 1980 participate in the Municipal Employees' Retirement System of the State of Rhode Island ("System"), an agent multiple employer defined benefit plan. The System includes a normal plan for general employees and both a normal and optional plan for police and firemen. All full-time police hired after July 1, 1980 participate in the System.

The payroll for employees covered by the System for the year ended June 30, 2010 was approximately \$5,980,100, and the City wide payroll (including School Department) was approximately \$67,851,000.

(CONTINUED)

**CITY OF WOONSOCKET, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

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

**(b) Municipal Police Pension Plan (Continued)**

***Plan Description***

The following eligibility and benefit provisions are established by State Statute. The System provides the following retirement benefits to employees at or after age 55 with 10 years of service or after 25 years of service with no restriction on age. Members may retire receive reduced benefit if they are at least age 50 and have at least 20 years of service. Police personnel may elect for an optional cost-of-living provision accordingly an additional 1% contribution is required by participating employees. The City of Woonsocket has adopted the COLA Plan C provision under MERS. The City of Woonsocket has also elected the optional 20-year retirement provision for its police officers and accordingly an additional 1% contribution is required by all participating employees (normal employee contribution rate 7% plus optional provisions 2% - total employee contribution 9%).

Monthly retirement benefits are equal to 2.5% of the member's monthly final average compensation for each year of service, up to 30 years (75% of final average compensation maximum). Final average compensation is the three highest consecutive years of earned salary exclusive of overtime, bonuses or severance pay. The plan also provides non-occupational disability benefits after 5 years of service, occupational disability benefits with no minimum service requirement, survivors' benefits, and certain lump sum death benefits. Employees are vested in their retirement benefits on completion of 10 years of service. Retirees' benefits are adjusted annually by 3 percent, not compounded, to allow for increases in the cost of living.

***Contributions Required and Contributions Made***

Police personnel are required by State Statute to contribute 9 percent until the maximum benefit (75 percent of final average salary) is accrued. The City is required to contribute based on an actuarially computed amount and as provided by State Statute for each participating municipality. The actuarial method used is the entry age normal cost with part of each municipality's unfunded actuarial liability funded over a fixed amortization period and the balance funded over the projected future payroll of active members. Due to large fluctuations in the contribution rates of certain municipalities, the plan has adopted a procedure which would allow a unit the option of paying a smoothed contribution rate. The smoothed contribution rate equals the previous fiscal year's contribution rate plus the greater of 2 percent or one eighth of the increase in contribution rate plus the cost of any benefit improvements. The actuarially determined contribution amount for the City was determined as described above and was based on an actuarial valuation as of June 30, 2007.

The annual required contribution for the City which equals the annual pension cost for the year ended June 30, 2010 was approximately \$700,000. This contribution represents 13.22% of covered payroll for the fiscal year ended June 30, 2010. Employees were required to contribute approximately \$476,300 or 9% of the covered payroll for the fiscal year ended June 30, 2010.

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

(CONTINUED)

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**CITY OF WOONSOCKET, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

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

**(b) Municipal Police Pension Plan (Continued)**

**Trend Information**

**Municipal Police Pension Plan:**

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2008	\$926,601	100%	\$0
2009	\$788,440	100%	\$0
2010	\$700,000	100%	\$0

Trend information showing the System's progress (see RSI – 3) in accumulating sufficient assets to pay benefits when due is presented in the State of Rhode Island's Employee Retirement System's June 30, 2009 annual financial report, which may be obtained from the administrative offices of the State of Rhode Island Retirement Board, 40 Fountain Street, Providence, Rhode Island. This report is the most recent report available from the State, who administers the Plan.

**Funded Status of Plan**

The required supplementary information which follows the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Listed below are the details of the funding progress of the Municipal Police Employees' Pension Plan with a valuation date of June 30, 2009 which is the most recent report available from the State who administers this plan.

- Actuarial value of assets - \$29,773,835
- Actuarial accrued liability - \$34,776,550
- Funded Excess (Deficit) – (\$4,499,105)
- Funded Ratio – 86.9%
- Annual covered payroll - \$4,728,198
- Funded Excess (Deficit) as percentage of payroll – (95.2%)

**(c) Municipal Fire Pension Plan**

All members of the permanent fire department of the City of Woonsocket who were hired after July 1, 1985 participate in the Municipal Employees' Retirement System of the State of Rhode Island ("System"), an agent multiple employer defined benefit plan. The System includes a normal plan for general employees and both a normal and optional plan for police and firemen. All full-time fire employees hired after July 1, 1985 participate in the System.

The payroll for employees covered by the System for the year ended June 30, 2010 was approximately \$6,599,300, and the City wide payroll (including School Department) was approximately \$67,851,000.

(CONTINUED)

**CITY OF WOONSOCKET, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

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

**(c) Municipal Fire Pension Plan (Continued)**

***Plan Description***

The following eligibility and benefit provisions are established by State Statute. The System provides the following retirement benefits to employees at or after age 55 with 10 years of service or after 25 years of service with no restriction on age. Members may retire receive reduced benefit if they are at least age 50 and have at least 20 years of service. Fire personnel may elect for an optional cost-of-living provision and accordingly an additional 1% contribution is required by participating employees. The City of Woonsocket has opted the COLA Plan C provision under MERS. The City of Woonsocket has elected the optional 20-year retirement provision for its firefighters and accordingly an additional 1% contribution is required by all participating employees (normal employee contribution rate 7% plus optional provisions 2% - total employee contribution 9%) Note that under the terms of the collective bargaining agreement the City contributes 1% of the optional 2% provision which is said to be an employee contribution.

Monthly retirement benefits are equal to 2.5% of the member's monthly final average compensation for each year of service, up to 30 years (75% of final average compensation maximum). Final average compensation is the three highest consecutive years of earned salary exclusive of overtime, bonuses or severance pay. The plan also provides non-occupational disability benefits after 5 years of service, occupational disability benefits with no minimum service requirement, survivors' benefits, and certain lump sum death benefits. Employees are vested in their retirement benefits on completion of 10 years of service. Retirees' benefits are adjusted annually by 3 percent, not compounded, to allow for increases in the cost of living.

***Contributions Required and Contributions Made***

Fire personnel are required by State Statute to contribute 9 percent until the maximum benefit (75 percent of final average salary) is accrued. The City is required to contribute based on an actuarially computed amount and as provided by State Statute for each participating municipality. The actuarial method used is the entry age normal cost with part of each municipality's unfunded actuarial liability funded over a fixed amortization period and the balance funded over the projected future payroll of active members. Due to large fluctuations in the contribution rates of certain municipalities, the plan has adopted a procedure which would allow a unit the option of paying a smoothed contribution rate. The smoothed contribution rate equals the previous fiscal year's contribution rate plus the greater of 2 percent or one eighth of the increase in contribution rate plus the cost of any benefit improvements. The actuarially determined contribution amount for the City was determined as described above and was based on an actuarial valuation as of June 30, 2007.

The annual required contribution for the City which equals the annual pension cost for the year ended June 30, 2010 was approximately \$848,200. This contribution represents 12.93% of covered payroll for the fiscal year ended June 30, 2010. Employees were required to contribute approximately \$593,900 or 9% of the covered payroll for the fiscal year ended June 30, 2010.

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

(CONTINUED)

**CITY OF WOONSOCKET, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

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

**(c) Municipal Fire Pension Plan (Continued)**

**Trend Information**

**Municipal Fire Pension Plan:**

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2008	\$1,016,365	100%	\$0
2009	\$841,633	100%	\$0
2010	\$848,200	100%	\$0

Trend information showing the System's progress (see RSI – 3) in accumulating sufficient assets to pay benefits when due is presented in the State of Rhode Island's Employee Retirement System's June 30, 2009 annual financial report, which may be obtained from the administrative offices of the State of Rhode Island Retirement Board, 40 Fountain Street, Providence, Rhode Island. This report is the most recent report available from the State, who administers the Plan.

**Funded Status of Plan**

The required supplementary information which follows the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Listed below are the details of the funding progress of the Municipal Fire Employees' Pension Plan with a valuation date of June 30, 2009 which is the most recent report available from the State who administers this plan.

- Actuarial value of assets - \$27,011,294
- Actuarial accrued liability - \$26,832,008
- Funded Excess (Deficit) – \$179,286
- Funded Ratio – 100.7%
- Annual covered payroll - \$6,559,575
- Funded Excess (Deficit) as percentage of payroll – 2.7%

(CONTINUED)

**CITY OF WOONSOCKET, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

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

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

	General Municipal Employees <u>Pension Plan</u>		Municipal Fire & Police <u>Pension Plan</u>	
Valuation Date .....	6/30/08		6/30/08	
Actuarial Cost Method .....	Entry Age Normal Cost		Entry Age Normal Cost	
Amortization Method .....	Level Percent Closed – 30 year from June 30, 1999		Level Percent Closed –30 year from 6/30/99	
Remaining Amortization Period .....	21 years		21 years	
Asset Valuation Method .....	5-year Smoothed Market Value		5-Year Smoothed Market Value	
Actuarial assumptions:				
Investment rate of return.....	8.25%, compounded annually		8.25%, compounded annually	
Projected Salary Increases.....	4.5% to 8.5%, compounded annually		4.75% to 14.75%, compounded annually	
Inflation Adjustment .....	3%		3%	
Cost-of-living Adjustments .....	3%, not compounded, beginning on the January 1 following participant's retirement		3%, not compounded, beginning on the January 1 following participant's retirement	
Participant Information (June 30, 2009).	Active Employees	367	Active Employees	87
	Retirees and beneficiaries	<u>322</u>	Retirees and beneficiaries	<u>45</u>
		<u>689</u>		<u>132</u>
			<b>Fire:</b>	
		Active Employees	115	
		Retirees and beneficiaries	<u>6</u>	
			<u>121</u>	

Note: The City of Woonsocket has adopted the 20-year optional Plan and the COLA Plan C for the Police and Fire pension plans and the COLA Plan B for the General Municipal Employees Plan.

(CONTINUED)

**CITY OF WOONSOCKET, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

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

**(d) Teacher's Pension Plan**

All City of Woonsocket School Department certified school personnel participate in the Employees' Retirement System (ERS) of the State of Rhode Island ("System"), a cost-sharing multiple-employer defined benefit plan. The payroll for employees covered by the System for the year ended June 30, 2010 was approximately \$35,411,300. The School Department's total payroll was approximately \$43,746,400. The City wide payroll for the year ended June 30, 2010 was approximately \$67,851,000.

**Plan Description**

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

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

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

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CITY OF WOONSOCKET, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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

**(d) Teacher's Pension Plan (Continued)**

The ERS plan also provides a survivor benefit to public school teachers via a "Teachers Survivor Benefits Fund" in lieu of Social Security. The details of the survivor death benefits and other death benefits are provided in the financial section of the Annual Financial Report of the Employees' Retirement System of Rhode Island for the fiscal year ending June 30, 2009 which can be found at [www.ersri.org](http://www.ersri.org).

**Funding Policy**

Rhode Island general laws set the contribution rates for participating plan employees at 9.5% of salary. Annual contributions by both employers and the State on behalf of those employees are determined by actuaries and assessed as a percentage of participants' payroll. The School Department was required to contribute 11.25%, 11.886%, and 13.04% for all full-time employees for fiscal years 2010, 2009, and 2008, respectively. The required contributions include (a) normal costs; (b) payments to amortize the unfunded frozen actuarial accrued liability as of June 30, 1999 over 30 years; and (c) interest on the unfunded frozen actuarial liability. Normal cost is determined using the entry age normal cost method with frozen initial liability. A variety of significant actuarial assumptions are used for the actuarial valuation date of June 30, 2009 and these assumptions are summarized below:

- (a) **Mortality** – 1994 Group Annuity Mortality Tables
- (b) **Investment return** – 8.25 percent, compounded annually.
- (c) **Salary increase** - Salaries will increase at a rate of 4.5 – 13.25 percent, compounded annually.
- (d) **Retirement age** – 75% of Schedule B members who reach the age of 59 with 29 years of service before age 65 are assumed to retire when first eligible. 75% of other members are expected to retire when first eligible, at age 65 with 10 years of service. Because of enactment of Article 7 in 2009, the retirement assumption was modified for members not eligible for retirement by October 1, 2009. Members who would have been assumed to retire prior to age 62 under the rules in effect before the enactment of Article 7 are assumed to retire when first eligible for an unreduced benefit under Article 7.
- (e) **Cost of living adjustments** – Schedule A members – 3% compounded; Schedule B members 2.5%.

As prescribed by Rhode Island general law, the State pays the entire portion of the annual required contribution attributable to the costs of contributions deferred by the State in prior years plus 40% of contributions assessed to employers on payroll not reimbursable through Federal programs. For fiscal year 2010, actuarial required contributions were 19.01% of the participant's salary. This resulted in contribution rates paid by the State on behalf of the School Department of 7.76% of non-federally reimbursable payrolls totaling \$2,401,449 for the fiscal year ended June 30, 2010. The School Department contributed the remaining 11.25% of the required 19.01%. The City's contribution for certified employees paid under federal grants was 19.01%.

The amounts contributed to the plan were as follows:

<u>Years Ending June 30,</u>	<u>Employee</u> <u>(approximate)</u>	<u>City's Portion of</u> <u>Annual Required</u> <u>Contributions</u>	<u>Percentage</u> <u>Contributed</u>
2010	\$3,363,814	\$4,335,982	100%
2009	\$3,369,276	\$4,456,455	100%
2008	\$3,269,899	\$4,769,389	100%

(CONTINUED)

**CITY OF WOONSOCKET, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

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

**(d) Teacher's Pension Plan (Continued)**

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

Trend information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented in the State of Rhode Island's Employee Retirement System's June 30, 2009 annual financial report, which may be obtained from the administrative offices of the State of Rhode Island Retirement Board, 40 Fountain Street, Providence, Rhode Island. This report is the most recent report available from the State, who administers the Plan. The report can also be found at [www.ersri.org](http://www.ersri.org).

**(e) City Police and Fire Employee Pension Plan (a Fiduciary Fund)**

Woonsocket Police Employees hired before July 1, 1980 and Fire Employees hired before July 1, 1985 participate in single-employer retirement plans which were established in accordance with the Woonsocket City Charter. The plans are considered part of the City's financial reporting entity and are included as a pension trust fund (Fiduciary Fund) in the annual financial report for the fiscal year ended June 30, 2010. The payroll for employees covered by the plan for the year ended June 30, 2010 was approximately \$503,200 while the City-wide payroll for the year ended June 30, 2009 was approximately \$67,851,000.

Historically, the City funded these Plans on a "pay as you go" basis. Under this basis, the City would record as an expenditure the amount paid on behalf of the plan, and no accrual was made for the benefits owed and unpaid to beneficiaries. In fiscal 2003, the City 1) recorded the actuarially determined pension liability and 2) issued non-exempt pension bonds to fund the determined liability. Therefore, as of July 1, 2003, there was no longer a Net Pension Obligation or an unfunded actuarial accrued liability for either of the plans. However, due to recent declines in the market value of the investments and rate of return on the plan assets the most recent actuarial valuation (July 1, 2009) of the plan has identified an unfunded actuarial accrued liability and established an Annual Required Contribution effective with the fiscal year ended June 30, 2010.

