

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

**For the Fiscal Year Ended
June 30, 2009**

**Steven T. Hartford
Town Manager**

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Finance Director**

Prepared by: Finance Department

THE TOWN OF WESTERLY, RHODE ISLAND
ANNUAL FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2009

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FINANCIAL SECTION

THIS SECTION CONTAINS THE FOLLOWING:

Independent Auditors' Report

Management Discussion and Analysis

Basic Financial Statements

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Westerly, Rhode Island, as of and for the year ended June 30, 2009, which collectively comprise the Town's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Town of Westerly, Rhode Island's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Westerly, Rhode Island, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 2010 on our consideration of the Town of Westerly, Rhode Island's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, budgetary comparison information and supplementary pension information on pages 3 through 12 and 61 through 72 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Westerly Rhode Island's basic financial statements. The combining nonmajor fund financial statements, the combining fiduciary fund financial statements, other supplementary information, and the schedule of expenditures of federal awards are presented for purposes of additional analysis and as required by the U.S. Office of Management and Budget Circular A-133, "*Audits of States, Local Governments, and Non-profit Organizations*" and are not a required part of the basic financial statements. The combining nonmajor fund financial statements, the combining fiduciary fund financial statements, other supplementary information and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Baer & Company, LLC

Warwick, Rhode Island
March 1, 2010

TOWN OF WESTERLY, RHODE ISLAND
Management's Discussion and Analysis
For the Year Ended June 30, 2009
(Unaudited)

As the management of the Town of Westerly, we offer readers of the Town's Financial Statements this narrative overview and analysis of the Town's financial activities for the fiscal year ended June 30, 2009. Included within our discussion will be a series of comparative tables, serving to more clearly illustrate changes in the Town's financial position. These tables will reflect governmental activities, business-type activities, and total activities for the 2008 and 2009 fiscal years.

Financial Highlights

- ❖ The assets of the Town of Westerly exceeded its liabilities at the close of the most recent fiscal year by \$117,052,455. Of the amount, \$19,841,994 may be used to meet the Town's ongoing obligations to citizens and creditors in accordance with the Town's fund designation and fiscal policies.
- ❖ The Town's total net assets increased by \$2,154,189.
- ❖ As of the close of the fiscal year, the Town's governmental funds reported combined ending fund balances of \$17,127,513. Over 99.9% of this amount, \$17,096,810, is unreserved and available for use within the Town's designation and fiscal policies.
- ❖ At the end of the current fiscal year, the general fund unreserved fund balance was \$9,020,357, or 12.2% of the total general fund budgeted expenditures for the fiscal year. The current fiscal year's expenditures exceeded revenues and transfers by \$39,496 on a GAAP basis and on a budgetary basis.

Overview of the Financial Statements

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

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

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

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

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

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(Unaudited)

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

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

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

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

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

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

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

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(Unaudited)

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

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

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

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

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

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

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

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

The combining statements referred to earlier in connection with non-major governmental funds, proprietary funds and internal service funds are presented on pages 73 through 97.

TOWN OF WESTERLY, RHODE ISLAND
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(Unaudited)

Government-wide Financial Analysis

Analysis of the Town of Westerly's Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town of Westerly, assets exceeded liabilities by \$117,052,455 as of June 30, 2009.

The largest portion of the Town's net assets (82.5%) consists of its investments in capital assets such as land, buildings and improvements, motor vehicles, furniture and equipment and infrastructure, less any debt used to acquire these assets which is still outstanding. The Town uses these capital assets to provide services to its citizens. Consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves are highly unlikely to be used to liquidate these liabilities.

TOWN OF WESTERLY'S NET ASSETS

	Governmental Activities		Business-Type activities		Total	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Current and other assets	\$24,852,191	\$24,678,390	\$8,995,019	\$11,540,143	\$33,847,210	\$36,218,533
Capital asset	133,693,286	134,862,294	37,309,331	36,484,296	171,002,617	\$171,346,590
Total assets	<u>\$158,545,477</u>	<u>\$159,540,684</u>	<u>\$46,304,350</u>	<u>\$48,024,439</u>	<u>\$204,849,827</u>	<u>207,565,123</u>
Current liabilities	9,146,363	9,026,102	1,281,508	2,309,042	10,427,871	11,335,144
Long-term liabilities	67,849,654	71,370,769	9,519,847	9,960,944	77,369,501	81,331,713
Total liabilities	<u>76,996,017</u>	<u>80,396,871</u>	<u>10,801,355</u>	<u>12,269,986</u>	<u>87,797,372</u>	<u>92,666,857</u>
Net assets:						
Invested in capital assets						
net of related debt	68,612,569	66,974,608	27,988,005	26,372,045	96,600,574	93,346,653
Restricted	609,887	840,250	-	-	609,887	840,250
Unrestricted	<u>12,327,004</u>	<u>11,328,955</u>	<u>7,514,990</u>	<u>9,382,408</u>	<u>19,841,994</u>	<u>20,711,363</u>
Total net assets	<u>\$81,549,460</u>	<u>\$ 79,143,813</u>	<u>\$35,502,995</u>	<u>\$ 35,754,453</u>	<u>\$117,052,455</u>	<u>\$114,898,266</u>

An additional portion of the Town's net assets, \$609,887, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets, \$19,841,994, may be used to meet the government's ongoing obligations to its citizens and creditors. As of June 30, 2009, the Town of Westerly reports positive balances in all three categories of net assets for the government as a whole.

Analysis of the Town of Westerly's Operations

The following analysis provides a summary of the Town's operations for the year ended June 30, 2009.

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Governmental activities increased the Town's net assets by \$2,405,647, while business-type activities decreased the Town's net assets by \$251,458, resulting in an increase of \$2,154,189 for the Town's total growth in net assets.

	Governmental Activities		Business-Type Activities		Total	Total
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Revenues						
Program revenues						
Charges for services	\$5,464,445	\$6,212,353	\$7,187,929	\$7,827,693	\$12,652,374	\$14,040,046
Operating grants and contributions	11,992,674	13,448,568	25,000		12,017,674	13,448,568
Capital grants and contributions	498,774	301,712			498,774	301,712
General Revenues						
Property taxes	59,323,341	55,992,277			59,323,341	55,992,277
State aid and in lieu of taxes not restricted for specific purposes	4,614,007	4,838,487			4,614,007	4,838,487
Unrestricted investment earnings	510,798	1,055,249	62,955	130,235	573,753	1,185,484
Miscellaneous	277,017	62,343			277,017	62,343
Total revenues	82,681,056	81,910,989	7,275,884	7,957,928	89,956,940	89,868,917
Expenses						
Legislative, financial, judicial and general administrative	3,129,637	3,236,593			3,129,637	3,236,593
Public works	7,424,188	9,631,484			7,424,188	9,631,484
Public safety	7,761,483	7,814,959			7,761,483	7,814,959
Health and welfare	1,647,960	886,803			1,647,960	886,803
Conservation and development	83,398	57,013			83,398	57,013
Parks and recreation	671,243	670,797			671,243	670,797
Planning and zoning	315,979	300,666			315,979	300,666
Public Education	55,623,925	56,538,216			55,623,925	56,538,216
Interest	2,921,665	2,991,507			2,921,665	2,991,507
Water fund			4,427,003	3,519,078	4,427,003	3,519,078
Sewer fund			3,524,297	3,399,750	3,524,297	3,399,750
Beach fund			271,973	279,941	271,973	279,941
Total expenses	79,579,478	82,128,038	8,223,273	7,198,769	87,802,751	89,326,807
Increase in net assets before transfers	3,101,578	(217,049)	(947,389)	759,159	2,154,189	542,110
Transfers	(695,931)	(738,532)	695,931	738,532	-	-
Loss on disposal of capital assets	-	-	-	1,497,569	-	1,497,569
Increase (Decrease) in net assets	2,405,647	(955,581)	(251,458)	2,995,260	2,154,189	2,039,679
Net assets July 1, 2007 as restated	79,143,813	80,099,394	35,754,453	32,759,193	114,898,266	112,858,587
Net assets June 30, 2008	\$81,549,460	\$79,143,813	\$35,502,995	\$35,754,453	117,052,455	114,898,266

TOWN OF WESTERLY, RHODE ISLAND
Management's Discussion and Analysis
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(Unaudited)

Financial Analysis of the Town of Westerly's Funds

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

At the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$17,127,513. Approximately 99.9% of the total amount, or \$17,096,810 constituted unreserved fund balances. The remainders of the fund balances were reserved because of future commitments.

Reserved Fund Balances:

Prepays	\$30,703
Total Reserved Fund Balances:	<u>\$ 30,703</u>

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

Unrestricted net assets of the respective proprietary funds are \$5,347,415 for Water Fund, \$2,126,467 for Sewer Fund, and \$41,108 for the Beach Fund for the Enterprise Funds.

General Fund Budgetary Highlights

For the fiscal year ended June 30, 2009, the Town ended with operating surplus, despite significant reduction in State Aid as well as considerably declining general economy. The Town's overall expenditures were under budget by over \$1.1 million due primarily to the spending and hiring freeze during the last six months of the fiscal year. These under-expenditures were more than enough to offset the significantly less-than-budgeted revenues of \$966,000, resulting in a small operating surplus for the year.

Revenues:

General Property Taxes – was over budget by \$717,959. The Town budgeted current property tax at 97.25% collection rate, while the actual collection was at over 98.5% for the fiscal year. The tax collection rates remained strong despite the weak economy. Current Property Taxes, Motor Vehicle Excise Taxes, and Tax Interests were all over budget by \$456,951, \$229,534 and \$215,715 respectively. Prior Year Property Taxes were under budget by \$187,997, due to higher collection rates from prior fiscal years.

State Grants in Aid – General - was under budget by \$374,699. This was primarily due to the State of Rhode Island FY2009 Supplemental Budget, reducing General Revenue Sharing by \$340,770 from \$632,000 during the fiscal year.

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Management's Discussion and Analysis
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(Unaudited)

Licenses and Permits – was under budget by \$275,536. This resulted primarily from significantly lower revenues in building permits due to weak residential and commercial construction.

Use of Property and Money – was under budget by \$52,693. The Town budgeted this line item, interest revenues, based on interest rate of 1.7-1.8%. During the fiscal year, the interest rates the Town earned steadily declined to 1.0% level for short-term CDs.

Revenues from Other Sources – was under budget by \$432,664. Real Estate Recording Fees were under budget by \$138,459 and Real Estate Transfer Taxes were under budget by \$192,895, due to the generally weaker economy, affecting Westerly real estate market and transactions. In addition, Police Detail Administration Fees and Cruiser Fees together were under budget by \$48,583, due to less detail works from Rhode Island Department of Transportation.

Solid Waste Receipts – were under budget by \$378,817. The transfer station receipts significantly declined due to the generally weaker economy. The lower revenues were partially offset by the reduced expenditures in dumping fees at Rhode Island Resource Recovery. In addition, the Town lost one major hauler due to the overdue receivables. The Town has an agreement with this hauler for scheduled payments.

Expenses:

In January 2009, the Chief of Staff, then Acting Town Manager, placed a spending and hiring freeze on all departments for the remainder of the fiscal year, as a direct result of Rhode Island's Governors FY09 Supplemental Budget Proposal, eliminating General Revenue Sharing to the Town, in addition to considerably lower revenues from local sources, resulting from the generally declining economy. In March 16, 2009, the newly appointed Town Manager affirmed this spending freeze and approved any spending and overtimes at this point. This resulted in under-spending for many of the Town departments in order to make up the lower-than-budgeted revenues.

Legislative, Financial, Judicial, and General Administrative – was under budget by \$393,182. Employee Group Insurance Department was under budget by \$148,102. The Town is self-insured and pays its own claims with administrative fees for its health and dental plans. Actual claims were lower than anticipated. Pension Benefits and Social Securities were under budget by \$40,491 and by \$30,301 respectively. This resulted from the hiring freeze well as unpaid leaves. The Town's commercial insurance, including General Liabilities and Workers Compensation, was under budget by \$40,491.

Public Safety – Uniform Police – was under budget by \$204,374. The patrol officer wage was under-budget by \$142,801 due to the vacant officer positions throughout the fiscal year as well as hiring freeze. There were three retirements and one separation during the fiscal year. Also Contractual Services, the line for IT hardware and software, was under budget by \$24,557.

Public Works Departments – was under budget by \$281,405. Snow & Ice was over-budget by \$60,317 due to the heavy snowfalls. However, Transfer Station expenditures were under budget by \$223,146 due primarily to the significantly lower dumping costs due to the lower volumes. In addition, Motor Vehicle

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Parts line and Fuel line both were under budget by \$38,505. Considerably lower loads were taken to Rhode Island Resource Recovery. In addition, there were many lines under-expended from various open positions throughout the DPW departments, as well as Town Manager's spending freeze for the last six months of operations.

The Town of Westerly's Capital Assets

The Town of Westerly's investment in capital assets for its governmental and business-type activities amounts to \$171,002,617, net of accumulated depreciation at June 30, 2009. Included are land, building and improvements, construction in progress, motor vehicles, and furniture and equipment.