The Police and Firemen's Combined Retirement Fund of the City of Woonsocket, Rhode Island, acts as a common investment and administrative agent for pension benefits to be provided for two defined benefit retirement plans: Woonsocket Police Retirement Plan and Woonsocket Fireman's Retirement Plan – both Single employer defined benefit plans.

Although the assets of the plans are co-mingled for investment purposes, each plan's assets are accounted for separately and may be used only for the payment of benefits to the members of that plan, and in accordance with the terms of that plan.

The System's financial statements are included as a Pension Trust Fund within the Fiduciary Funds of the City's comprehensive annual financial report.

The System is administered by the Woonsocket Pension Financial Advisory Board which consists of five members, the City's Finance Director, and the City Treasurer. Each of the Board members serve for a term of three years, or until a successor is appointed.

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**CITY OF WOONSOCKET, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

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

**(e) City Police and Fire Employee Pension Plan (a Fiduciary Fund) (Continued)**

**Summary of Plan Benefits**

**Police Pension Plan**

All members of the permanent police department who were hired prior to July 1, 1980 were eligible to join the plan. The Plan provides retirement, death, and disability benefits. Participants in the Plan are eligible to retire at the later of attainment of age 65 or the completion of 20 years of service. Normal retirement benefits are equal to 60% of current annual salary plus 2% of salary for each year worked in excess of 20 years up to a maximum of 70% of their annual salary. Participants were required to contribute 7% of their annual salary. During the fiscal year ended June 30, 2010 there were no current active police officers contributing to this plan.

Retirement benefits are payable in the form of a joint and 66.7% survivor annuity if the participant is married at the retirement date or a life annuity if single.

Work related death benefits are provided for the participant's beneficiary at 50% of salary plus an additional 10% of salary for each minor child up to a maximum of 66.7%. For non-work related deaths, the participant's beneficiary is entitled to a monthly pension in the amount of 66.7% of current salary for a work related disablement and 50% for a non-work related disablement.

**Fire Pension Plan**

All members of the permanent fire department who were hired prior to July 1, 1985 were eligible to join the plan. The Plan provides retirement, death, and disability benefits. Participants in the Plan are eligible to retire at the later of attainment of age 65 or the completion of 20 years of service. Normal retirement benefits are equal to 50% of current annual salary plus 2.5% of salary for each year worked in excess of 20 years up to a maximum of 75% of their annual salary. Participants contribute 8% of their annual salary to the Plan. Payroll for Fire employees covered by the plan for the fiscal year ended June 30, 2010 was approximately \$312,500. Contributions to the plan were approximately \$40,600 for the fiscal year ended June 30, 2010. These contributions were comprised of employer contributions of \$15,600 and employee contributions of \$25,000.

Retirement benefits are payable in the form of a joint and 66.7% survivor annuity if the participant is married at the retirement date or a life annuity if single.

Work related death benefits are provided for the participant's beneficiary at 50% of salary plus an additional 10% of salary for each minor child up to a maximum of 66.7%. For non-work related deaths, the participant's beneficiary is entitled to receive a benefit of 30% of salary plus an additional 10% for each minor child up to a maximum of 50% of pay.

The Annual Required Contribution to the Police and Fire Employee Pension Plan for the fiscal year ended June 30, 2010 was estimated to be \$2,705,190 and assumes a 30 year amortization of the unfunded accrued liability.

Market value of assets as a percentage of the present value of accumulated benefits (calculated at an assumed rate of 8.25%) decreased from 81.7% as of July 1, 2008 to 58.9% as of July 1, 2009.

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**CITY OF WOONSOCKET, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

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

**(e) City Police and Fire Employee Pension Plan (a Fiduciary Fund) (Continued)**

**Contribution Required and Contributions Made**

The plan actuarial valuation dated July 1, 2009 was used to determine the City's annual required contribution for the fiscal year ended June 30, 2010. The City's annual required contribution for the fiscal year ended June 30, 2010 was \$ while the actual contributions made were \$26,200. This employer required contribution represents 144.5 % of the covered payroll.

The City's Annual Pension Cost (APC) and net pension benefit obligation (NPO) for the Police & Fire Pension Fund as of and for the fiscal year ended June 30, 2010 was as follows:

Annual required contribution (ARC) & APC.....	\$2,705,190
Adjustments to ARC .....	(31,733)
City contributions made .....	<u>(15,612)</u>
Increase in net pension obligation .....	2,657,845
Net pension benefit obligation, June 30, 2009 .....	<u>1,492,700</u>
<b>Net pension benefit obligation, June 30, 2010.....</b>	<b><u>\$4,150,545</u></b>

**Trend Information**

<u>Fiscal Year Ending</u>	<u>City Contribution</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2010	\$15,612	\$2,705,190	0.58%	\$4,150,545
6/30/2009	\$26,200	\$1,518,900	1.7%	\$1,492,700
6/30/2008	\$32,100	\$ 0	N/A	\$ 0

Trend information showing the City's progress (see RSI – 3) in accumulating sufficient assets to pay benefits when due is presented in the City's Actuarial Report dated July 1, 2008, which may be obtained from the City's Finance office. This report is the most recent report available.

**Funded Status of Plan**

The required supplementary information which follows the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Listed below are the details of the funding progress of the Police and Fire Pension Plan, administered by the City of Woonsocket, with a valuation date of July 1, 2009 which is the most recent report available from the City who administers this plan.

- Actuarial value of assets - \$67,641,077
- Actuarial accrued liability - \$96,653,532
- Funded Excess (Deficit) – (\$29,012,455)
- Funded Ratio – 70.0%
- Annual covered payroll - \$622,556
- Funded Excess (Deficit) as percentage of payroll – (4,660.2%)

(CONTINUED)

**CITY OF WOONSOCKET, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**13. RISK MANAGEMENT AND HEALTH CARE MANAGEMENT PLAN**

The City of Woonsocket is exposed to various risks related to torts; theft of, damage to and destruction of assets; errors and omissions; workers' compensation claims; and natural disasters for which the City carries commercial insurance. Premiums are charged as expenditures as incurred. Settled claims resulting from these risks have not created additional premiums to the City in any of the past four fiscal years and it is not anticipated that additional premiums will result from current year activity. There have been no significant reductions in insurance coverage from prior years.

The City of Woonsocket uses a combination of the following finance plans to pay for its medical and dental programs for all eligible employees of the City and their dependents. These plans consist of the following:

- *Cost Plus Basis* – under which the City pays for the actual cost of covered health care services plus a fee to the provider for the administration of the program, and
- *Prospective Premium Basis* – this is a fully insured plan.

During the fiscal year ended June 30, 2010 the City of Woonsocket used predominately a cost plus basis financing plan to finance the cost of its health insurance benefits provided to City employees. Effective June 1, 2010 the Woonsocket Education Department also became self insured under the cost plus basis.

The City and School Finance Department's oversees the self-insured program and "claims payment services" are provided by Blue Cross Blue Shield of Rhode Island (Plan Administrator). "Incurred but not reported claims" as of June 30, 2010 were estimated to be approximately \$692,000 and are included as a liability in the City General Fund (\$281,000) and School Unrestricted Fund (\$411,000) of the fund financial statements. This estimate was based on actual claims billed and paid subsequent to year end but related to claims incurred prior to June 30, 2010. The City and School Department purchase specific "stop loss" insurance in order to avoid catastrophic losses. Under the specific stop loss insurance, the first component is a specific stop loss related solely to hospital and surgical/medical claims with attachment points of \$175,000 aggregate per individual contract during the contract period ending June 30, 2010. The City and School Department oversee the self-insured program and Blue Cross Blue Shield of Rhode Island provides claims payment services. The following is a schedule of health and dental claims processed under the self insured program of the City and School Department during the fiscal year ended June 30, 2010. This program includes the School Department since the adoption of the cost plus basis on June 1, 2010.

	<u>2010</u>	<u>2009</u>
IBNR at beginning of year.....	\$ 278,000	\$ 148,000
Approximate claims incurred year ended June 30 ..	8,490,000	8,633,000
Approximate claims paid year ended June 30 .....	<u>(8,076,000)</u>	<u>(8,503,000)</u>
<b>IBNR at June 30 .....</b>	<b><u>\$ 692,000</u></b>	<b><u>\$ 278,000</u></b>

The City and School Department are self insured for unemployment benefits. These claims are reported as expenditures when they are paid by the State Department of Employment and Training and submitted to the City and School for reimbursement.

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**CITY OF WOONSOCKET, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

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**14. OPERATING LEASES**

The Woonsocket School Department has entered into several lease agreements for office equipment. The terms of these agreements are for 36 months and require monthly lease payments of \$1,892. In accordance with the terms of these agreements, the leases have been classified as operating leases. During the year ended June 30, 2010, the expenditure incurred under the terms of this operating lease was approximately \$21,000.

In September 2008 the City entered into a lease agreement for copier equipment. The lease is for 60 months and requires monthly payment of approximately \$500. The lease contains a bargain purchase option of \$1 at the termination of the lease and therefore meets the conditions of a capital lease. However, due to the immaterial amount of the lease and the likelihood that the equipment will be fully depreciated at the end of the lease term, management has elected to treat the lease as an operating lease. Total expenditures incurred under this lease agreement was approximately \$16,000 for the year ended June 30, 2010

The following is a schedule of future minimum lease payments due under the terms of the above-noted lease agreements.

Year Ended <u>June 30</u>	
2011 .....	\$7,660
2012 .....	6,000
2013 .....	6,000
2014 .....	<u>1,500</u>
<b>Total.....</b>	<b><u>\$21,160</u></b>

**15. OTHER POST EMPLOYMENT BENEFITS**

In addition to the pension benefits described in Note 12, the City of Woonsocket provides post employment benefits (health and dental insurance) in accordance with various union contracts. These benefits are paid on a pay-as-you-go basis.

The Woonsocket Education Department offers health insurance for all bargaining unit members who retire with at least 28 years of credited service until the retiree attains the age of 65. Thereafter, if the retiree has 35 years of service, 25 in Woonsocket, the retiree is eligible for Plan 65 with a 15% employee contribution. The Woonsocket Education Department allows continuation of benefits to retirees with less than 28 years of service subject to the group rates. During the fiscal year ended June 30, 2010 approximately 212 retirees were eligible for these post employment benefits. Total other post employment benefits expenditures incurred during the fiscal year ended June 30, 2010 for School Department employees was approximately \$1,736,000.

The City of Woonsocket paid post employment benefits totaling approximately \$3,672,800 in accordance with terms of the various union contracts. These benefits were comprised of the following: approximately \$1,048,000 for 115 municipal employees; approximately \$1,017,900 for 80 fire department retirees; and approximately \$1,606,900 for 242 police department retirees.

As noted in the Independent Auditors' Report, during fiscal 2010 the City of Woonsocket implemented GASB Statement #45 retroactive to the fiscal year ended June 30, 2009 except for implementation of the OPEB requirement relative to the Woonsocket Education Department. The OPEB valuation of the School Department was not available as of the date of these financial statements.

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**CITY OF WOONSOCKET, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

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**15. OTHER POST EMPLOYMENT BENEFITS (Continued)**

As noted above, during the fiscal year ended June 30, 2010 the City of Woonsocket hired an actuary to complete a valuation of the City's postretirement welfare benefit. As of the date of these financial statements the study was completed for all departments of the City except for the Woonsocket Education Department. The actuary report and required information for compliance with GASB Statement #45 is expected to be received and incorporated into the fiscal 2011 audited financial statements. The City has not adopted an Irrevocable Trust Fund for the administration of postemployment benefits (health, dental, and life insurance) in accordance with union contracts and as such the plan is considered unfunded as of June 30, 2010.

A brief description of the postretirement welfare benefit plan is described below:

**Type of Coverage:**

**a. Plan Types:**

Medical: Pre-65- Healthmate; Classic for some current retirees. Post -65 Group Plan 65 and Blue Chip post-65 for non-police. Police continue with Healthmate or Classic.

Dental: City employees to age 65; and for Police for life.

Life: Police and City employees may continue their life insurance coverage at their own expense in retirement. Coverage reduces by one half at age 65.

**b. Eligibility:**

Firefighters and police – 20 years of service

City employees – Age 58 and 10 years of service

**c. Benefit/Cost Sharing:**

Firefighters and police – Town pays 100%

City employees – Retirees hired after 7/1/1995 and a few identified employees hired prior to 7/1/1995 will contribute 1% of their salary at retirement. Otherwise City pays 100% of coverage.

Spouse and surviving spouse benefit exists for all employees.

**d. Monthly premiums: 7/1/2009-6/30/2010**

Medical: City, Police and Firefighters – Healthmate - Individual - \$452 Family - \$1,127

Police – Healthmate – Individual - \$455 Family \$1,133

Police – Classic – Individual \$604 Family \$1,532

Firefighters – Healthmate – Individual \$447 Family \$1,112

Firefighters – Classic – Individual \$498 Family \$1,263

City – Classic – Individual \$498 Family \$1,260

City – Plan 65 - Individual \$147

City – Blue Chip - \$164

Dental: Individual varies from \$30 to \$31 Family varies from \$93 to \$96.

Life Insurance: Effective 7/1/2010: \$.44 per Thousand of coverage.

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CITY OF WOONSOCKET, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**15. OTHER POST EMPLOYMENT BENEFITS (Continued)**

**Funding Policy:**

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

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

**City General Fund:**

	<u>2010</u>	<u>2009</u>
Annual Required Contribution (ARC) .....	\$13,527,882	\$12,806,653
Interest on net OPEB Obligation .....	382,174	0
Adjustment to ARC .....	<u>(416,013)</u>	<u>0</u>
<b>Annual OPEB Cost</b> .....	<b>13,494,043</b>	<b>12,806,653</b>
Contributions made ** .....	<u>(3,563,869)</u>	<u>(3,252,296)</u>
<b>Increase in net OPEB Obligation</b> .....	<b>9,930,174</b>	<b>9,554,357</b>
Net OPEB Obligation at beginning of year .....	<u>9,554,357</u>	<u>0</u>
<b>Net OPEB Obligation at end of year</b> .....	<b><u>\$19,484,531</u></b>	<b><u>\$9,554,357</u></b>

**Wastewater Fund:**

	<u>2010</u>	<u>2009</u>
Annual Required Contribution (ARC) .....	\$ 24,649	\$ 23,951
Interest on net OPEB Obligation .....	115	0
Adjustment to ARC .....	<u>(125)</u>	<u>0</u>
<b>Annual OPEB Cost</b> .....	<b>24,639</b>	<b>23,951</b>
Contributions made ** .....	<u>(19,892)</u>	<u>(23,951)</u>
<b>Increase in net OPEB Obligation</b> .....	<b>4,747</b>	<b>0</b>
Net OPEB Obligation at beginning of year .....	<u>0</u>	<u>0</u>
<b>Net OPEB Obligation at end of year</b> .....	<b><u>\$ 4,747</u></b>	<b><u>\$ 0</u></b>

**Water Fund:**

	<u>2010</u>	<u>2009</u>
Annual Required Contribution (ARC) .....	\$559,047	\$ 531,989
Interest on net OPEB Obligation .....	13,212	0
Adjustment to ARC .....	<u>(14,382)</u>	<u>0</u>
<b>Annual OPEB Cost</b> .....	<b>557,877</b>	<b>531,989</b>
Contributions made ** .....	<u>(220,105)</u>	<u>(201,696)</u>
<b>Increase in net OPEB Obligation</b> .....	<b>337,772</b>	<b>330,293</b>
Net OPEB Obligation at beginning of year .....	<u>330,293</u>	<u>0</u>
<b>Net OPEB Obligation at end of year</b> .....	<b><u>\$668,065</u></b>	<b><u>\$ 330,293</u></b>

**\*\* - Contributions made were assumed to equal expected benefit payments.**

(CONTINUED)

**CITY OF WOONSOCKET, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**15. OTHER POST EMPLOYMENT BENEFITS (Continued)**

**Trend Information:**

The Annual OPEB cost and the percentage of annual OPEB cost contributed to the plan is as follows for the last two fiscal years (most recent information available):

**City General Fund:**

<b><u>Fiscal Year Ended</u></b>	<b><u>Annual OPEB Cost</u></b>	<b><u>% of Annual OPEB Cost Contributed</u></b>	<b><u>Net OPEB Obligation</u></b>
6/30/2009	\$12,806,653	25.4%	\$9,554,357
6/30/2010	\$13,494,043	26.4%	\$19,484,531

**Wastewater Fund:**

<b><u>Fiscal Year Ended</u></b>	<b><u>Annual OPEB Cost</u></b>	<b><u>% of Annual OPEB Cost Contributed</u></b>	<b><u>Net OPEB Obligation</u></b>
6/30/2009	\$23,951	100%	\$ 0
6/30/2010	\$24,639	80.73%	\$4,747

**Water Fund:**

<b><u>Fiscal Year Ended</u></b>	<b><u>Annual OPEB Cost</u></b>	<b><u>% of Annual OPEB Cost Contributed</u></b>	<b><u>Net OPEB Obligation</u></b>
6/30/2009	\$531,989	37.9%	\$330,293
6/30/2010	\$557,877	39.5%	\$668,065

**Funded Status of Plan**

The required supplementary information which follows the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Listed below are the details of the funding progress of the OPEB Plan with a valuation date of July 1, 2009 which is the most recent report available from the City of Woonsocket's Actuary.