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

	Governmental Activities		Business-type Activities		Total	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Land	\$11,195,923	\$ 11,032,172	\$5,896,815	\$ 5,700,082	\$ 17,092,738	\$16,732,254
Buildings and Improvements	65,296,623	62,783,079	9,937,637	9,536,962	75,234,260	72,320,041
Construction in progress	1,012,382	6,912,673	2,778,429	5,931,183	3,790,811	12,843,856
Mains, well, pumps and hydrants	-	-	8,355,383	8,111,336	8,355,383	8,111,336
Tanks and structures	-	-	9,773,366	6,525,571	9,773,366	6,525,571
Odor control plant	-	-	-	51,216	-	51,216
Motor vehicles	2,920,050	2,363,566	-	-	2,920,050	2,363,566
Furniture and equipment	2,087,349	2,253,396	567,701	628,035	2,655,050	2,881,431
Infrastructure	51,072,152	49,410,907	-	-	51,072,152	49,410,907
Software	108,807	106,501	-	-	108,807	106,501
Total	\$133,693,286	\$134,862,294	\$37,309,331	\$36,484,385	\$171,002,617	\$171,346,679

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

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Management's Discussion and Analysis
For the Year Ended June 30, 2009
(Unaudited)

The Town of Westerly's Debt Administration

At the end of the current fiscal year, the Town of Westerly had a total debt of \$77,687,515. All bonded debt is backed by the full faith and credit of the Westerly government.

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

	Governmental Activities		Business-type Activities		Total	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
General Obligation						
Bonds Payable	\$65,815,000	69,315,350	\$2,225,000	\$ 2,479,650	\$68,040,000	\$ 71,795,000
Capital Leases Payable	2,132,323	1,877,460		-	2,132,323	1,877,460
Loans Payable	-		7,515,192	8,071,301	7,515,192	8,071,301
Totals	<u>\$67,947,323</u>	<u>\$71,192,810</u>	<u>\$9,740,192</u>	<u>\$10,550,951</u>	<u>\$77,687,515</u>	<u>\$ 81,743,761</u>

On November 4, 2008 during General Election, the Westerly electorates authorized to issue \$30,000,000 General Obligation Bonds and Notes for the purpose of financing the renovation, rehabilitation, repair, improvement, furnishing and equipping of the Westerly High School. As of June 30, 2009, the Town has not issued any debt. The Town is planning to issue the first series of the \$30,000,000 bonds, not to exceed \$3,865,000 in Qualified School Construction Bond, through Rhode Island Health and Education Building Corporation in Spring 2010.

The Town's general obligation bond rating as assigned by Standard and Poor's in September 2007 is AA- and Moody's Investors Service upgraded the Town of Westerly from A1 to Aa3. The State of Rhode Island imposes a limit of 3 percent of the fair value of all taxable Town property on the general obligation debt that a municipality can issue. The Town of Westerly's limit is \$194,711,869 based on net assessed valuation at December 31, 2008 of \$6,490,395,643 at year-end. The Town's outstanding general obligation debt issued under Rhode Island General Laws Section 45-12-2 was \$32,537,459 at year-end, which was \$162,174,410 under the State imposed limitation.

Several of the Town's bonds are insured and thus hold a Triple A credit rating from both Moody's and Standard & Poor's.

Additional information on the Town of Westerly's long-term debt can be found in footnote 7 of the financial statements and on pages 37 through 40.

TOWN OF WESTERLY, RHODE ISLAND
Management's Discussion and Analysis
For the Year Ended June 30, 2009
(Unaudited)

Economic Factors and Next Year's Budgets and Rates

The Town of Westerly's total general fund budget for fiscal year 2010 amounts to \$76,617,640 which reflects a decrease of \$558,236 over the fiscal 2009 budget of \$77,175,876. Of the Town's 2010 budget, \$27,247,640 or 35.6% is budgeted for the general government and \$49,370,000, or 64.4% is budgeted for Westerly Public Schools. The State of Rhode Island is budgeted to contribute \$5,817,119 to the Town's education department.

The Town's tax rate for fiscal 2010 remained at \$8.87, with 35.6% allocated for general government and 64.4% allocated for education. For fiscal 2009 the Town's tax rate was also \$8.87 with 36.2% allocated for general government and 63.8% allocated for education.

Request for Information

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



Etsuko Zuczek, MBA, CPA
Finance Director

BASIC FINANCIAL STATEMENTS

Government Wide Financial Statements

TOWN OF WESTERLY, RHODE ISLAND

Statement of Net Assets

June 30, 2009

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Current assets:			
Cash and cash equivalents	\$ 17,041,760	\$ 6,175,679	\$ 23,217,439
Investments	1,354,984	-	1,354,984
Real estate, personal property and sewer tax receivable	3,600,723	4,107	3,604,830
Water and sewer use and assessments	-	1,845,950	1,845,950
Due from federal and state governments	1,539,063	349,283	1,888,346
Other receivables	482,392	2,549	484,941
Internal balances	58,335	(58,335)	-
Inventory	-	174,364	174,364
Other assets - net	30,703	-	30,703
Total current assets	<u>24,107,960</u>	<u>8,493,597</u>	<u>32,601,557</u>
Noncurrent assets:			
Sewer assessment receivable	-	333,438	333,438
Capital assets:			
Land	11,195,923	5,896,815	17,092,738
Depreciable property, plant and equipment - net	121,484,981	28,634,087	150,119,068
Construction in progress	1,012,382	2,778,429	3,790,811
Other assets - net	744,231	167,984	912,215
Total noncurrent assets	<u>134,437,517</u>	<u>37,810,753</u>	<u>172,248,270</u>
Total assets	<u>158,545,477</u>	<u>46,304,350</u>	<u>204,849,827</u>
Liabilities:			
Current liabilities:			
Accounts payable and accrued liabilities	1,890,209	406,988	2,297,197
Accrued interest payable	1,119,714	104,907	1,224,621
Unearned revenue	158,511	-	158,511
Claims payable	834,973	-	834,973
Compensated absences payable	172,799	46,158	218,957
Long-term debt - due within one year	4,970,157	723,455	5,693,612
Total current liabilities	<u>9,146,363</u>	<u>1,281,508</u>	<u>10,427,871</u>
Noncurrent liabilities:			
Unearned revenue	-	333,438	333,438
Compensated absences payable	1,470,803	160,561	1,631,364
Net other post-employment benefit obligations	180,335	-	180,335
Net pension obligation	2,746,841	-	2,746,841
Long-term debt - due in more than one year	63,451,675	9,025,848	72,477,523
Total noncurrent liabilities	<u>67,849,654</u>	<u>9,519,847</u>	<u>77,369,501</u>
Total liabilities	<u>76,996,017</u>	<u>10,801,355</u>	<u>87,797,372</u>
Net Assets:			
Invested in capital assets, net of related debt	68,612,569	27,988,005	96,600,574
Restricted for:			
Special projects and programs	609,887	-	609,887
Unrestricted	12,327,004	7,514,990	19,841,994
Total net assets	<u>\$ 81,549,460</u>	<u>\$ 35,502,995</u>	<u>\$ 117,052,455</u>

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

TOWN OF WESTERLY, RHODE ISLAND

Statement of Activities

For the Fiscal Year Ended June 30, 2009

<i>Functions/Programs</i>	<i>Expenses</i>	<i>Program Revenues</i>			<i>Net (Expense) Revenue and Changes in Net Assets</i>		
		<i>Charges for Services</i>	<i>Operating Grants and Contributions</i>	<i>Capital Grants and Contributions</i>	<i>Governmental Activities</i>	<i>Business-Type Activities</i>	<i>Total</i>
Governmental Activities:							
Legislative, judicial and general administrative	\$ 3,129,637	\$ 940,220	\$ 2,000	\$ -	\$ (2,187,417)	\$ -	\$ (2,187,417)
Public works	7,424,188	2,554,611	15,000	498,774	(4,355,803)	-	(4,355,803)
Public safety	7,761,483	338,429	130,190	-	(7,292,864)	-	(7,292,864)
Health and welfare	1,647,960	-	502,708	-	(1,145,252)	-	(1,145,252)
Conservation and development	83,398	-	-	-	(83,398)	-	(83,398)
Parks and recreation	671,243	143,383	-	-	(527,860)	-	(527,860)
Planning and zoning	315,979	63,457	-	-	(252,522)	-	(252,522)
Public education	55,623,925	1,424,345	9,879,004	-	(44,320,576)	-	(44,320,576)
Interest on long-term debt	2,921,665	-	1,463,772	-	(1,457,893)	-	(1,457,893)
Total governmental activities	79,579,478	5,464,445	11,992,674	498,774	(61,623,585)	-	(61,623,585)
Business-Type Activities:							
Water fund	4,427,003	3,950,767	-	-	-	(476,236)	(476,236)
Sewer fund	3,524,297	3,152,629	25,000	-	-	(346,668)	(346,668)
Beach fund	271,973	84,533	-	-	-	(187,440)	(187,440)
Total business-type activities	8,223,273	7,187,929	25,000	-	-	(1,010,344)	(1,010,344)
Total	\$ 87,802,751	\$ 12,652,374	\$ 12,017,674	\$ 498,774	(61,623,585)	(1,010,344)	(62,633,929)
General Revenues:							
Property taxes levied for general purposes					59,323,341	-	59,323,341
State aid and in lieu of taxes not restricted for a specific purpose					4,614,007	-	4,614,007
Investment earnings					510,798	62,955	573,753
Miscellaneous					277,017	-	277,017
Transfers					(695,931)	695,931	-
Total general revenues					64,029,232	758,886	64,788,118
Change in net assets					2,405,647	(251,458)	2,154,189
Net assets - beginning of year, as restated					79,143,813	35,754,453	114,898,266
Net assets - end of year					\$ 81,549,460	\$ 35,502,995	\$ 117,052,455

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

Fund Financial Statements

TOWN OF WESTERLY, RHODE ISLAND

*Balance Sheet
Governmental Funds
June 30, 2009*

	<u>General Fund</u>	<u>School Unrestricted Fund</u>	<u>Capital Project Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Cash	\$ 8,398,251	\$ 1,391,744	\$ 4,091,446	\$ 3,462,074	\$ 17,343,515
Investments	936,033	-	-	418,951	1,354,984
Property tax receivable	3,600,723	-	-	-	3,600,723
Due from federal and state governments	660,272	134,827	-	743,964	1,539,063
Other receivables	268,955	84,516	-	2,456	355,927
Due from other funds	39,295	-	-	29,479	68,774
Prepaid expenditures	-	30,703	-	-	30,703
Total assets	<u>\$ 13,903,529</u>	<u>\$ 1,641,790</u>	<u>\$ 4,091,446</u>	<u>\$ 4,656,924</u>	<u>\$ 24,293,689</u>
 Liabilities and Fund Balances					
Liabilities:					
Cash overdraft	\$ -	\$ -	\$ -	\$ 612,076	\$ 612,076
Accounts payable and accrued expenditures	572,744	765,229	200,984	287,926	1,826,883
Due to other funds	199,215	348,087	-	-	547,302
Deferred revenues	4,007,116	-	-	-	4,007,116
Accrued compensated absences	104,097	68,702	-	-	172,799
Total liabilities	<u>4,883,172</u>	<u>1,182,018</u>	<u>200,984</u>	<u>900,002</u>	<u>7,166,176</u>
 Fund Balances:					
Reserved for:					
Prepaid items	-	30,703	-	-	30,703
Unreserved - undesignated	9,020,357	429,069	3,890,462	-	13,339,888
Unreserved, reported in:					
Special revenue funds	-	-	-	675,056	675,056
Capital project funds	-	-	-	3,081,866	3,081,866
Total fund balances	<u>9,020,357</u>	<u>459,772</u>	<u>3,890,462</u>	<u>3,756,922</u>	<u>17,127,513</u>
Total liabilities and fund balances	<u>\$ 13,903,529</u>	<u>\$ 1,641,790</u>	<u>\$ 4,091,446</u>	<u>\$ 4,656,924</u>	<u>\$ 24,293,689</u>

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

TOWN OF WESTERLY, RHODE ISLAND
*Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Assets
June 30, 2009*

Total Fund Balances - Total Governmental Funds	\$ 17,127,513
 <i>Amounts reported for Governmental Activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet.	133,693,286
Other departmental receivables are reported as revenue in Government-Wide Financial Statements in the period earned, but are reported as deferred revenue (a liability) in the Governmental Funds Financial Statements.	247,882
Delinquent taxes are recognized as revenue in the period for which levied in the Government-Wide Financial Statements, but are reported as deferred revenue (a liability) in Governmental Funds Financial Statements.	3,600,723
Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in Governmental Funds Balance Sheet.	(1,119,714)
The Internal Service Funds are used by management to charge the costs of health and dental insurance and other insurance to individual funds. The assets and liabilities of the Internal Service Fund are included in Governmental Activities in the Government-Wide Statement of Net Assets.	560,594
Long-term liabilities (including bonds payable, capital leases, compensated absences, net pension obligation, and net other post-employment benefit obligation) are not due and payable in the current period and, therefore, are not reported in the Governmental Funds Balance Sheet.	(72,345,302)
Bond premium is reported as an other financing source in the Governmental Funds Financial Statements. Bond premium, net of accumulated amortization, is reflected as a reduction of bonds payable on the Government-Wide Financial Statements.	(474,509)
Bond issue costs are reported as expenditures in the Governmental Funds Financial Statements. The cost, net of accumulated amortization, is reflected as an other asset on the Government-Wide Financial Statements.	<u>258,987</u>
 Net Assets of Governmental Activities	 <u>\$ 81,549,460</u>