**City General Fund:**

- Actuarial value of assets - \$-0-
- Actuarial accrued liability - \$126,879,850
- Unfunded actuarial accrued liability (UAAL) - \$126,879,850
- Funded Ratio - 0.00%
- Annual covered payroll - \$13,690,924
- UAAL as percentage of covered payroll - 926.7%

**Wastewater Fund:**

- Actuarial value of assets - \$-0-
- Actuarial accrued liability - \$449,526
- Unfunded actuarial accrued liability (UAAL) - \$449,526
- Funded Ratio - 0.00%
- Annual covered payroll - \$52,728
- UAAL as percentage of covered payroll - 852.5%

(CONTINUED)



**CITY OF WOONSOCKET, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**16. COMMITMENTS AND CONTINGENCIES (Continued)**

Pending or threatened lawsuits against municipal governments arise in the ordinary course of operations. Generally, in the opinion of the administration, the ultimate resolution of any legal actions taken against the City will not result in a material loss to the City. However, at June 30, 2010 there are several claims against the City for which the City's legal counsel is unable to determine the likelihood of unfavorable outcome or the amount or range of potential loss. These claims are listed below:

There are several claims against the City relating to employment arbitration agreements, violation of Rhode Island Water Pollution Act, DEM's Water Quality Regulations, RI General Laws Section 46-12-5b, DEM's RIPDES Regulations, a private *qui tam* or whistle blower case initiated by a real estate developer and owner of rental apartments, claim by the Rhode Island Builders Association, and claims against the Woonsocket Police Department. Due to the status of many of these claims at June 30, 2010 and the fact that some of the claims may be covered by the City's insurance carrier, the City's legal counsel and management are unable to determine the likelihood of an unfavorable outcome or the potential loss that may be incurred. Accordingly, no liability has been recorded in the financial statements of the City as of June 30, 2010.

**17. RESTATEMENT**

The June 30, 2009 net assets have been restated to reflect the implementation of GASB Statement #45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*. The City had an actuary study completed for all City Funds except for the Woonsocket Education Department. As of the date of these financial statements the City is in the process of obtaining an actuarial valuation of the OPEB obligations of the Woonsocket Education Department.

The following reflects the change in net assets resulting from the implementation of GASB Statement #45:

**Governmental Activities:**

Net assets at June 30, 2009 as originally stated .....	(\$ 9,816,427)
Net OPEB Obligation at June 30, 2009 .....	<u>( 9,554,357)</u>
<b>Net assets at June 30, 2009 as restated .....</b>	<b><u>(\$19,370,784)</u></b>

**Business Type Activities:**

Net assets at June 30, 2009 as originally stated .....	\$32,917,089
Net OPEB Obligation at June 30, 2009 (Water Fund).....	<u>(330,293)</u>
<b>Net assets at June 30, 2009, as restated .....</b>	<b><u>\$32,586,796</u></b>

In addition, the June 30, 2009 Capital Assets and Long-Term Debt Obligations of the Governmental Activities of the Government-Wide financial statements have been restated by \$734,044 (increase) to properly reflect the fair market value of fire apparatus acquired in fiscal 2009 under a lease purchase obligation. The June 30, 2009 financial statements reflected only the initial payment of the obligation as the value of the capital asset.

(CONTINUED)

**CITY OF WOONSOCKET, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

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**18. SUBSEQUENT EVENTS**

On July 1, 2010 in accordance with Rhode Island General Laws 45-12-22.4, the State Auditor General and the Director of the State Department of Revenue approved the request of the City of Woonsocket Rhode Island to issue up to \$12,000,000 General Obligation Deficit Bonds due March 2012-2016, and Bond Anticipation Notes in anticipation of the issuance of Bonds to be dated July 14, 2010 and due March 10, 2011 as outlined in the Deficit Reduction Plan dated June 30, 2010.

On July 14, 2010 the City of Woonsocket entered into General Obligation Deficit Bond Anticipation Notes in the amount of \$11,500,000. The Notes mature on March 10, 2011 and have an interest rate 6.25%. The proceeds from the Notes (approximately \$11,393,000) were placed into an escrow account and are to be utilized to pay certain obligations of the City, including the School Department.

(CONCLUDED)

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# CITY OF WOONSOCKET

## REQUIRED SUPPLEMENTARY INFORMATION



**CITY OF WOONSOCKET, RHODE ISLAND**

**Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
General Fund - Budgetary Basis**

For the Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues:</b>				
<b>Property taxes:</b>				
Current taxes	\$ 45,915,764	\$ 45,915,764	\$ 46,239,524	\$ 323,760
Prior taxes	550,000	550,000	594,767	44,767
<b>Total taxes current and prior</b>	<b>46,465,764</b>	<b>46,465,764</b>	<b>46,834,291</b>	<b>368,527</b>
Interest on taxes	400,000	400,000	566,509	166,509
Payment in lieu of taxes	55,000	55,000	180,428	125,428
<b>Total property taxes</b>	<b>46,920,764</b>	<b>46,920,764</b>	<b>47,581,228</b>	<b>660,464</b>
<b>State aid - City:</b>				
General state aid	-	-	-	-
Telephone tax	379,521	379,521	467,996	88,475
Meals and beverage tax	496,245	496,245	494,686	(1,559)
Distressed communities	826,382	826,382	826,376	(6)
Chapter 26 - school housing	1,229,215	1,229,215	1,228,708	(507)
State library construction	165,296	165,296	165,296	-
Private hospital & colleges	157,083	157,083	134,688	(22,395)
Civil defense	50,134	50,134	50,134	-
State motor vehicle phase-out	5,451,446	5,451,446	4,652,576	(798,870)
Hotel tax	50,000	50,000	37,812	(12,188)
<b>Total state aid - City</b>	<b>8,805,322</b>	<b>8,805,322</b>	<b>8,058,272</b>	<b>(747,050)</b>
<b>Licenses, fees and rents:</b>				
Business licenses and fees	1,355,900	1,355,900	1,132,224	(223,676)
Trash collection fee	967,889	967,889	879,382	(88,507)
Rental of city properties	50,000	50,000	101,589	51,589
<b>Total licenses, fees and rents</b>	<b>2,373,789</b>	<b>2,373,789</b>	<b>2,113,195</b>	<b>(260,594)</b>
<b>Investment income - short term</b>	<b>30,000</b>	<b>30,000</b>	<b>14,670</b>	<b>(15,330)</b>
<b>Departmental revenues:</b>				
Community Development	290,000	290,000	307,529	17,529
Lead Hazard Control	16,269	16,269	29,181	12,912
Home Reimbursemt - Staff	50,000	50,000	73,356	23,356
W.H.A. Reimbursement - Police	44,000	44,000	11,108	(32,892)
Federal Reimbursement - Police	-	-	-	-
Special Assessments	6,000	6,000	9,521	3,521
Host Community	500,000	500,000	159,097	(340,903)
Host Outside Wastewater Crew	1,000,000	1,000,000	1,000,000	-
Wastewater department	158,000	158,000	158,000	-
Water department	944,010	944,010	944,010	-
Solid waste program	153,704	153,704	153,704	-
Federal Housing	150,000	150,000	-	(150,000)
<b>Total departmental revenues</b>	<b>3,311,983</b>	<b>3,311,983</b>	<b>2,845,506</b>	<b>(466,477)</b>
<b>Restricted receipts:</b>				
Education department - General Fund	50,356,464	50,356,464	48,548,476	(1,807,988)
<b>Miscellaneous revenues:</b>				
City Pension Administration	69,704	69,704	69,704	-
Miscellaneous - City	1,812,395	1,812,395	2,134,967	322,572
<b>Total miscellaneous</b>	<b>1,882,099</b>	<b>1,882,099</b>	<b>2,204,671</b>	<b>322,572</b>
<b>Total revenues</b>	<b>113,680,421</b>	<b>113,680,421</b>	<b>111,366,018</b>	<b>(2,314,403)</b>

(CONTINUED)

## CITY OF WOONSOCKET, RHODE ISLAND

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
General Fund - Budgetary Basis

For the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Expenditures:</b>				
<b>General government:</b>				
Office of the Mayor	123,838	123,838	117,082	6,756
City Council	105,658	105,658	80,000	25,658
City Clerk	154,028	154,028	196,431	(42,403)
Probate Court	9,625	9,625	8,405	1,220
Board of Assessment Review	1,050	1,050	1,050	-
Board of Canvassers	134,994	134,994	118,570	16,424
Zoning Board of Review	19,920	20,720	19,674	1,046
Board of Library Trustees	911,833	911,833	756,879	154,954
Personnel administration	177,131	177,131	193,877	(16,746)
City Solicitor	196,590	196,590	205,873	(9,283)
Finance department	1,742,632	1,742,632	1,553,545	189,087
Economic Development	23,650	23,650	16,947	6,703
Planning Department	766,255	765,455	827,495	(62,040)
<b>Total general government</b>	<b>4,367,204</b>	<b>4,367,204</b>	<b>4,095,828</b>	<b>271,376</b>
<b>Public safety:</b>				
Police Division	7,687,867	7,690,867	7,561,536	129,331
Fire Division	9,513,678	9,515,178	9,932,464	(417,286)
Emergency Mgmt Division	50,134	45,134	32,569	12,565
<b>Total public safety</b>	<b>17,251,679</b>	<b>17,251,179</b>	<b>17,526,569</b>	<b>(275,390)</b>
<b>Public works:</b>				
Office of the Director	674,278	671,229	692,100	(20,871)
Engineering Division	426,316	426,816	253,635	173,181
Highway Division	3,027,352	3,043,036	2,433,737	609,299
City Property Division	319,154	319,187	307,647	11,540
Parks and Recreation Division	238,650	225,982	163,107	62,875
Solid Waste Disposal Division	2,734,929	2,734,929	2,517,899	217,030
<b>Total public works</b>	<b>7,420,679</b>	<b>7,421,179</b>	<b>6,368,125</b>	<b>1,053,054</b>
<b>Education Department Expenditures</b>	<b>50,356,464</b>	<b>50,356,464</b>	<b>50,873,018</b>	<b>(516,554)</b>
<b>Miscellaneous:</b>				
Insurance	569,980	569,980	575,246	(5,266)
Claims & Judgements	20,000	20,000	84,652	(64,652)
Contingency	584,830	584,830	54,950	529,880
Veterans Holiday	-	-	-	-
Contribution to City Funds	6,531,931	6,531,931	7,630,022	(1,098,091)
Pension	2,396,921	2,396,921	2,423,819	(26,898)
Miscellaneous	70,000	70,000	61,806	8,194
<b>Total miscellaneous</b>	<b>10,173,662</b>	<b>10,173,662</b>	<b>10,830,495</b>	<b>(656,833)</b>
<b>Debt Service</b>	<b>11,524,173</b>	<b>11,524,173</b>	<b>11,744,486</b>	<b>(220,313)</b>
<b>Total expenditures</b>	<b>101,093,861</b>	<b>101,093,861</b>	<b>101,438,521</b>	<b>(344,660)</b>
<b>Excess of revenues over expenditures before other financing sources (uses)</b>	<b>12,586,560</b>	<b>12,586,560</b>	<b>9,927,497</b>	<b>(2,659,063)</b>
<b>Other financing sources (uses):</b>				
<b>Operating transfers:</b>				
Transfers to school department	(12,586,560)	(12,586,560)	(12,586,560)	-
<b>Total other financing uses</b>	<b>(12,586,560)</b>	<b>(12,586,560)</b>	<b>(12,586,560)</b>	<b>-</b>
<b>Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (2,659,063)</b>	<b>\$ (2,659,063)</b>
<b>Budgetary basis deficiency is comprised of the following:</b>				
City General Fund			\$ (334,521)	
School Department Unrestricted Fund			(2,324,542)	
<b>Total budgetary basis deficiency of revenues under expenditures</b>			<b>\$ (2,659,063)</b>	

(CONCLUDED)

## CITY OF WOONSOCKET, RHODE ISLAND

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
School Unrestricted Fund - Budgetary Basis

For the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
State aid	\$ 46,282,824	\$ 46,282,824	\$ 41,636,568	\$ (4,646,256)
State Fiscal Stabilization Funds	-	-	3,244,945	3,244,945
Tuition other	55,000	55,000	69,271	14,271
Tuition career center	995,000	995,000	724,680	(270,320)
RF Harris Fund	16,085	16,085	11,759	(4,326)
Evening and Summer School	40,000	40,000	47,836	7,836
Athletic Receipts	12,000	12,000	15,803	3,803
Facility Rentals	104,000	104,000	93,448	(10,552)
Miscellaneous	320,000	320,000	695,909	375,909
SAFFA	50,000	50,000	51,675	1,675
Indirect cost	100,000	100,000	106,326	6,326
Medicaid	900,000	900,000	1,316,054	416,054
Housing aid	534,201	534,201	534,202	1
<b>Total revenues</b>	<b>49,409,110</b>	<b>49,409,110</b>	<b>48,548,476</b>	<b>(860,634)</b>
<b>Expenditures:</b>				
Salaries	37,094,777	37,094,777	38,854,446	(1,759,669)
Fringe and fixed charges	16,283,705	16,283,705	14,943,402	1,340,303
Purchased services	5,879,459	5,879,459	7,117,192	(1,237,733)
Supplies and materials	2,303,429	2,303,429	2,265,708	37,721
Equipment/Capital outlay	434,300	434,300	278,830	155,470
<b>Total expenditures</b>	<b>61,995,670</b>	<b>61,995,670</b>	<b>63,459,578</b>	<b>(1,463,908)</b>
<b>Excess of revenues over (under) expenditures before other financing sources (uses)</b>	<b>(12,586,560)</b>	<b>(12,586,560)</b>	<b>(14,911,102)</b>	<b>(2,324,542)</b>
<b>Other financing sources (uses):</b>				
Operating transfer from City of Woonsocket General Fund	12,586,560	12,586,560	12,586,560	-
<b>Total other financing sources (uses)</b>	<b>12,586,560</b>	<b>12,586,560</b>	<b>12,586,560</b>	<b>-</b>
<b>Deficiency of revenues and other financing sources under expenditures and other financing uses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (2,324,542)</b>	<b>\$ (2,324,542)</b>

**CITY OF WOONSOCKET, RHODE ISLAND**

**Required Supplementary Information  
Schedule of Funding Progress  
June 30, 2010  
UNAUDITED**

		Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Funding Excess (Deficit)	Funded Ratio	Covered Payroll	Funding Excess (Deficit) as A percentage of Covered Payroll
<b>General municipal employees pension plan.....</b>	<b>A</b>	6/30/2007	\$ 61,019,862	\$ 53,392,281	\$ 7,627,581	114.3%	\$ 13,026,953	58.6%
		6/30/2008	\$ 65,679,230	\$ 56,198,983	\$ 9,480,247	116.9%	\$ 12,930,655	73.3%
		6/30/2009	\$ 64,835,107	\$ 59,703,241	\$ 5,131,866	108.6%	\$ 11,960,719	42.9%
<b>Municipal police pension plan.....</b>	<b>A</b>	6/30/2007	\$ 25,626,820	\$ 27,041,050	\$ (1,414,230)	94.8%	\$ 5,302,042	-26.7%
		6/30/2008	\$ 29,010,871	\$ 30,776,550	\$ (1,765,679)	94.3%	\$ 4,847,955	-36.4%
		6/30/2009	\$ 29,773,835	\$ 34,272,940	\$ (4,499,105)	86.9%	\$ 4,728,198	-95.2%
<b>Municipal fire pension plan.....</b>	<b>A</b>	6/30/2007	\$ 21,626,894	\$ 21,811,906	\$ (185,012)	99.2%	\$ 5,992,040	-3.1%
		6/30/2008	\$ 25,287,421	\$ 24,373,728	\$ 913,693	103.7%	\$ 6,362,891	14.4%
		6/30/2009	\$ 27,011,294	\$ 26,832,008	\$ 179,286	100.7%	\$ 6,559,575	2.7%
<b>City Administered police &amp; fire pension plan.....</b>		7/1/2007	\$ 90,034,746	\$ 89,010,115	\$ 1,024,631	101.2%	\$ 1,117,844	91.7%
		7/1/2008	\$ 87,968,606	\$ 97,355,537	\$ (9,386,931)	90.4%	\$ 1,228,245	-764.3%
		7/1/2009	\$ 67,641,077	\$ 96,653,532	\$ (29,012,455)	70.0%	\$ 622,556	-4660.2%

**A - The information included in this schedule of funding progress was obtained from the annual actuarial valuation report of the State of Rhode Island's Employee Retirement System for each of the dates indicated. The June 30, 2009 report is the most recent report available as of the date of the audited financial statements. The State of Rhode Island's Employee Retirement System is currently in the process of compiling the information to complete the June 30, 2010 report.**

CITY OF WOONSOCKET, RHODE ISLAND

**Required Supplementary Information**  
**Schedule of Funding Progress - OPEB Plans**  
**June 30, 2010**  
**UNAUDITED**

	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Funding Excess (Deficit)	Funded Ratio	Covered Payroll	Funding Excess (Deficit) as A percentage of Covered Payroll
<b>City General Fund</b> <b>OPEB Plan.....</b>	7/1/2009	\$ -	\$ 126,876,850	\$ (126,876,850)	0.0%	\$ 13,690,924	-926.7%
<b>City Wastewater Fund</b> <b>OPEB plan.....</b>	7/1/2009	\$ -	\$ 449,526	\$ (449,526)	0.0%	\$ 52,728	-852.5%
<b>City Water Fund</b> <b>OPEB plan.....</b>	7/1/2009	\$ -	\$ 5,658,519	\$ (5,658,519)	0.0%	\$ 1,037,452	-545.4%

The information included in this schedule of funding progress was obtained from the actuarial valuation report dated January 19, 2011 prepared by The USI Consulting Group. The July 1, 2009 valuation is the most recent report available.

As of June 30, 2010 there was only one valuation completed for the OPEB liability due to fiscal 2009 being the first year in which the implementation of GASB 45 was applicable.

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# **CITY OF WOONSOCKET**

## **OTHER SUPPLEMENTARY INFORMATION**



# CITY OF WOONSOCKET

## NONMAJOR GOVERNMENTAL FUNDS

### SPECIAL REVENUE FUNDS

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

Land and Outdoor Recreation Trust	Emergency Shelter Fund
Hamlet Ave Enhancement	Juvenile Fire Setters' Education
Planning Board Fund	Business Revolving Loan Fund
Community Development Housing	
Preservation Grant Fund	Rhode Island Home Fund
Library Services Fund	Harris Library Grant
Woonsocket Senior Citizens Fund	Neighborhood Crime Watch
UDAG Loan Repayment Fund	Comprehensive Planning Grant
Rivers Edge Recreation Grant	Fed & State Drug Forfeiture
Task Force on Drug & Alcohol Abuse	Bramley Bill Fund
LLEBG Grant 2004/2006	Community Development Block Grant
Building Inspection Services Fund	Hazardous Material Grant
Fire Dept. P.P.E. Grant	Special Squad Holding
Lead Hazard Control	LLEBG Grant 2002-2004
EMS Public Fund	Cops Hiring Grant
Woonsocket EMA Grant	Justice Assistance Grant 09
Library Fines and Fees	Planning Challenge Grant
Hamlet Ave Economic Program	Homeland Security Grant
Recovery Justice Assistance Grant 09	Recycling Coordinator Fund
Recycling Containers Fund	Lead Hazard Demo Grant
Justice Assistance Grant 06	2008 Cops Technology Grant
City Clerk Records Restoration Fund	Justice Assistance Grant 07
Justice Assistance Grant 08	Wayfinding Master Plan
Brownsfield Assessment Program	School Restricted Funds

(CONTINUED)

# CITY OF WOONSOCKET

## NONMAJOR GOVERNMENTAL FUNDS (Continued)

### CAPITAL PROJECTS FUNDS

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

**School Capital Projects** - This fund is used to account for the capital project activity maintained by the Woonsocket Education Department.

(CONCLUDED)

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**CITY OF WOONSOCKET, RHODE ISLAND**

**Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2010**

	<b>SPECIAL REVENUE FUNDS</b>									
	<u>Land and Outdoor Recreation Trust Fund</u>	<u>Emergency Shelter Fund</u>	<u>Hamlet Ave Enhancement</u>	<u>Juvenile Fire Setters' Education</u>	<u>Planning Board Fund</u>	<u>Business Revolving Loan Fund</u>	<u>Community Development Housing Preservation Grant Fund</u>	<u>Rhode Island Home Fund</u>	<u>Library Services Fund</u>	<u>Harris Library Grant</u>
<b>ASSETS</b>										
Cash and cash equivalents	\$ 126,842	\$ 10		\$ 1,274	\$ 31,357	\$ 7,323	\$ 1,507	\$ 145,576	\$ 33,541	\$ 119,554
Accounts receivable										
Due from other governmental units								22,250		
Due from issued loans						14,931	74,905	2,433,821		
Due from other funds										
<b>TOTAL ASSETS</b>	<b>\$ 126,842</b>	<b>\$ 10</b>	<b>\$ -</b>	<b>\$ 1,274</b>	<b>\$ 31,357</b>	<b>\$ 22,254</b>	<b>\$ 76,412</b>	<b>\$ 2,601,647</b>	<b>\$ 33,541</b>	<b>\$ 119,554</b>
<b>LIABILITIES</b>										
Cash overdraft										
Accounts payable								\$ 22,407		\$ 30,926
Retainage payable										
Accrued liabilities										
Due to federal and state governments										
Due to other funds		\$ 15	\$ 1,087	1,000		\$ 158,191		\$ 33,071		
Deferred revenue						14,931	\$ 74,905	2,433,821		
<b>TOTAL LIABILITIES</b>	<b>\$ -</b>	<b>15</b>	<b>1,087</b>	<b>\$ 1,000</b>	<b>-</b>	<b>173,122</b>	<b>74,905</b>	<b>2,489,299</b>	<b>-</b>	<b>30,926</b>
<b>FUND BALANCES</b>										
Unreserved	126,842	(5)	(1,087)	274	31,357	(150,868)	1,507	112,348	33,541	88,628
<b>TOTAL FUND BALANCES</b>	<b>126,842</b>	<b>(5)</b>	<b>(1,087)</b>	<b>274</b>	<b>31,357</b>	<b>(150,868)</b>	<b>1,507</b>	<b>112,348</b>	<b>33,541</b>	<b>88,628</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 126,842</b>	<b>\$ 10</b>	<b>\$ -</b>	<b>\$ 1,274</b>	<b>\$ 31,357</b>	<b>\$ 22,254</b>	<b>\$ 76,412</b>	<b>\$ 2,601,647</b>	<b>\$ 33,541</b>	<b>\$ 119,554</b>

(CONTINUED)

**CITY OF WOONSOCKET, RHODE ISLAND**

**Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2010**

	<b>SPECIAL REVENUE FUNDS</b>									
	Woonsocket Senior Citizens Fund	Neighborhood Crime Watch	UDAG Loan Repayment Fund	Comprehensive Planning Grant	Rivers Edge Recreation Grant	Fed & State Drug Forfeiture/ Police Special Squad Fund	Task Force on Drug and Alcohol Abuse Fund	Bramley Bill Fund	LLEBG Grant 2004/2006	Community Development Block Grant
<b>ASSETS</b>										
Cash and cash equivalents	\$ 9,383	\$ 11	\$ 127	\$ 2,885	\$ 15,973	\$ 177,938	\$ 40,111	\$ 8,864	\$ 10,363	\$ 13,265
Accounts receivable	9,098									
Due from other governmental units								9,552		1,606,558
Due from issued loans										
Due from other funds						22,702	33,342	19,804		158,191
<b>TOTAL ASSETS</b>	<b>\$ 18,481</b>	<b>\$ 11</b>	<b>\$ 127</b>	<b>\$ 2,885</b>	<b>\$ 15,973</b>	<b>\$ 200,640</b>	<b>\$ 73,453</b>	<b>\$ 38,220</b>	<b>\$ 10,363</b>	<b>\$ 1,778,014</b>
<b>LIABILITIES</b>										
Cash overdraft										
Accounts payable	\$ 12,578			\$ 868	\$ 15,596	\$ 11,441	\$ 21,211	\$ 3,617		
Retainage payable										
Accrued liabilities										
Due to federal and state governments										\$ 98,148
Due to other funds	3,200					2,996	32,137	640		1,606,558
Deferred revenue										
<b>TOTAL LIABILITIES</b>	<b>15,778</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 868</b>	<b>15,596</b>	<b>14,437</b>	<b>53,348</b>	<b>4,257</b>	<b>\$ -</b>	<b>1,704,706</b>
<b>FUND BALANCES</b>										
Unreserved	2,703	11	127	2,017	377	186,203	20,105	33,963	10,363	73,308
<b>TOTAL FUND BALANCES</b>	<b>2,703</b>	<b>11</b>	<b>127</b>	<b>2,017</b>	<b>377</b>	<b>186,203</b>	<b>20,105</b>	<b>33,963</b>	<b>10,363</b>	<b>73,308</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 18,481</b>	<b>\$ 11</b>	<b>\$ 127</b>	<b>\$ 2,885</b>	<b>\$ 15,973</b>	<b>\$ 200,640</b>	<b>\$ 73,453</b>	<b>\$ 38,220</b>	<b>\$ 10,363</b>	<b>\$ 1,778,014</b>

(CONTINUED)

## CITY OF WOONSOCKET, RHODE ISLAND

Combining Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2010

	SPECIAL REVENUE FUNDS										
	Building Inspection Services Fund	Hazardous Material Grant	Fire Dept P.P.E. Grant	Special Squad Holding	Lead Hazard Control	LLEBG Grant 2002-2004	EMS Public Fund	Cops Hiring Grant	Woonsocket EMA Grant	Justice Assistance Grant 09	Library Fines and Fees
<b>ASSETS</b>											
Cash and cash equivalents	\$ 10,889	\$ 8,369	\$ 21,600	\$ 7,726	\$ 2,810	\$ 3,103	\$ 115,084	\$ 138,755	\$ 20,989	\$ 29,778	\$ 75,307
Accounts receivable							657,214				
Due from other governmental units								\$ 4,403			
Due from issued loans											
Due from other funds		\$ 3,736						500			
<b>TOTAL ASSETS</b>	<b>\$ 10,889</b>	<b>\$ 12,105</b>	<b>\$ 21,600</b>	<b>\$ 7,726</b>	<b>\$ 2,810</b>	<b>\$ 3,103</b>	<b>\$ 772,298</b>	<b>\$ 138,755</b>	<b>\$ 25,892</b>	<b>\$ 29,778</b>	<b>\$ 75,307</b>
<b>LIABILITIES</b>											
Cash overdraft											
Accounts payable		\$ 528	\$ 21,600				\$ 3,658		\$ 136		\$ 6,331
Retainage payable											
Accrued liabilities											
Due to federal and state governments											
Due to other funds		4,252					111,426	138,755			
Deferred revenue							657,214				
<b>TOTAL LIABILITIES</b>	<b>\$ -</b>	<b>4,780</b>	<b>21,600</b>	<b>-</b>	<b>\$ -</b>	<b>\$ -</b>	<b>772,298</b>	<b>\$ 138,755</b>	<b>\$ 136</b>	<b>\$ -</b>	<b>6,331</b>
<b>FUND BALANCES</b>											
Unreserved	10,889	7,325	-	7,726	2,810	3,103	-	-	25,756	29,778	68,976
<b>TOTAL FUND BALANCES</b>	<b>10,889</b>	<b>7,325</b>	<b>-</b>	<b>7,726</b>	<b>2,810</b>	<b>3,103</b>	<b>-</b>	<b>-</b>	<b>25,756</b>	<b>29,778</b>	<b>68,976</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 10,889</b>	<b>\$ 12,105</b>	<b>\$ 21,600</b>	<b>\$ 7,726</b>	<b>\$ 2,810</b>	<b>\$ 3,103</b>	<b>\$ 772,298</b>	<b>\$ 138,755</b>	<b>\$ 25,892</b>	<b>\$ 29,778</b>	<b>\$ 75,307</b>

(CONTINUED)