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

TOWN OF WESTERLY, RHODE ISLAND
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2009

	<u>General Fund</u>	<u>School Unrestricted Fund</u>	<u>Capital Project Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
General property taxes	\$ 58,903,866	\$ -	\$ -	\$ -	\$ 58,903,866
Intergovernmental and department revenues	12,191,072	2,892,994	498,774	5,313,788	20,896,628
License and permits	520,627	-	-	-	520,627
Fines and penalties	190,165	-	-	-	190,165
Interest on investments	447,307	-	-	62,345	509,652
Other revenues	972,322	998,625	-	71,251	2,042,198
Total revenues	<u>73,225,359</u>	<u>3,891,619</u>	<u>498,774</u>	<u>5,447,384</u>	<u>83,063,136</u>
Expenditures:					
Current:					
Legislative, judicial and general administrative	5,956,393	-	224,930	55,147	6,236,470
Public works	5,138,439	-	948,806	675,288	6,762,533
Public safety	4,443,189	-	6,000	90,588	4,539,777
Health and welfare	694,355	-	150,000	759,222	1,603,577
Conservations and development	44,213	-	-	-	44,213
Parks and recreation	533,489	-	60,295	-	593,784
Planning and zoning	230,018	-	6,311	-	236,329
Education	-	49,733,041	184,233	4,688,651	54,605,925
Capital improvements/restricted programs	2,049,818	-	-	-	2,049,818
Debt Service	6,972,082	-	-	-	6,972,082
Total expenditures	<u>26,061,996</u>	<u>49,733,041</u>	<u>1,580,575</u>	<u>6,268,896</u>	<u>83,644,508</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	<u>47,163,363</u>	<u>(45,841,422)</u>	<u>(1,081,801)</u>	<u>(821,512)</u>	<u>(581,372)</u>
Other financing sources (uses):					
Lease proceeds	1,259,784	-	-	-	1,259,784
Transfers from other funds	-	46,371,204	1,316,516	661,319	48,349,039
Transfers to other funds	(48,383,651)	(29,480)	(130,844)	(500,995)	(49,044,970)
Total other financing sources (uses)	<u>(47,123,867)</u>	<u>46,341,724</u>	<u>1,185,672</u>	<u>160,324</u>	<u>563,853</u>
Net change in fund balances	39,496	500,302	103,871	(661,188)	(17,519)
Fund balances, beginning of year	<u>8,980,861</u>	<u>(40,530)</u>	<u>3,786,591</u>	<u>4,418,110</u>	<u>17,145,032</u>
Fund balances, end of year	<u>\$ 9,020,357</u>	<u>\$ 459,772</u>	<u>\$ 3,890,462</u>	<u>\$ 3,756,922</u>	<u>\$ 17,127,513</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF WESTERLY, RHODE ISLAND
*Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and
Changes in the Fund Balances to Government-Wide Statement of Activities
For the Year Ended June 30, 2009*

Net Changes in Fund Balances - Total Governmental Funds \$ (17,519)

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

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

This is the amount of capital assets recorded in the current period. 2,896,799

This is the amount of current year depreciation on capital assets. (4,058,795)

Property taxes that are not collected in the current period do not represent current financial resources, however they are recognized as revenues in the Government-Wide Statement of Activities. 419,477

The long-term net pension obligation and net other post-employment benefit obligation are reported in the Government-wide Statement of Activities, but does not require the use of current financial resources. Therefore, the long-term net pension obligation and net other post-employment benefit obligation are not reported as an expenditure in the Governmental Funds Financial Statements. (325,466)

Long-term compensated absences are reported in the Government-Wide Statement of Activities , but do not require the use of current financial resources. Therefore, long-term compensated absences are not reported as expenditures in Governmental Funds Financial Statements. 136,209

Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Government-Wide Statement of Net Assets. Repayment of debt principal is an expenditure in Government Funds, but the payments reduce long-term liabilities in the Government-Wide Statement of Net Assets.

This amount represents long-term debt issued during the year. (1,259,784)

This amount represents long-term debt payments. 4,505,271

Accrued interest on long-term debt is reported in the Government-Wide Statement of Activities , but does not require the use of current financial resources. Therefore, accrued interest expense is not reported as an expenditure in the Governmental Funds Financial Statements. The following amount represents the change in accrued interest from prior year. 209,910

The Internal Service Fund is used by management to charge the costs of health and dental insurance and other insurance to individual funds. The net revenues (expenses) of the Internal Service Fund is reported with Governmental Activities in the Government-Wide Financial Statements. (52,548)

Bonds issued at a premium provide current financial resources to Governmental Funds, but are deferred and amortized in the Government-Wide Financial Statements. Debt issuance costs and loss on refundings are expenditures in the Governmental Funds, but are deferred and amortized in the Government-Wide Financial Statements.

This amount represents the current year amortization of bond premium. 29,177

This amount represents current year amortization of bond issuance costs. (25,728)

Revenues in the Statement of Activities that are not measurable and available in Governmental Funds are not reported as revenue in the Governmental Funds Financial Statements. (44,344)

Loss on the disposal of a capital asset is reported in the Government-Wide Statement of Activities , but does not require the use of current financial resources. Therefore, loss on the disposal of a capital asset is not reported as an expenditure in the Governmental Funds Financial Statements. (7,012)