## CITY OF WOONSOCKET, RHODE ISLAND

Combining Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2010

	SPECIAL REVENUE FUNDS									
	Planning Challenge Grant	Hamlet Ave. Economic Program	Homeland Security Grant	Recovery Justice Assistance Grant 09	Recycling Coordinator Fund	Recycling Containers Fund	Lead Hazard Demo Grant	Justice Assistance Grant 06	2008 Cops Technology Grant	City Clerk Records Restoration Fund
<b>ASSETS</b>										
Cash and cash equivalents		\$ 774	\$ 253,850	\$ 25,000	\$ 11,748	\$ 1	\$ 11,283	\$ -	\$ 28,088	\$ 124,352
Accounts receivable										
Due from other governmental units							1,769,388			
Due from issued loans										
Due from other funds			6,003						815	
<b>TOTAL ASSETS</b>	\$ -	\$ 774	\$ 259,853	\$ 25,000	\$ 11,748	\$ 1	\$ 1,780,671	\$ -	\$ 28,903	\$ 124,352
<b>LIABILITIES</b>										
Cash overdraft							\$ 45,475			
Accounts payable										
Retainage payable										
Accrued liabilities										
Due to federal and state governments										
Due to other funds			260,000					\$ 4,500		
Deferred revenue							1,755,293	24,403		
<b>TOTAL LIABILITIES</b>	-	\$ -	260,000	\$ -	\$ -	\$ -	1,800,768	\$ -	28,903	\$ -
<b>FUND BALANCES</b>										
Unreserved	-	774	(147)	25,000	11,748	1	(20,097)	-	-	124,352
<b>TOTAL FUND BALANCES</b>		774	(147)	25,000	11,748	1	(20,097)	-	-	124,352
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	\$ -	\$ 774	\$ 259,853	\$ 25,000	\$ 11,748	\$ 1	\$ 1,780,671	\$ -	\$ 28,903	\$ 124,352

(CONTINUED)

**CITY OF WOONSOCKET, RHODE ISLAND**

**Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2010**

	<b>SPECIAL REVENUE FUNDS</b>							
	Justice Assistance Grant 07	Justice Assistance Grant 08	Wayfinding Master Plan Fund	Brownsfield Assessment Program	School Restricted Funds	Total Special Revenue Funds	School Capital Projects Fund	Total Non-Major Funds
<b>ASSETS</b>								
Cash and cash equivalents	\$ 1,382	\$ 627	\$ 6,436	\$ 200,000	\$ 228,680	\$ 2,072,535		\$ 2,072,535
Accounts receivable					1,514	667,826		667,826
Due from other governmental units					2,749,507	6,161,658		6,161,658
Due from issued loans						2,523,657		2,523,657
Due from other funds				10,500	51,206	306,799		306,799
<b>TOTAL ASSETS</b>	<b>\$ 1,382</b>	<b>\$ 627</b>	<b>\$ 6,436</b>	<b>\$ 210,500</b>	<b>\$ 3,030,907</b>	<b>\$ 11,732,475</b>	<b>\$ -</b>	<b>\$ 11,732,475</b>
<b>LIABILITIES</b>								
Cash overdraft					\$ 165,849	\$ 165,849	\$ 3,243	\$ 169,092
Accounts payable	\$ 1,292				137,224	334,888	\$ 4,079	338,967
Retainage payable						-		-
Accrued liabilities						-		-
Due to federal and state governments					84,280	84,280		84,280
Due to other funds		815		200,000	2,511,660	3,561,893		3,561,893
Deferred revenue					38,553	6,605,678		6,605,678
<b>TOTAL LIABILITIES</b>	<b>1,292</b>	<b>815</b>	<b>-</b>	<b>200,000</b>	<b>2,937,566</b>	<b>10,752,588</b>	<b>\$ 7,322.00</b>	<b>10,759,910</b>
<b>FUND BALANCES</b>								
Unreserved	90	(188)	6,436	10,500	93,341	979,887	(7,322)	972,565
<b>TOTAL FUND BALANCES</b>	<b>90</b>	<b>(188)</b>	<b>6,436</b>	<b>10,500</b>	<b>93,341</b>	<b>979,887</b>	<b>(7,322)</b>	<b>972,565</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,382</b>	<b>\$ 627</b>	<b>\$ 6,436</b>	<b>\$ 210,500</b>	<b>\$ 3,030,907</b>	<b>\$ 11,732,475</b>	<b>\$ -</b>	<b>\$ 11,732,475</b>

(CONCLUDED)

CITY OF WOONSCKET, RHODE ISLAND

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

	<b>SPECIAL REVENUE FUNDS</b>									
	Land and Outdoor Recreation <u>Trust Fund</u>	Emergency Shelter <u>Fund</u>	Hamlet Ave Enhancement <u>Enhancement</u>	Juvenile Fire Setters' <u>Education</u>	Planning Board <u>Fund</u>	Business Revolving Loan <u>Fund</u>	Community Development Housing Preservation <u>Grant Fund</u>	Rhode Island <u>Home Fund</u>	Library Services <u>Fund</u>	Harris Library <u>Grant</u>
<b>REVENUES:</b>										
Intergovernmental revenue		\$ 128,540			\$ 2,605			\$ 200,058	\$ 1,553	\$ 207,922
State Fiscal Stabilization Funds										
Interest income	\$ 354				98	\$ 501			84	
Other revenue						4,428			20,025	
<b>Total revenues</b>	<b>354</b>	<b>128,540</b>	<b>\$ -</b>	<b>\$ -</b>	<b>2,703</b>	<b>4,929</b>	<b>-</b>	<b>200,058</b>	<b>21,662</b>	<b>207,922</b>
<b>EXPENDITURES:</b>										
<b>Current:</b>										
Legislative - general government										
Public safety		128,545								
Human resources									17,367	
Economic development					6,888		633,499			
Education				937						
Other fixed and general charges						13,427				189,321
<b>Debt Service:</b>										
Principal										
Interest and other costs										
<b>Capital expenditures</b>										
<b>Total expenditures</b>	<b>-</b>	<b>128,545</b>	<b>-</b>	<b>937</b>	<b>6,888</b>	<b>13,427</b>	<b>-</b>	<b>633,499</b>	<b>17,367</b>	<b>189,321</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>354</b>	<b>(5)</b>	<b>-</b>	<b>(937)</b>	<b>(4,185)</b>	<b>(8,498)</b>	<b>-</b>	<b>(433,441)</b>	<b>4,295</b>	<b>18,601</b>
<b>OTHER FINANCING SOURCES (USES)</b>										
Proceeds from lease purchase obligation										
Transfers in										
Transfers out										
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>354</b>	<b>(5)</b>	<b>-</b>	<b>(937)</b>	<b>(4,185)</b>	<b>(8,498)</b>	<b>-</b>	<b>(433,441)</b>	<b>4,295</b>	<b>18,601</b>
<b>Fund balances - beginning of year</b>	<b>126,488</b>	<b>-</b>	<b>(1,087)</b>	<b>1,211</b>	<b>35,542</b>	<b>(142,370)</b>	<b>1,507</b>	<b>545,789</b>	<b>29,246</b>	<b>70,027</b>
<b>Fund balances - end of year</b>	<b>\$ 126,842</b>	<b>\$ (5)</b>	<b>\$ (1,087)</b>	<b>\$ 274</b>	<b>\$ 31,357</b>	<b>\$ (150,868)</b>	<b>\$ 1,507</b>	<b>\$ 112,348</b>	<b>\$ 33,541</b>	<b>\$ 88,628</b>

(CONTINUED)

CITY OF WOONSOCKET, RHODE ISLAND

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

	<b>SPECIAL REVENUE FUNDS</b>									
	Woonsocket Senior Citizens Fund	Neighborhood Crime Watch	UDAG Loan Repayment Fund	Comprehensive Planning Grant	River's Edge Recreation Complex	Fed & State Drug Forfeiture/ Police Special Squad Fund	Task Force on Drug and Alcohol Abuse Fund	Bramley Bill Fund	LLEBG Grant 2004/2006	Community Development Block Grant
<b>REVENUES:</b>										
Intergovernmental revenue	\$ 13,965					\$ 336,682	\$ 406,674	\$ 38,207		\$ 1,368,379
State Fiscal Stabilization Funds										
Interest income					14	299				
Other revenue	92,268									
<b>Total revenues</b>	<b>106,233</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>14</b>	<b>336,981</b>	<b>406,674</b>	<b>38,207</b>	<b>\$ -</b>	<b>1,368,379</b>
<b>EXPENDITURES:</b>										
<b>Current:</b>										
Legislative - general government										
Public safety						275,276	384,584	24,714	-	
Human resources	156,461									
Economic development					17,180					1,131,691
Education										
Other fixed and general charges				868						
<b>Debt Service:</b>										
Principal										
Interest and other costs										
<b>Capital expenditures</b>										
<b>Total expenditures</b>	<b>156,461</b>	<b>-</b>	<b>-</b>	<b>868</b>	<b>17,180</b>	<b>275,276</b>	<b>384,584</b>	<b>24,714</b>	<b>-</b>	<b>1,131,691</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(50,228)</b>	<b>-</b>	<b>-</b>	<b>(868)</b>	<b>(17,166)</b>	<b>61,705</b>	<b>22,090</b>	<b>13,493</b>	<b>-</b>	<b>236,688</b>
<b>OTHER FINANCING SOURCES (USES)</b>										
Proceeds from lease purchase obligation										
Transfers in	60,000									
Transfers out						(11,100)				(180,890)
<b>Total other financing sources (uses)</b>	<b>60,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(11,100)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(180,890)</b>
<b>Net change in fund balances</b>	<b>9,772</b>	<b>-</b>	<b>-</b>	<b>(868)</b>	<b>(17,166)</b>	<b>50,605</b>	<b>22,090</b>	<b>13,493</b>	<b>-</b>	<b>55,798</b>
<b>Fund balances - beginning of year</b>	<b>(7,069)</b>	<b>11</b>	<b>127</b>	<b>2,885</b>	<b>17,543</b>	<b>135,598</b>	<b>(1,985)</b>	<b>20,470</b>	<b>10,363</b>	<b>17,510</b>
<b>Fund balances - end of year</b>	<b>\$ 2,703</b>	<b>\$ 11</b>	<b>\$ 127</b>	<b>\$ 2,017</b>	<b>\$ 377</b>	<b>\$ 186,203</b>	<b>\$ 20,105</b>	<b>\$ 33,963</b>	<b>\$ 10,363</b>	<b>\$ 73,308</b>

(CONTINUED)

CITY OF WOONSOCKET, RHODE ISLAND

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

	<b>SPECIAL REVENUE FUNDS</b>										
	Building Inspection Services Fund	Hazardous Material Grant	Fire Dept P.P.E. Grant	Special Squad Holding	Lead Hazard Control Grant	LLEBG Grant 2002-2004	EMS Public Fund	New FY 010 Cops Hiring grant	Woonsocket EMA Grant	Justice Assistance Grant 09	Library Fines and Fees
<b>REVENUES:</b>											
Intergovernmental revenue		\$ 33,432	\$ 26,105	\$ 23,816				\$ 138,755	\$ 60,618	\$ 30,000	\$ 62,826
State Fiscal Stabilization Funds											151
Interest income							\$ 1,204,487		\$ -		
Other revenue											
<b>Total revenues</b>	<b>\$ -</b>	<b>33,432</b>	<b>26,105</b>	<b>23,816</b>	<b>\$ -</b>	<b>\$ -</b>	<b>1,204,487</b>	<b>\$ 138,755</b>	<b>60,618</b>	<b>\$ 30,000</b>	<b>62,977</b>
<b>EXPENDITURES:</b>											
<b>Current:</b>											
Legislative - general government											
Public safety		28,042	26,105	32,885			55,373	138,755		222	40,360
Human resources											
Economic development											
Education											
Other fixed and general charges								34,862			
<b>Debt Service:</b>											
Principal											
Interest and other costs											
<b>Capital expenditures</b>											
<b>Total expenditures</b>	<b>-</b>	<b>28,042</b>	<b>26,105</b>	<b>32,885</b>	<b>-</b>	<b>-</b>	<b>55,373</b>	<b>138,755</b>	<b>34,862</b>	<b>222</b>	<b>40,360</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>-</b>	<b>5,390</b>	<b>-</b>	<b>(9,069)</b>	<b>-</b>	<b>-</b>	<b>1,149,114</b>	<b>-</b>	<b>25,756</b>	<b>29,778</b>	<b>22,617</b>
<b>OTHER FINANCING SOURCES (USES)</b>											
Proceeds from lease purchase obligation											
Transfers in				11,100							
Transfers out							(1,149,114)				
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,100</b>	<b>-</b>	<b>-</b>	<b>(1,149,114)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>-</b>	<b>5,390</b>	<b>-</b>	<b>2,031</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>25,756</b>	<b>29,778</b>	<b>22,617</b>
<b>Fund balances - beginning of year</b>	<b>10,889</b>	<b>1,935</b>	<b>-</b>	<b>5,695</b>	<b>2,810</b>	<b>3,103</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>46,359</b>
<b>Fund balances - end of year</b>	<b>\$ 10,889</b>	<b>\$ 7,325</b>	<b>\$ -</b>	<b>\$ 7,726</b>	<b>\$ 2,810</b>	<b>\$ 3,103</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 25,756</b>	<b>\$ 29,778</b>	<b>\$ 68,976</b>

(CONTINUED)

CITY OF WOONSOCKET, RHODE ISLAND

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

	SPECIAL REVENUE FUNDS									
	Planning Challenge Grant	Hamlet Ave. Economic Program	Homeland Security Grant	Recovery Justice Assistance Grant 09	Recycling Coordinator Fund	Recycling Containers Fund	Lead Hazard Demo Grant	Justice Assistance Grant 06	2008 Cops Technology Grant	City Clerk Records Restoration Fund
<b>REVENUES:</b>										
Intergovernmental revenue	\$ 19,875		\$ 425,144	\$ 25,000			\$ 351,882		\$ 72,472	
State Fiscal Stabilization Funds						\$ 24				\$ 40
Interest income										31,487
Other revenue										
<b>Total revenues</b>	<b>19,875</b>	<b>\$ -</b>	<b>425,144</b>	<b>25,000</b>	<b>\$ -</b>	<b>24</b>	<b>351,882</b>	<b>\$ -</b>	<b>72,472</b>	<b>31,527</b>
<b>EXPENDITURES:</b>										
<b>Current:</b>										
Legislative - general government										26,695
Public safety			420,925					9,778	72,472	
Human resources										
Economic development	19,875						376,326			
Education										
Other fixed and general charges						18,138				
<b>Debt Service:</b>										
Principal										
Interest and other costs										
<b>Capital expenditures</b>										
<b>Total expenditures</b>	<b>19,875</b>	<b>-</b>	<b>420,925</b>	<b>-</b>	<b>-</b>	<b>18,138</b>	<b>376,326</b>	<b>9,778</b>	<b>72,472</b>	<b>26,695</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>-</b>	<b>-</b>	<b>4,219</b>	<b>25,000</b>	<b>-</b>	<b>(18,114)</b>	<b>(24,444)</b>	<b>(9,778)</b>	<b>-</b>	<b>4,832</b>
<b>OTHER FINANCING SOURCES (USES)</b>										
Proceeds from lease purchase obligation										
Transfers in										
Transfers out										
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>-</b>	<b>-</b>	<b>4,219</b>	<b>25,000</b>	<b>-</b>	<b>(18,114)</b>	<b>(24,444)</b>	<b>(9,778)</b>	<b>-</b>	<b>4,832</b>
<b>Fund balances - beginning of year</b>	<b>-</b>	<b>774</b>	<b>(4,366)</b>	<b>-</b>	<b>11,748</b>	<b>18,115</b>	<b>4,347</b>	<b>9,778</b>	<b>-</b>	<b>119,520</b>
<b>Fund balances - end of year</b>	<b>\$ -</b>	<b>\$ 774</b>	<b>\$ (147)</b>	<b>\$ 25,000</b>	<b>\$ 11,748</b>	<b>\$ 1</b>	<b>\$ (20,097)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 124,352</b>

(CONTINUED)

## CITY OF WOONSOCKET, RHODE ISLAND

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

	SPECIAL REVENUE FUNDS						School Capital Projects Fund	Total Non-Major Funds
	Justice Assistance Grant 07	Justice Assistance Grant 08	Wayfinding Master Plan Fund	Brownsfield Assessment Program	School Restricted Funds	Total Special Revenue Funds		
<b>REVENUES:</b>								
Intergovernmental revenue		\$ 15,000	\$ 19,711	\$ 10,500	\$ 8,758,292	\$ 12,778,013		\$ 12,778,013
State Fiscal Stabilization Funds					3,244,945	3,244,945		3,244,945
Interest income						1,565		1,565
Other revenue	\$ 140				47,960	1,400,795		1,400,795
<b>Total revenues</b>	<b>140</b>	<b>15,000</b>	<b>19,711</b>	<b>10,500</b>	<b>12,051,197</b>	<b>17,425,318</b>	<b>\$ -</b>	<b>17,425,318</b>
<b>EXPENDITURES:</b>								
<b>Current:</b>								
Legislative - general government						26,695		26,695
Public safety	1,194	15,188				1,614,058		1,614,058
Human resources						214,188		214,188
Economic development			41,762			2,227,221		2,227,221
Education					12,013,493	12,014,430		12,014,430
Other fixed and general charges						256,616		256,616
<b>Debt Service:</b>								
Principal						-		-
Interest and other costs						-		-
<b>Capital expenditures</b>							213,887	213,887
<b>Total expenditures</b>	<b>1,194</b>	<b>15,188</b>	<b>41,762</b>	<b>-</b>	<b>12,013,493</b>	<b>16,353,208</b>	<b>213,887</b>	<b>16,567,095</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(1,054)</b>	<b>(188)</b>	<b>(22,051)</b>	<b>10,500</b>	<b>37,704</b>	<b>1,072,110</b>	<b>(213,887)</b>	<b>858,223</b>
<b>OTHER FINANCING SOURCES (USES)</b>								
Proceeds from lease purchase obligation						-		-
Transfers in			28,487			99,587	206,565	306,152
Transfers out					(11,000)	(1,352,104)		(1,352,104)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>28,487</b>	<b>-</b>	<b>(11,000)</b>	<b>(1,252,517)</b>	<b>206,565</b>	<b>(1,045,952)</b>
<b>Net change in fund balances</b>	<b>(1,054)</b>	<b>(188)</b>	<b>6,436</b>	<b>10,500</b>	<b>26,704</b>	<b>(180,407)</b>	<b>(7,322)</b>	<b>(187,729)</b>
<b>Fund balances - beginning of year</b>	<b>1,144</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>66,637</b>	<b>1,160,294</b>	<b>-</b>	<b>1,160,294</b>
<b>Fund balances - end of year</b>	<b>\$ 90</b>	<b>\$ (188)</b>	<b>\$ 6,436</b>	<b>\$ 10,500</b>	<b>\$ 93,341</b>	<b>\$ 979,887</b>	<b>\$ (7,322)</b>	<b>\$ 972,565</b>

(CONCLUDED)

# CITY OF WOONSOCKET

## AGENCY FUNDS

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

- Sidewalk Deposit Fund
  - Curbing Deposit Fund
  - Construction Escrow Account
  - Deduction Services Fund
  - Fire Dental Plan
  - Fire Dental Level II
  - Thundermist/Putnam Hyrdo
  - Woonsocket School Department Agency Funds:
    - Vica Fund
    - Senior Awards Banquet
    - Middle School Fund
    - High School Fund
-

**CITY OF WOONSOCKET, RHODE ISLAND**Statement of Changes in Assets and Liabilities  
Agency Funds  
Year ended June 30, 2010

	Beginning Balance	Additions	Deductions	Ending Balance
<b><u>Sidewalk Deposit Fund</u></b>				
ASSETS:				
Cash	\$ 4,230	\$ -	\$ 4,230	\$ -
TOTAL ASSETS	<u>\$ 4,230</u>	<u>\$ -</u>	<u>\$ 4,230</u>	<u>\$ -</u>
LIABILITIES:				
Deposits held in custody for others	\$ 4,230	\$ -	\$ 4,230	\$ -
TOTAL LIABILITIES	<u>\$ 4,230</u>	<u>\$ -</u>	<u>\$ 4,230</u>	<u>\$ -</u>
<b><u>Curbing Deposit Fund</u></b>				
ASSETS:				
Cash	\$ 7,303	\$ -	\$ 7,303	\$ -
TOTAL ASSETS	<u>\$ 7,303</u>	<u>\$ -</u>	<u>\$ 7,303</u>	<u>\$ -</u>
LIABILITIES:				
Deposits held in custody for others	\$ 7,303	\$ -	\$ 7,303	\$ -
TOTAL LIABILITIES	<u>\$ 7,303</u>	<u>\$ -</u>	<u>\$ 7,303</u>	<u>\$ -</u>
<b><u>Construction Escrow Account</u></b>				
ASSETS:				
Cash	\$ 7,214	\$ 4	\$ 3,710	\$ 3,508
TOTAL ASSETS	<u>\$ 7,214</u>	<u>\$ 4</u>	<u>\$ 3,710</u>	<u>\$ 3,508</u>
LIABILITIES:				
Deposits held in custody for others	\$ 7,214	\$ 4	\$ 3,710	\$ 3,508
TOTAL LIABILITIES	<u>\$ 7,214</u>	<u>\$ 4</u>	<u>\$ 3,710</u>	<u>\$ 3,508</u>
<b><u>Deduction Services Fund</u></b>				
ASSETS:				
Cash	\$ (2,819)	\$ 7,782,346	\$ 7,074,498	\$ 705,029
TOTAL ASSETS	<u>\$ (2,819)</u>	<u>\$ 7,782,346</u>	<u>\$ 7,074,498</u>	<u>\$ 705,029</u>
LIABILITIES:				
Deposits held in custody for others	\$ (2,819)	\$ 7,782,346	\$ 7,074,498	\$ 705,029
TOTAL LIABILITIES	<u>\$ (2,819)</u>	<u>\$ 7,782,346</u>	<u>\$ 7,074,498</u>	<u>\$ 705,029</u>

(CONTINUED)

**CITY OF WOONSOCKET, RHODE ISLAND**Statement of Changes in Assets and Liabilities  
Agency Funds  
Year ended June 30, 2010

	Beginning Balance	Additions	Deductions	Ending Balance
<b><u>Fire Dental Plan</u></b>				
ASSETS:				
Cash	\$ 313,901	\$ 159,950	\$ 124,611	\$ 349,240
TOTAL ASSETS	<u>\$ 313,901</u>	<u>\$ 159,950</u>	<u>\$ 124,611</u>	<u>\$ 349,240</u>
LIABILITIES:				
Deposits held in custody for others	\$ 313,901	\$ 159,950	\$ 124,611	\$ 349,240
TOTAL LIABILITIES	<u>\$ 313,901</u>	<u>\$ 159,950</u>	<u>\$ 124,611</u>	<u>\$ 349,240</u>
<b><u>Fire Dental Level II</u></b>				
ASSETS:				
Cash	\$ 33,141	\$ 32,567	\$ 33,141	\$ 32,567
TOTAL ASSETS	<u>\$ 33,141</u>	<u>\$ 32,567</u>	<u>\$ 33,141</u>	<u>\$ 32,567</u>
LIABILITIES:				
Deposits held in custody for others	\$ 33,141	\$ 32,567	\$ 33,141	\$ 32,567
TOTAL LIABILITIES	<u>\$ 33,141</u>	<u>\$ 32,567</u>	<u>\$ 33,141</u>	<u>\$ 32,567</u>
<b><u>Woonsocket School Dept. Agency Funds</u></b>				
ASSETS:				
Cash	\$ 96,305	\$ 4,652	\$ 8,427	\$ 92,530
TOTAL ASSETS	<u>\$ 96,305</u>	<u>\$ 4,652</u>	<u>\$ 8,427</u>	<u>\$ 92,530</u>
LIABILITIES:				
Deposits held in custody for others	\$ 96,305	\$ 4,652	\$ 8,427	\$ 92,530
TOTAL LIABILITIES	<u>\$ 96,305</u>	<u>\$ 4,652</u>	<u>\$ 8,427</u>	<u>\$ 92,530</u>
<b><u>Thundermist/Putnam Hydro</u></b>				
ASSETS:				
Cash	\$ 37	\$ -	\$ -	\$ 37
TOTAL ASSETS	<u>\$ 37</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37</u>
LIABILITIES:				
Deposits held in custody for others	\$ 37	\$ -	\$ -	\$ 37
TOTAL LIABILITIES	<u>\$ 37</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37</u>
<b><u>Total - All Agency Funds</u></b>				
ASSETS:				
Cash	\$ 459,312	\$ 7,979,519	\$ 7,255,920	\$ 1,182,911
TOTAL ASSETS	<u>\$ 459,312</u>	<u>\$ 7,979,519</u>	<u>\$ 7,255,920</u>	<u>\$ 1,182,911</u>
LIABILITIES:				
Deposits held in custody for others	\$ 459,312	\$ 7,979,519	\$ 7,255,920	\$ 1,182,911
TOTAL LIABILITIES	<u>\$ 459,312</u>	<u>\$ 7,979,519</u>	<u>\$ 7,255,920</u>	<u>\$ 1,182,911</u>

Note: The additions and deductions presented above for the School Dept Agency Funds represent the net change in the accounts. The complete details were not available.

(CONCLUDED)

# CITY OF WOONSOCKET

## PRIVATE PURPOSE TRUST FUNDS

Private purpose trust funds are used to account for resources legally held in trust for use by parties outside of the City, and cannot be used at the City's discretion or to support the City's general operations. The following funds have been classified as private purpose trust funds in the City's financial statements:

- John S. Bellows Trust
  - EMS Public Fund
  - Valois Animal Trust
  - Education Department Private Purpose Trust Funds:
    - Stella M. Gould Memorial Scholarship
    - Sandra H. Whipple Memorial Scholarship
    - Arthur J. Cournoyer Memorial Scholarship
    - ADA Memorial Scholarship
-

**CITY OF WOONSOCKET, RHODE ISLAND**

**Combining Statement of Fiduciary Net Assets  
Private Purpose Trust Funds  
June 30, 2010**

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	John S. Bellows <u>Trust</u>	EMS Public <u>Fund</u>	Valois Animal <u>Trust</u>	Education Dept. Private Purpose <u>Trust Funds</u>	Total Private Purpose <u>Trust Funds</u>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 19,573	\$ 304	\$ 22,203	\$ 28,044	\$ 70,124
Investments				222,580	222,580
<b>Total Assets</b>	<u>19,573</u>	<u>304</u>	<u>22,203</u>	<u>250,624</u>	<u>292,704</u>
<b>LIABILITIES</b>					
	-	-	-	-	-
<b>NET ASSETS</b>					
Held in trust for other purposes	<u>\$ 19,573</u>	<u>\$ 304</u>	<u>\$ 22,203</u>	<u>\$ 250,624</u>	<u>\$ 292,704</u>

CITY OF WOONSOCKET, RHODE ISLAND

**Combining Statement of Changes in Fiduciary Net Assets  
Private Purpose Trust Funds  
For The Year Ended June 30, 2010**

	John S. Bellows Trust	EMS Public Fund	Valois Animal Trust	Education Dept. Private Purpose Trust Funds	Total Private Purpose Trust Funds
<b>ADDITIONS:</b>					
Contributions			\$ 444		\$ 444
Investment Income	\$ 57	\$ -	63	\$ 3,760	3,880
<b>Total Additions</b>	<u>57</u>	<u>-</u>	<u>507</u>	<u>3,760</u>	<u>4,324</u>
<b>DEDUCTIONS:</b>					
Operating expenses			655	3,903	4,558
<b>Total Deductions</b>	<u>-</u>	<u>-</u>	<u>655</u>	<u>3,903</u>	<u>4,558</u>
<b>Change in Net Assets</b>	57	-	(148)	(143)	(234)
Net assets at beginning of year	19,516	304	22,351	250,767	292,938
<b>Net assets at end of year</b>	<u>\$ 19,573</u>	<u>\$ 304</u>	<u>\$ 22,203</u>	<u>\$ 250,624</u>	<u>\$ 292,704</u>

# CITY OF WOONSOCKET

## OTHER EXHIBITS



## CITY OF WOONSOCKET, RHODE ISLAND

SCHEDULE OF PROPERTY TAXES RECEIVABLE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Year	Mill Rate	Property Taxes Receivable July 1, 2009	Current Year Assessment	Transfers Addendums (Net)	Abatements and Adjustments	Amount to be Collected	Collections Net of Refunds	Property Taxes Receivable June 30, 2010
2009	\$22.36		\$ 47,047,766	\$ 2,974,233	\$ 2,360,099	\$ 47,661,900	\$ 45,826,443	\$ 1,835,457
2008	13.23	1,629,176		14,659	50,314	1,593,521	898,962	694,559
2007	12.88	576,389		350	22,702	554,037	67,277	486,760
2006	12.40	441,081		1,137	2,086	440,132	15,348	424,784
2005	23.85	351,878			9,115	342,763	9,084	333,679
2004	23.85	321,168			9,165	312,003	4,228	307,775
2003	23.30	305,806			428	305,378	4,053	301,325
2002	29.00	286,767				286,767	1,726	285,041
2001	29.00	293,880				293,880	1,531	292,349
2000	29.00	237,945				237,945	1,667	236,278
1999	24.10	267,710				267,710	1,779	265,931
1998	24.10	304,288				304,288	2,103	302,185
1997	24.10	276,884				276,884	681	276,203
1996	24.10	236,553				236,553	161	236,392
1995	24.10	219,208				219,208	515	218,693
1986-1994	21.96	708,802			1,037	707,765	595	707,170
Subtotal		6,457,535	\$ 47,047,766	\$ 2,990,379	\$ 2,454,946	\$ 54,040,734	\$ 46,836,153	7,204,581
Less: estimated allowance for uncollectable accounts		4,845,281						5,369,124
<b>Net property taxes receivable</b>		<u>\$ 1,612,254</u>						<u>\$ 1,835,457</u>

(CONTINUED)

**CITY OF WOONSOCKET, RHODE ISLAND**

**SCHEDULE OF PROPERTY TAXES RECEIVABLE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

<u>Schedule of Net Assessed Property Value by Category</u>			<u>Reconciliation of Current Year Property Tax Revenue</u>	
<u>Description of Property</u>	<u>Assessed December 31, 2008</u>			
	<u>Valuations</u>	<u>Levy</u>		
Real property	\$ 1,530,163,692	\$ 37,116,076	Current year collections	\$ 46,836,153
Motor vehicles	71,790,304	3,343,992	Revenue received 60 days subsequent to fiscal year ending June 30, 2010	413,081
Tangible property	82,122,776	3,825,279	Subtotal	<u>47,249,234</u>
Wholesale and retail inventory	-	-	Prior year revenue received in current year (2009 60 day rule)	<u>(414,943)</u>
Total	1,684,076,772	44,285,347	<b>Current year property tax revenue</b>	<b><u>\$ 46,834,291</u></b>
Exemptions and adjustments	(5,631,368)	(154,658)		
Additional Revenue due to pilot		3,040,157		
<b>Net assessed value</b>	<b>\$ 1,678,445,404</b>	<b>\$ 47,170,846</b>		

(CONCLUDED)

# CITY OF WOONSOCKET

## SINGLE AUDIT SECTION

This section contains information regarding federal grant activity for the year ended June 30, 2010, which was audited in accordance with generally accepted auditing standards and "Government Auditing Standards" issued by the Comptroller General of the United States and under the guidelines of the Single Audit Act of 1984 as amended by the Single Audit Act Amendments of 1996 and the United States Office of Management and Budget's Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations."