Change in Net Assets of Governmental Activities \$ 2,405,647

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

TOWN OF WESTERLY, RHODE ISLAND

Statement of Net Assets

Proprietary Funds

June 30, 2009

	<i>Enterprise Funds</i>				<i>Internal Service Funds</i>
	<i>Water Fund</i>	<i>Sewer Fund</i>	<i>Beach Fund</i>	<i>Total</i>	
Assets					
Current assets:					
Cash and cash equivalents	\$ 4,453,206	\$ 1,648,457	\$ 74,016	\$ 6,175,679	\$ 310,321
Accounts receivable:					
Water and sewer use and assessments	1,073,025	772,925	-	1,845,950	-
Sewer taxes	-	4,107	-	4,107	-
Other receivables	30	-	2,519	2,549	-
Inventory	165,754	8,610	-	174,364	-
Due from federal and state government	-	349,283	-	349,283	-
Due from other funds	-	-	-	-	663,328
Total current assets	5,692,015	2,783,382	76,535	8,551,932	973,649
Noncurrent assets:					
Sewer assessment receivable	-	333,438	-	333,438	-
Capital assets:					
Land	2,156,975	597,320	3,142,520	5,896,815	-
Buildings and improvements	1,387,779	18,172,723	481,072	20,041,574	-
Mains, wells, pumps and hydrants	9,871,204	4,150,707	-	14,021,911	-
Tanks and structures	4,450,972	9,553,112	-	14,004,084	-
Equipment and machinery	2,623,595	574,581	-	3,198,176	-
Odor control plant	-	1,024,302	-	1,024,302	-
Construction in progress	2,778,429	-	-	2,778,429	-
Total capital assets	23,268,954	34,406,183	3,623,592	61,298,729	-
Less accumulated depreciation	(7,607,392)	(15,941,775)	(106,793)	(23,655,960)	-
Net capital assets	15,661,562	18,464,408	3,516,799	37,642,769	-
Other assets	-	152,313	15,671	167,984	485,244
Total noncurrent assets	15,661,562	18,616,721	3,532,470	37,810,753	485,244
Total assets	21,353,577	21,400,103	3,609,005	46,362,685	1,458,893
Liabilities					
Current liabilities:					
Accounts payable and accrued expenses	123,457	275,864	7,667	406,988	63,326
Accrued interest payable	-	77,147	27,760	104,907	-
Compensated absences	35,210	10,948	-	46,158	-
Due to other funds	48,474	9,861	-	58,335	-
Claims payable	-	-	-	-	834,973
Current portion of bonds and loans payable	-	577,919	145,536	723,455	-
Total current liabilities	207,141	951,739	180,963	1,339,843	898,299
Noncurrent liabilities:					
Unearned revenue	-	333,438	-	333,438	-
Compensated absences payable	137,459	23,102	-	160,561	-
Bonds and loans payable due in more than one year	-	6,937,274	2,088,574	9,025,848	-
Total noncurrent liabilities	137,459	7,293,814	2,088,574	9,519,847	-
Total liabilities	344,600	8,245,553	2,269,537	10,859,690	898,299
Net Assets					
Investment in capital assets, net of related debt	15,661,562	11,028,083	1,298,360	27,988,005	-
Unrestricted	5,347,415	2,126,467	41,108	7,514,990	560,594
Total net assets	\$ 21,008,977	\$ 13,154,550	\$ 1,339,468	\$ 35,502,995	\$ 560,594

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

TOWN OF WESTERLY, RHODE ISLAND
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2009

	<i>Enterprise Funds</i>				<i>Internal Service Funds</i>
	<i>Water Fund</i>	<i>Sewer Fund</i>	<i>Beach Fund</i>	<i>Total</i>	
Operating revenues					
User fees and rental income	\$ 3,720,359	\$ 2,316,165	\$ 84,533	\$ 6,121,057	\$ -
Sewer assessments and taxes	-	748,244	-	748,244	-
Charges for insurance	-	-	-	-	8,338,976
Other revenues	230,408	88,220	-	318,628	52,180
Total operating revenues	<u>-</u>	<u>3,152,629</u>	<u>84,533</u>	<u>7,187,929</u>	<u>8,391,156</u>
Operating expenses					
Salaries and benefits	2,020,345	573,299	80,094	2,673,738	-
Materials and supplies	608,334	28,394	3,445	640,173	-
Repair and maintenance	721,182	262,635	29,855	1,013,672	-
Depreciation and amortization	303,666	529,727	25,098	858,491	-
Utilities	292,590	2,223	3,113	297,926	-
Administrative expense	123,394	16,228	1,560	141,182	-
Insurance	92,036	22,638	10,773	125,447	154,536
Claims	-	-	-	-	8,290,314
Contracted services	264,473	1,858,652	-	2,123,125	-
Total operating expenses	<u>4,426,020</u>	<u>3,293,796</u>	<u>153,938</u>	<u>7,873,754</u>	<u>8,444,850</u>
Operating income (loss)	<u>(4,426,020)</u>	<u>(141,167)</u>	<u>(69,405)</u>	<u>(685,825)</u>	<u>(53,694)</u>
Nonoperating revenues (expenses)					
Operating grant	-	25,000	-	25,000	-
Interest income	39,230	23,156	569	62,955	1,146
Interest expense	(983)	(230,501)	(118,035)	(349,519)	-
Total nonoperating revenues (expenses)	<u>38,247</u>	<u>(182,345)</u>	<u>(117,466)</u>	<u>(261,564)</u>	<u>1,146</u>
Income (loss) before transfers	<u>(4,387,773)</u>	<u>(323,512)</u>	<u>(186,871)</u>	<u>(947,389)</u>	<u>(52,548)</u>
Transfers in	<u>-</u>	<u>431,201</u>	<u>264,730</u>	<u>695,931</u>	<u>-</u>
Change in net assets	<u>(4,387,773)</u>	<u>107,689</u>	<u>77,859</u>	<u>(251,458)</u>	<u>(52,548)</u>
Total net assets, beginning of year restated	21,445,983	13,046,861	1,261,609	35,754,453	613,142
Total net assets, end of year	<u>\$ 17,058,210</u>	<u>\$ 13,154,550</u>	<u>\$ 1,339,468</u>	<u>\$ 35,502,995</u>	<u>\$ 560,594</u>