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**CITY OF WOONSOCKET, RHODE ISLAND**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2010**

<b>Federal Grantor</b>	Federal	
<b>Pass-Through Grantor</b>	CFDA	
<u>Program title</u>	<u>Number</u>	<u>Expenditures</u>
<b>U.S. Department of Health</b>		
Sober Truth on Preventing Underage Drinking Act (STOP)	93.243	\$ 384,584
Temporary Assistance for Needy Families	93.558	2,500
<b>Total U.S. Department of Health</b>		<u>387,084</u>
<b>U.S. Department of Housing and Urban Development</b>		
Community Development Block Grant/Entitlement Grant	14.218	1,401,015
Emergency Shelter Grant Program	14.231	54,451
Homeless Prevention Rapid Re-Housing	14.257	62,103
Lead Hazard Reduction Demonstration Grant Program	14.905	91,829
HOME Investment Partnership Program	14.239	593,823
<b>Total U.S. Department of Housing and Urban Development</b>		<u>2,203,221</u>
<b>U.S. Department of Interior</b>		
Preserve America Award	15.929	41,761
<b>U.S. Department of Transportation</b>		
<b>Rhode Island Department of Environmental Management</b>		
Interagency Hazardous Materials Public Sector Training & Planning Grants	20.703	33,660
<b>U.S. Department of Homeland Security</b>		
Homeland Security Grant Program	97.067	425,146
Assistance to Firefighters Grant	97.044	126,900
Emergency Management Performance Grant	97.042	26,722
<b>Total U.S. Department of Homeland Security</b>		<u>578,768</u>
<b>U.S. Department of Justice</b>		
Justice Assistance Grant 2006	16.738	9,788
Justice Assistance Grant 2007	16.738	10,797
Justice Assistance Grant 2008	16.738	15,188
Justice Assistance Grant 2009	16.738	222
COPS Technology Grant	16.710	132,650
Rhode Island Substance Abuse Prevention Act (RISAPA)	16.727	25,310
<b>Total U.S. Department of Justice</b>		<u>193,955</u>
<b>U.S. Department of Education</b>		
<b>RI Department of Education</b>		
Title I	84.010	2,907,511
Title I - ARRA	84.389	948,978
Title III	84.365	49,080
Title II	84.367	732,536
Title IV	84.186	46,802
Homeless - ARRA	84.389	24,687
Homeless Resource Plan	84.196	13,205
E2T2 MCI	84.XXX	91,905
IDEA Part B	84.027	1,694,455
IDEA Part B - ARRA	84.391	504,350
Special Ed Sec 619-Preschool	84.173	59,999
Special Ed Sec 619-Preschool - ARRA	84.392	46,078
Perkins	84.048	433,952
Even Start	84.213	72,913
WIA Adult Education	84.002	105,762
21st Century Grant	84.287	393,013
Title I School Improvements FY 09	84.377	240,450
Title I School Improvements FY 10-11	84.010	7,647
State Fiscal Stabilization Funds - ARRA	84.394	3,244,945
<b>Total U.S. Department Education</b>		<u>11,618,268</u>
<b>U.S. Department of Agriculture</b>		
<b>Rhode Island Department of Education</b>		
National School Lunch Program	10.555	** 2,376,496
Child Nutrition Discretionary Grant	10.579	11,000
<b>Total U.S. Department of Agriculture</b>		<u>2,387,496</u>
<b>Total Federal Expenditures</b>		<u>\$ 17,444,213</u>

\*\*- includes commodities valued at approximately \$160,164

**CITY OF WOONSOCKET, RHODE ISLAND**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2010**

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**1. General**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the City of Woonsocket, Rhode Island. All federal awards received from federal agencies are included on the Schedule of Expenditures of Federal Awards. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements. An example is the National School Lunch Program where the schedule of federal expenditures includes \$160,164 for the value of food commodities received. These commodities are not recorded in the basic financial statements.

**2. Basis of Accounting**

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

**3. Determination of Major Programs**

The determination of major federal financial assistance programs was based upon the overall level of expenditures for all federal programs for the City of Woonsocket, Rhode Island. As such, the threshold for determining Type A and Type B programs is defined as those with program expenditures greater than \$300,000 or 3 percent of total expenditures when the total expenditures are over \$10,000,000. For the fiscal year ended June 30, 2010, the following programs were considered a major program:

Community Development Block Grants/ Entitlement Grants .....	CFDA #14.218
HOME Investment Partnerships Program .....	CFDA #14.239
Homeland Security Grant Program .....	CFDA #97.067
Title I .....	CFDA #84.010
Title I, ARRA.....	CFDA #84.389
Title I School Improvement Grants .....	CFDA #87.377
State Fiscal Stabilization Fund – Education State Grants, ARRA.....	CFDA #84.394
Special Education – Grants to States (IDEA Part B).....	CFDA #84.027
Special Education – Preschool Grants (IDEA Preschool) .....	CFDA #84.173
Special Education – Grants to States (IDEA Part B), ARRA .....	CFDA #84.391
Special Education – Preschool Grants (IDEA Preschool), ARRA .....	CFDA #84.392
Twenty-First Century Community Learning Centers .....	CFDA #84.287

\* These programs are in a cluster and therefore considered one program for compliance requirements (\*\*denotes a second cluster).

***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 Mayor and  
Members of the City Council  
City of Woonsocket  
Woonsocket, 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 City of Woonsocket, Rhode Island as of and for the year ended June 30, 2010, which collectively comprise the City of Woonsocket, Rhode Island's basic financial statements and have issued our report thereon dated January 31, 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 City of Woonsocket, 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 City of Woonsocket's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Woonsocket'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, and other deficiencies that we consider to be significant deficiencies.

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 City of Woonsocket's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs (noted as items 2010-1 through 2010-3) to be material weaknesses.

A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies. The significant deficiency noted is identified as 2010-4 in the accompanying schedule of findings and questioned costs.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Woonsocket, 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2010-5.

We noted certain matters that we reported to management of the City of Woonsocket, Rhode Island in a separate letter titled *Communication of Matters Prescribed by Statement on Auditing Standards #115*.

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

This report is intended solely for the information and use of management, the City Council, School Committee, audit committee, 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.



Providence, Rhode Island  
January 31, 2011

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

To the Honorable Mayor and  
Members of the City Council  
City of Woonsocket  
Woonsocket, Rhode Island

**Compliance**

We have audited the compliance of the City of Woonsocket, Rhode Island with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. The City of Woonsocket, Rhode Island's major federal programs are identified in the summary of auditors' 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 City of Woonsocket, Rhode Island's management. Our responsibility is to express an opinion on the City of Woonsocket, 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 City of Woonsocket, 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 City of Woonsocket, Rhode Island's compliance with those requirements.

As described in items 2010-6 through 2010-8 in the accompanying schedule of findings and questioned costs, the City of Woonsocket (including the Woonsocket Education Department) did not comply with the requirements regarding allowable costs and in some cases cash management that are applicable to its Community Development Block Grant Program, HOME Investment Partnership Program, Homeland Security Grant Program, Title I, Title I – ARRA, Special Education – Grants to States, Special Education Grants to States - ARRA. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the City of Woonsocket complied in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Boston  
Newton  
Taunton  
Concord

## Internal Control Over Compliance

The management of the City of Woonsocket, 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 City of Woonsocket, Rhode Island's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Woonsocket, Rhode Island's internal control over compliance.

Our consideration of the 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 certain deficiencies in internal controls over compliance that we consider to be significant deficiencies.

*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 did not identify any deficiencies in internal control which we consider to be a material weakness.

*A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention to those charged with governance. We consider item 2010-9 to be a significant deficiency in internal control over compliance related to the Home Investment Partnership Program.

This report is intended solely for the information and use of management, the City Council, School Committee, audit committee, 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.



Providence, Rhode Island  
January 31, 2011

**CITY OF WOONSOCKET, RHODE ISLAND**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2010**

**A. SUMMARY OF AUDITORS' RESULTS**

1. The auditors' report expressed an adverse opinion on the governmental activities and an unqualified opinion on the business-type activities, each major fund, and the aggregate remaining fund information of the City of Woonsocket, Rhode Island.
2. Four deficiencies in internal control over financial reporting have been identified and are described in Part B below as items 2010-1 through 2010-4. We consider items 2010-1 through 2010-3 to be material weaknesses while 2010-4 is considered a significant deficiency.
3. One instance of noncompliance material to the financial statements of the City of Woonsocket, Rhode Island was disclosed during the audit and is presented as item 2010-5 in Part B below.
4. One instance of a significant deficiency in internal control over compliance with requirements applicable to major federal programs was identified and is listed as item 2010-9 in Part C below.
5. The auditors' report on compliance for the major federal award programs for the City of Woonsocket, Rhode Island expresses a qualified opinion.
6. Audit findings relative to the major federal award programs for the City of Woonsocket are reported in Part C of this schedule.

7. The programs tested as major programs were:

Community Development Block Grants/ Entitlement Grants .....	CFDA #14.218
HOME Investment Partnerships Program .....	CFDA #14.239
Homeland Security Grant Program .....	CFDA #97.067
Title I .....	CFDA #84.010
Title I, ARRA .....	CFDA #84.389
Title I School Improvement Grants .....	CFDA #87.377
State Fiscal Stabilization Fund – Education State Grants, ARRA .....	CFDA #84.394
Special Education – Grants to States (IDEA Part B) .....	CFDA #84.027
Special Education – Preschool Grants (IDEA Preschool) .....	CFDA #84.173
Special Education – Grants to States (IDEA Part B), ARRA .....	CFDA #84.391
Special Education – Preschool Grants (IDEA Preschool), ARRA .....	CFDA #84.392
Twenty-First Century Community Learning Centers .....	CFDA #84.287

8. The threshold for distinguishing Type A and B programs is described in Note 3 to the Schedule of Expenditures of Federal Awards.
9. The City of Woonsocket, Rhode Island was not determined to be a low-risk auditee.

(CONTINUED)

**CITY OF WOONSOCKET, RHODE ISLAND**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2010**

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**B. FINDINGS -- RELATED TO AUDIT OF FINANCIAL STATEMENTS**

***Current Year Findings:***

- 2010-1:** The auditors' report for the fiscal year ended June 30, 2010 presented an adverse opinion on the governmental activities of the City of Woonsocket. The adverse opinion was rendered as a result of the City's failure to maintain adequate capital asset records to support the value of capital assets, primarily infrastructure assets, and the failure to comply with GASB Statement #45 relating to OPEB for the Woonsocket Education Department.
- 2010-2:** The general ledger accounting records maintained by the City should include all accounts and funds maintained by the City. During our audit process we noted that the general ledger accounting records did not include the balances or financial activity of an account maintained by the Clerk's office for maintenance and restoration of records, and the City's Employee Retirement Plan for police and fire department personnel. In addition, the City does not maintain a general ledger for reporting long-term debt obligation balances and the activity of these debt obligations during the fiscal year.
- 2010-3:** During our audit of the financial records maintained by the Woonsocket Education Department we noted weaknesses in controls over the maintenance of the accounting records. We noted that there was a lack of formal policies and procedures requiring all significant accounts to be reconciled on a monthly basis or in a timely manner. We noted that bank accounts, accounts payable, encumbrances, accrued expenditures, and interfund balances were not reconciled on a periodic basis. In addition, our audit procedures resulted in the recording of several material audit adjustments (approved by management) to the financial position and results of operations of the School Unrestricted Fund. We believe that these audit adjustments were the direct result of a lack of controls over maintenance, review, and approval of the general ledger accounting records.
- 2010-4:** The Woonsocket Education Department's general ledger accounting system currently maintains one fund (Fund 20) to account for all of the activity of the various restricted special revenue/grant funds (approximately 40 funds). Management takes the activity from Fund 20 and prepares computerized spreadsheets allocating the activity to the respective individual funds. During our audit we noted that the activity in the spreadsheets is not reconciled to the activity in Fund 20 on an ongoing basis. We also noted that the various interfund balances and the cash account was not reconciled in a timely manner. It is our understanding that the maintenance of these accounting records has historically been the responsibility of primarily one individual, the Accounting Supervisor. We believe that this individual is solely responsible for maintaining the general ledger, and reconciling all applicable accounts.
- 2010-5:** The City and School Department receive a number of grants from various federal and state agencies. Many of these grants are considered to be expenditure reimbursement grants. As the name implies, funding of these grants is generally reimbursed to the City and School Department once the expenditure has been incurred and or paid by the City or School Department. During our audit we noted instances where we believe the City and School Department may have immaterial instances of non compliance with the cash management requirements of these federal and state grants. Lack of compliance could result in loss of grant revenue.