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

TOWN OF WESTERLY, RHODE ISLAND

Statement of Cash Flows

Proprietary Funds

For the Fiscal Year Ended June 30, 2009

	<i>Enterprise Funds</i>				<i>Internal Service Funds</i>
	<i>Water Fund</i>	<i>Sewer Fund</i>	<i>Beach Fund</i>	<i>Total</i>	
<i>Cash flows from operating activities</i>					
Cash received from insurance and service charges	\$ -	\$ -	\$ -	\$ -	\$ 7,670,227
Claim payments	-	-	-	-	(7,898,602)
Cash received from customers	3,806,910	2,975,457	82,015	6,864,382	-
Cash payments to suppliers for goods and services	(2,887,167)	(2,028,681)	(48,701)	(4,964,549)	(154,536)
Cash payments to employees for services	(1,984,682)	(575,151)	(82,696)	(2,642,529)	-
Other operating cash receipts	256,630	69,409	-	326,039	52,180
Other operating cash disbursements	-	-	-	-	(72,500)
<i>Net cash provided by (used for) operating activities</i>	(808,309)	441,034	(49,382)	(416,657)	(403,231)
<i>Cash flows from non-capital financing activities</i>					
Operating transfers from other funds	-	431,201	264,730	695,931	-
<i>Net cash provided by noncapital related financing activities</i>	-	431,201	264,730	695,931	-
<i>Cash flows from capital and related financing activities</i>					
Principal paid on bonds and notes	(38,250)	(627,509)	(145,000)	(810,759)	-
Additions to capital assets	(1,616,024)	(49,692)	-	(1,665,716)	-
Interest paid on long-term debt	(1,817)	(237,770)	(119,730)	(359,317)	-
<i>Net cash used for capital and related financing activities</i>	(1,656,091)	(914,971)	(264,730)	(2,835,792)	-
<i>Cash flows from investing activities</i>					
Interest income	39,230	27,205	32	66,467	1,146
<i>Net cash provided by investing activities</i>	39,230	27,205	32	66,467	1,146
<i>Net decrease in cash and cash equivalents</i>	(2,425,170)	(15,531)	(49,350)	(2,490,051)	(402,085)
<i>Cash and cash equivalents, beginning of year</i>	6,878,376	1,663,988	123,366	8,665,730	712,406
<i>Cash and cash equivalents, end of year</i>	\$ 4,453,206	\$ 1,648,457	\$ 74,016	\$ 6,175,679	\$ 310,321

(Continued)

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

TOWN OF WESTERLY, RHODE ISLAND

Statement of Cash Flows (Continued)

Proprietary Funds

For the Fiscal Year Ended June 30, 2009

	<i>Enterprise Funds</i>				<i>Internal Service Funds</i>
	<u><i>Water Fund</i></u>	<u><i>Sewer Fund</i></u>	<u><i>Beach Fund</i></u>	<u><i>Total</i></u>	
<i>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities</i>					
Operating loss	\$ (475,253)	\$ (141,167)	\$ (69,405)	\$ (685,825)	\$ (53,694)
<i>Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:</i>					
Depreciation	303,666	529,727	25,098	858,491	-
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable	112,773	(67,456)	(2,519)	42,798	-
(Increase) decrease in inventory	(19,972)	146	-	(19,826)	-
Increase (decrease) in due to other funds	35,272	4,297	-	39,569	(668,749)
Increase (decrease) in accounts payable and accrued expenses	(758,673)	163,807	(2,556)	(597,422)	369,512
Increase (decrease) in unearned revenue	-	(40,307)	-	(40,307)	-
Increase (decrease) in compensated absences	(6,122)	(8,013)	-	(14,135)	-
Increase in other assets	-	-	-	-	(50,300)
<i>Total adjustments</i>	<u>(333,056)</u>	<u>582,201</u>	<u>20,023</u>	<u>269,168</u>	<u>(349,537)</u>
<i>Net cash provided by (used for) operating activities</i>	<u>\$ (808,309)</u>	<u>\$ 441,034</u>	<u>\$ (49,382)</u>	<u>\$ (416,657)</u>	<u>\$ (403,231)</u>

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

TOWN OF WESTERLY, RHODE ISLAND

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2009

	<i>Pension Trust</i>	<i>Private- purpose Trusts</i>	<i>Agency Funds</i>
	<u> </u>	<u> </u>	<u> </u>
<i>Assets</i>			
Cash and cash equivalents	\$ 925,272	\$ 184,779	\$ 505,704
Accrued interest receivable	167,472	-	-
Investments, at fair value:			
US Government Obligations	2,314,131	-	-
Corporate Bonds	8,849,459	-	-
Mutual funds - equity	2,136,418	-	-
Common stock	5,258,591	-	-
Mortgage backed securities	957	-	-
Total investments	<u>18,559,556</u>	<u>-</u>	<u>-</u>
<i>Total assets</i>	<u>19,652,300</u>	<u>184,779</u>	<u>505,704</u>
<i>Liabilities</i>			
Due to other funds	126,465	-	-
Deposits held in custody for others	-	-	505,704
<i>Total liabilities</i>	<u>126,465</u>	<u>-</u>	<u>505,704</u>
<i>Net Assets</i>			
Held in trust for pension benefits	12,832,873	-	-
Held in trust for other postemployment benefits	6,692,962	-	-
Held in trust for other purposes	-	184,779	-
<i>Total net assets</i>	<u>\$ 19,525,835</u>	<u>\$ 184,779</u>	<u>\$ -</u>

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

TOWN OF WESTERLY, RHODE ISLAND

Statement of Changes in Fiduciary Net Assets

Fiduciary Funds

For the Year Ended June 30, 2009

	<u>Pension Trust Fund</u>	<u>Private- purpose Trusts</u>
Additions		
Contributions:		
Employer - pension	\$ 1,098,750	\$ -
Employer - other postemployment	366,250	-
Plan members - pension	342,112	-
Private contributions	-	5,593
Total contributions	<u>1,807,112</u>	<u>5,593</u>
Investment earnings:		
Interest and dividends	774,406	1,000
Net decrease in fair value of investments	<u>(2,523,812)</u>	-
Total investment earnings	(1,749,406)	1,000
Less investment expense	<u>(42,946)</u>	-
Net investment earnings	<u>(1,792,352)</u>	<u>1,000</u>
Total additions	<u>14,760</u>	<u>6,593</u>
Deductions		
Benefits - pension	1,382,014	-
Benefits - other postemployment	547,938	-
Miscellaneous	-	4,968
Total deductions	<u>1,929,952</u>	<u>4,968</u>
Change in net assets	(1,915,192)	1,625
Net assets - beginning of year	<u>21,441,027</u>	<u>183,154</u>
Net assets - end of year	<u>\$ 19,525,835</u>	<u>\$ 184,779</u>

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

Notes to Financial Statements

TOWN OF WESTERLY, RHODE ISLAND
Notes to Financial Statements
June 30, 2009

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

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

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

B. BASIS OF PRESENTATION AND ACCOUNTING

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

Government-Wide Financial Statements

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

TOWN OF WESTERLY, RHODE ISLAND
Notes to Financial Statements
June 30, 2009

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

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

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

Governmental Fund Financial Statements

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

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

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

TOWN OF WESTERLY, RHODE ISLAND
Notes to Financial Statements
June 30, 2009

Major Governmental Funds:

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

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

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

Proprietary Fund Financial Statements

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

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

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

The Town has three Enterprise Funds as follows:

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

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

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

The Town has two Internal Service Funds as follows:

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

TOWN OF WESTERLY, RHODE ISLAND
Notes to Financial Statements
June 30, 2009

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

Fiduciary Fund Financial Statements

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

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

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

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

C. CASH EQUIVALENTS

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

D. INVESTMENTS

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

E. ACCOUNTS RECEIVABLE AND TAXES RECEIVABLE

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

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

F. UNBILLED SERVICES RECEIVABLE

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

TOWN OF WESTERLY, RHODE ISLAND
Notes to Financial Statements
June 30, 2009

G. INVENTORY

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

H. CAPITAL ASSETS AND DEPRECIATION

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

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

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

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

I. BOND PREMIUMS AND ISSUANCE COSTS

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

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

J. DEFERRED REVENUE

In the Governmental Fund Financial Statements, deferred revenue represents funds received in advance of being owed or receivables which will be collected and included in revenues of future fiscal

years. In the General Fund, deferred revenues relate to delinquent property tax receivables and other departmental receivables due as of the balance sheet date.