(CONTINUED)

CITY OF WOONSOCKET, RHODE ISLAND

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2010**

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**B. FINDINGS -- RELATED TO AUDIT OF FINANCIAL STATEMENTS (Continued)**

***Prior Year Findings:***

- 2009-1:** The auditors' report for the fiscal year ended June 30, 2009 presented an adverse opinion on the governmental activities of the City of Woonsocket and a qualified opinion on the business-type activities. The adverse opinion was rendered as a result of the City's failure to maintain adequate capital asset records to support the value of capital assets, primarily infrastructure assets, and the failure to comply with GASB Statement #45 relating to OPEB. The qualified opinion on the business-type activities was also related to the City's lack of compliance with the requirements of GASB Statement #45. **Status: See current year finding 2010-1. The qualified opinion was removed due to compliance with GASB#45 related to business-type activities.**
- 2009-2:** The general ledger accounting records maintained by the City should include all accounts and funds maintained by the City. During our audit process we noted that the general ledger accounting records did not include the balances or financial activity of an account maintained by the Clerk's office for maintenance and restoration of records, and the City's Employee Retirement Plan for police and fire department personnel. In addition, the City does not maintain a general ledger for reporting long-term debt obligation balances and the activity of these debt obligations during the fiscal year. **Status: See current year finding 2010-2.**
- 2009-3:** The City's Finance Department and the School's Business Office currently do not have formal policies or procedures in place for reviewing and approving account reconciliations, journal entries, and trial balances prepared by finance personnel. We noted that the City Controller and the School Accounting Supervisor are responsible for maintaining the general ledger accounting records and completing many of the account reconciliations. However, we also noted that there are no policies or procedures in place for approving the reconciliation's or journal entries prepared by these individuals. **Status: See current year finding 2010-3 related to weakness in controls over reconciliations and**
- 2009-4:** Recently issued auditing standards require the independent audit firm to assess the City's and School Department's capability to prepare financial statements in accordance with generally accepted accounting principles applicable to governmental entities. These standards require City and School personnel to be responsible for the selection and implementation of appropriate accounting polices and internal controls, and possess the ability to complete the financial statements and required disclosures. Based on our audit procedures we believe that the City of Woonsocket and the Woonsocket Education Department do not have adequate policies or procedures in place for maintaining financial records that would enable management to complete annual financial statements in accordance with generally accepted accounting principles. **Status: We believe that this issue was resolved with the hiring of the City's Finance Director who is responsible for overseeing the annual audit and reviewing and approving of the City's financial statements. The City's Finance Director is working towards resolving all matters which have resulted in the issuance of adverse and qualified audit opinions.**
- 2009-5:** During our review of the School Department's internal controls over payroll transactions and the payroll processing cycle/system we noted that the Department does not have policies or procedures in place for monitoring the payroll activity and approving payroll registers. The Department does not require authorization or documentation to be maintained to support changes to employee payroll rather the human resource department maintains a spreadsheet which notes the changes made and the date the changes were made. However, this spreadsheet is not signed nor does it contain any evidence of approval. In addition we noted that the Department does not require that someone independent of the payroll processing function periodically review and approve payroll registers. **Status: This issue was cleared in fiscal 2010 as payroll reports are periodically reviewed and approved by someone independent of the payroll process.**

(CONTINUED)

CITY OF WOONSOCKET, RHODE ISLAND

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2010**

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**B. FINDINGS -- RELATED TO AUDIT OF FINANCIAL STATEMENTS (Continued)**

***Prior Year Findings (Continued):***

- 2009-6:** The City's current procedure for recording activity related to police details is as follows; the officers payroll for time spent on details is recorded as an asset on the City's General Fund, the City then prepares an invoice to the vendor responsible for reimbursing the City for the officers pay as well as an administrative fee. This invoice is recorded as receivables and deferred revenue in the City's General Fund. As a result of this recording process the City is overstating the assets of the General Fund. In addition, the net assets in the government-wide financial statements would also be overstated due to the fact that the deferred revenue is not presented as a liability on the government-wide statements but is instead recognized as revenue. **Status: City finance personnel made all applicable adjustments to properly reflect the balances and activity at June 30, 2010.**
- 2009-7:** As part of our audit process we randomly interview employees of the City and School Department to inquire of their knowledge of fraud or irregularities that may have occurred. During this process we noted instances where newly hired School Department employees were not assigned unique login passwords to access the Department's general ledger accounting system rather they were instructed to use the login password of another employee. While we are not aware of the processing of any fraudulent transactions, it is our opinion that sharing of login passwords hinders the Department's ability to adequately trace the source of any inappropriate transactions. **Status: This finding has been cleared as new employees are assigned a login id and password. Employees have been notified that sharing of login passwords is prohibited.**
- 2009-8:** The Woonsocket Education Department's general ledger accounting system currently maintains one fund (Fund 20) to account for all of the activity of the various restricted special revenue/grant funds (approximately 40 funds). Management takes the activity from Fund 20 and prepares computerized spreadsheets allocating the activity to the respective individual funds. During our audit we noted that the activity in the spreadsheets is not reconciled to the activity in Fund 20 on an ongoing basis. We also noted that the various interfund balances and the cash account was not reconciled in a timely manner. It is our understanding that the maintenance of these accounting records has historically been the responsibility of primarily one individual, the Accounting Supervisor. We believe that this individual is solely responsible for maintaining the general ledger, and reconciling all applicable accounts. **Status: See current year finding 2010-4.**
- 2009-9:** The City and School Department receive a number of grants from various federal and state agencies. Many of these grants are considered to be expenditure reimbursement grants. As the name implies, funding of these grants is generally reimbursed to the City and School Department once the expenditure has been incurred and or paid by the City or School Department. During our audit we noted instances where we believe the Town and School Department may have immaterial instances of non compliance with the cash management requirements of these federal and state grants. Lack of compliance could result in loss of grant revenue. **Status: See current year finding 2010-5.**
- 2009-10:** The City receives federal grants directly from the federal government and also passed through various state agencies. These federal grants may be subject to an audit in accordance with OMB Circular A-133. The audit requirements applicable to federal grants are often documented in the federal compliance supplement which is determined by the applicable Catalogue of Federal Domestic Assistance (CFDA) number. During our audit we noted that the City does not have a formal policy or procedure for maintaining a central record of federal grants and expenditures and the CFDA# applicable to each grant. Failure to properly maintain these records in a central location (Finance Department) could result in the misstatement of the City's Schedule of Expenditures of Federal Awards which in turn could result in lack of compliance with the federal regulations for reporting federal expenditures. **Status: The City's Finance Director provided a Schedule of Expenditures of Federal Awards at the commencement of the audit fieldwork.**

(CONTINUED)

CITY OF WOONSOCKET, RHODE ISLAND

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2010**

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**B. FINDINGS -- RELATED TO AUDIT OF FINANCIAL STATEMENTS (Continued)**

***Prior Year Findings (Continued):***

**2009-11:** During our testing of contract compliance requirements we noted that the School Department does not have a formal document retention policy or procedure. As a result, management was unable to easily obtain and provide records to substantiate that the Department had complied with the contract requirements for determining eligibility. Although management was able to produce evidence to support compliance with the requirements, implementation of a formal record retention policy will ensure that the records are maintained and readily available in the event that the contract is selected for review by the grantor agency. **Status: No issues were noted during our audit testing in fiscal 2010. School personnel discussed the issue with the personnel responsible for maintaining the applicable records.**

**C. FINDINGS AND QUESTIONED COSTS RELATING TO FEDERAL AWARDS**

***Current Year Findings:***

**2010-6: Community Development Block Grant CFDA – #14.218, HOME Investment Partnership Program –CFDA #14.239, Title I – CFDA #84.010, Title I, Recovery Act – CFDA #84.389, Special Education – Grants to States (IDEA Part B) – CFDA #84.027, and Special Education – Grants to States (IDEA Part B), Recovery Act – CFDA #84.391**

**Criteria:** The City of Woonsocket, including the Woonsocket Education Department, may receive direct federal funding as well as federal funding passed through the State of Rhode Island. During our audit we noted instances where payroll records supporting cost allocations to federal programs were not being maintained in accordance with the requirements of OMB Circular A-87. The circular requires that payroll costs charged to federally funded programs be supported as follows:

- Salaries and wages for employees working 100% of their time on a single Federal award or cost objective must be supported by periodic certifications. These certifications must be prepared at least semi-annually and must be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.
- Salaries and wages for employees working on multiple activities or cost objectives must be supported by (a) personnel activity reports that reflect an after-the-fact distribution of the actual activity of the employee, (b) they must account for the total activity for which an employee is compensated, (c) they must be prepared at least monthly and must coincide with one or more pay periods, and (d) they must be signed by the employee.

**Condition:** The City of Woonsocket and the Woonsocket Education Department did not maintain time records or employee time certifications in accordance with the requirements of OMB Circular A-87. The City and School Department were unable to provide employee time records to support the allocation of payroll which was being charged to federal programs. Rather the compensation was allocated to federal programs based on budgeted amounts.

(CONTINUED)

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CITY OF WOONSOCKET, RHODE ISLAND

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2010**

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**C. FINDINGS AND QUESTIONED COSTS RELATING TO FEDERAL AWARDS (Continued)**

***Current Year Findings (Continued):***

**2010-6: Community Development Block Grant CFDA – #14.218, HOME Investment Partnership Program –CFDA #14.239, Title I – CFDA #84.010, Title I, Recovery Act – CFDA #84.389, Special Education – Grants to States (IDEA Part B) – CFDA #84.027, and Special Education – Grants to States (IDEA Part B), Recovery Act – CFDA #84.391 (Continued)**

**Recommendation:** We recommend that the management of the City and School Department develop a policy and enforce the policy requiring detail time records to be completed and maintained in accordance with the requirements of OMB Circular A-87. In addition we recommend that the City request reimbursement on a timelier basis from HUD. If reimbursements are calculated based on the time records every pay period or every month, the City should be able to know the exact expense that is to be requested from HUD. Also, the policy should include an internal audit function requiring someone independent of the federal program to review time records and salary reimbursements on a periodic basis for compliance.

**Corrective Action - Management response:** The City's Finance Director will prepare a policy and implement procedures to enforce the use of weekly timesheets by all personnel whose time is charged to federally funded programs. In the event that department personnel fail to comply with time reporting requirements, the Finance Department will prohibit the department from submitting requisitions for drawdown of federal funds.

**2010-7: Community Development Block Grant – CFDA #14.218; HOME Investment Partnership Program – CFDA #14.239; and Homeland Security Grant Program – CFDA #97.067**

**Criteria:** Federal regulations governing cash management require that entities receiving Federal funds in advance of making cash disbursements must have procedures in place to limit the time that elapses between the cash receipt and the subsequent payment. The maximum amount of time that funds should be held is defined as three days.

**Condition:** The City of Woonsocket does not have adequate controls in place to ensure compliance with the Cash Management requirement over federal funds.

**Recommendation:** We recommend the City develop a policy and implement procedures to ensure compliance with the cash management requirements of the federal program. In addition we recommend that the City's policy include an internal audit function whereby finance department personnel or others independent of the federal program conduct a review of the bank activity to ensure compliance with the federal requirements.

**Corrective Action - Management Response:** In the disbursement of cash following federal electronic drawdowns, the City follows 24 CFR 85.21 (b) Basic Standard. Methods and procedures for payment shall minimize the time elapsing between the transfers of funds and disbursement by the grantee or subgrantee, in accordance with Treasury regulations at 31 CFR Part 205. Except in cases where extenuating circumstances preclude a prompt disbursement, the City policy is to adhere to the federal proposal of a 2-3 day time period between fund draw and disbursement.

(CONTINUED)

CITY OF WOONSOCKET, RHODE ISLAND

**SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2010**

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**C. FINDINGS AND QUESTIONED COSTS RELATING TO FEDERAL AWARDS (Continued)**

***Current Year Findings (Continued):***

**2010-8: Homeland Security Grant Program – CFDA #97.067**

**Criteria:** The City of Woonsocket may receive direct federal funding as well as federal funding passed through the State of Rhode Island. During our audit we noted instances where overtime pay charged to the federal program was not in agreement with payroll records and therefore not in compliance with the requirements of OMB Circular A-87.

**Condition:** The City of Woonsocket does not have an adequate procedure in place to properly reconcile the total overtime pay requested from the federal program to their internal payroll records. The City uses federal funds to pay employees to cover the shifts of those attending mandatory trainings but they do not report these “backfill” employees on their federal billings.

**Recommendation:** We recommend the City develop a policy and implement procedures to ensure compliance with the OMB Circular A-87 requirements. In addition we recommend that the City’s policy include an internal audit function whereby finance department personnel or others independent of the federal program conduct a review of the overtime costs charged to the federal program to ensure compliance with the federal requirements.

**Corrective Action - Management Response:** The City of Woonsocket will implement the inclusion of all employees with overtime pay charged to the federal program on their invoice billings. This will allow every dollar of overtime charged to the federal program to be traceable to payroll records – i.e. timesheets and payroll registers. This procedure has already been implemented in FY2011.

**2010-9: Internal Control over Compliance  
HOME Investment Partnership Program – CFDA #14.239**

**Criteria:** The City of Woonsocket is not properly recording program income received from HOME Investment Partnership Program loan repayments in accordance with federal requirements. Loans issued with funds from the Lead Hazard Reduction Demo Grant and the HOME Investment Partnership Program should be segregated upon receipt of each loan repayment. We found that Lead Hazard program income is being erroneously combined with HOME program income both in accounting receivable records and upon the receipt of the loan repayment.

**Condition:** The City of Woonsocket does not have adequate controls in place to ensure compliance with the Program Income requirement over federal funds. Although the program income is being maintained and reported we believe that controls need to be established to properly segregate this income to the applicable federal grant.

**Recommendation:** We recommend the City develop a policy and implement procedures to ensure compliance with the program income requirements of the federal program. In addition we recommend that the City’s policy include an internal audit function whereby finance department personnel or others independent of the federal program conduct a review of loans issued and ensure that the loans outstanding schedule is updated on a timely basis to ensure compliance with the federal requirements.

(CONCLUDED)

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CITY OF WOONSOCKET, RHODE ISLAND

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2010**

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**C. FINDINGS AND QUESTIONED COSTS RELATING TO FEDERAL AWARDS (Continued)**

***Prior Year Findings:***

**2009-12: Community Development Block Grant CFDA – #14.218**

**Criteria:** The City of Woonsocket may receive direct federal funding as well as federal funding passed through the State of Rhode Island. During our audit we noted instances where payroll records supporting cost allocations to federal programs were not being maintained in accordance with the requirements of OMB Circular A-87. The circular requires that payroll costs charged to federally funded programs be supported as follows:

- Salaries and wages for employees working 100% of their time on a single Federal award or cost objective must be supported by periodic certifications. These certifications must be prepared at least semi-annually and must be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.
- Salaries and wages for employees working on multiple activities or cost objectives must be supported by (a) personnel activity reports that reflect an after-the-fact distribution of the actual activity of the employee, (b) they must account for the total activity for which an employee is compensated, (c) they must be prepared at least monthly and must coincide with one or more pay periods, and (d) they must be signed by the employee.

**Condition:** The City of Woonsocket does not maintain time records or employee time certifications in accordance with the requirements of OMB Circular A-87. The City was unable to provide employee time records to support the allocation of payroll which was being charged to federal programs. Rather the compensation was allocated to federal programs based on budgeted amounts.

**Recommendation:** We recommend that the management of the City develop a policy and enforce the policy requiring detail time records to be completed and maintained in accordance with the requirements of OMB Circular A-87. In addition we recommend that the City request more frequent salary reimbursements from HUD. If reimbursements are calculated based on the time records every pay period or every month, the City should be able to know the exact expense that is to be requested from HUD. Also, the policy should include an internal audit function requiring someone independent of the federal program to review time records and salary reimbursements on a periodic basis for compliance.

**Management response:** The City's Finance Director will enforce the use of weekly timesheets by all personnel whose time is charged to federally funded programs. In the event that department personnel fail to comply with time reporting requirements, the Finance Department will prohibit the department from submitting requisitions for drawdown of federal funds.

**Status:** See current year finding 2010-6.

(CONTINUED)

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CITY OF WOONSOCKET, RHODE ISLAND

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2010**

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**C. FINDINGS AND QUESTIONED COSTS RELATING TO FEDERAL AWARDS (Continued)**

***Prior Year Findings (Continued):***

**2009-13: Community Development Block Grant – CFDA #14.218**

**Criteria:** Federal regulations governing cash management require that entities receiving Federal funds in advance of making cash disbursements must have procedures in place to limit the time that elapses between the cash receipt and the subsequent payment. The maximum amount of time that funds should be held is defined as three days.

**Condition:** The City of Woonsocket does not have adequate controls in place to ensure compliance with the Cash Management requirement over federal funds.

**Recommendation:** We recommend the City develop a policy and implement procedures to ensure compliance with the cash management requirements of the federal program. In addition we recommend that the City's policy include an internal audit function whereby finance department personnel or others independent of the federal program conduct a review of the bank activity to ensure compliance with the federal requirements.

**Management Response:** In the disbursement of cash following federal electronic drawdowns, the City follows 24 CFR 85.21 (b) Basic Standard. Methods and procedures for payment shall minimize the time elapsing between the transfers of funds and disbursement by the grantee or subgrantee, in accordance with Treasury regulations at 31 CFR Part 205. Except in cases where extenuating circumstances preclude a prompt disbursement, the City policy is to adhere to the federal proposal of a 2-3 day time period between fund draw and disbursement.

**Status:** See current year finding 2010-7.

(CONCLUDED)

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