TOWN OF WESTERLY, RHODE ISLAND
Notes to Financial Statements
June 30, 2009

K. PROPERTY TAXES

The Town is permitted by state law to levy property taxes. Current tax collections for the Town were approximately 98.4% of the total 2008 levy.

The Town's fiscal 2008-2009 property taxes were levied on July 1, 2008 on assessed valuation as of December 31, 2007. Taxes are payable in full or quarterly, at the taxpayer's option. Installments dates are July 31, October 31, January 31 and April 30.

L. COMPENSATED ABSENCES

Under the terms of various contracts and agreements, Town employees are granted vacation and sick leave in varying amounts based on length of service. Vacation benefits are accrued as a liability based on the accumulated benefits earned at June 30. Sick leave benefits are based on the sick leave accumulated at June 30 by those employees who are currently eligible to receive termination payments and those employees for whom it is probable they will become eligible to receive termination benefits in the future. The liability is calculated at the rate of pay in effect at June 30, 2009.

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

M. ACCRUED LIABILITIES AND LONG-TERM DEBT

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

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

N. ESTIMATES

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

TOWN OF WESTERLY, RHODE ISLAND
Notes to Financial Statements
June 30, 2009

NOTE 2 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2009 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental Activities:				
Nondepreciable assets:				
Land	\$ 11,032,172	\$ 163,751	\$ -	\$ 11,195,923
Construction in progress	6,912,673	667,794	6,568,085	1,012,382
	<u>17,944,845</u>	<u>831,545</u>	<u>6,568,085</u>	<u>12,208,305</u>
Depreciable assets:				
Buildings and improvements	75,597,821	4,536,017	-	80,133,838
Motor vehicles	5,489,188	1,157,629	81,091	6,565,726
Machinery, equipment and furniture	5,432,154	314,587	70,170	5,676,571
Software	226,423	27,720	-	254,143
Infrastructure	71,467,076	2,597,386	-	74,064,462
	<u>158,212,662</u>	<u>8,633,339</u>	<u>151,261</u>	<u>166,694,740</u>
Total capital assets	<u>176,157,507</u>	<u>9,464,884</u>	<u>6,719,346</u>	<u>178,903,045</u>
Less accumulated depreciation for:				
Buildings and improvements	12,814,742	2,022,473	-	14,837,215
Motor vehicles	3,125,622	601,145	81,091	3,645,676
Machinery, equipment and furniture	3,178,758	473,622	63,158	3,589,222
Software	119,922	25,414	-	145,336
Infrastructure	22,056,169	936,141	-	22,992,310
Total accumulated depreciation	<u>41,295,213</u>	<u>4,058,795</u>	<u>144,249</u>	<u>45,209,759</u>
Governmental activities capital assets, net	<u>\$ 134,862,294</u>	<u>\$ 5,406,089</u>	<u>\$ 6,575,097</u>	<u>\$ 133,693,286</u>
Business-Type Activities:				
Nondepreciable assets:				
Land	\$ 5,700,082	\$ 196,733	\$ -	\$ 5,896,815
Construction in progress	5,931,183	1,381,602	4,534,356	2,778,429
	<u>11,631,265</u>	<u>1,578,335</u>	<u>4,534,356</u>	<u>8,675,244</u>
Depreciable assets:				
Building and improvements	19,334,977	706,597	-	20,041,574
Mains, wells, pumps and hydrants	13,587,018	434,893	-	14,021,911
Tanks and structures	10,589,464	3,414,620	-	14,004,084
Machinery and equipment	3,132,545	65,631	-	3,198,176
Odor control plant	1,024,302	-	-	1,024,302
	<u>47,668,306</u>	<u>4,621,741</u>	<u>-</u>	<u>52,290,047</u>
Total capital assets	<u>59,299,571</u>	<u>6,200,076</u>	<u>4,534,356</u>	<u>60,965,291</u>
Less accumulated depreciation for:				
Building and improvements	9,798,015	305,922	-	10,103,937
Mains, wells, pumps and hydrants	5,475,682	190,846	-	5,666,528
Tanks and structures	4,063,893	166,825	-	4,230,718
Machinery and equipment	2,504,510	125,965	-	2,630,475
Odor control plant	973,086	51,216	-	1,024,302
Total accumulated depreciation	<u>22,815,186</u>	<u>840,774</u>	<u>-</u>	<u>23,655,960</u>
Business-Type activities capital assets, net	<u>\$ 36,484,385</u>	<u>\$ 5,359,302</u>	<u>\$ 4,534,356</u>	<u>\$ 37,309,331</u>

TOWN OF WESTERLY, RHODE ISLAND
Notes to Financial Statements
June 30, 2009

Depreciation expense was charged to governmental functions as follows:

Legislative, judicial and general administrative	\$ 94,506
Public works	1,375,558
Public safety	493,877
Health and welfare	24,383
Parks and recreation	13,515
Education	2,056,956
Total Depreciation Expense	<u><u>\$ 4,058,795</u></u>

NOTE 3 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. LEGAL DEBT MARGIN

The Town's legal debt margin as set forth by State Statute is limited to 3% of total taxable assessed value which approximates \$192,656,677. As of June 30, 2009, the Town's debt subject to the legal debt margin is \$32,537,459 and the Town is under the debt limit by \$160,119,218. The debt subject to the debt limitation is based on the type of debt that is issued.

NOTE 4 – DEFECIT FUND BALANCE OF INDIVIDUAL FUNDS

As of June 30, 2009 the following funds had deficit fund balances:

Community Based Substance Abuse	\$(9,028)
Community Police Officer	\$(41)
Drink Drive & Lose	\$(1,368)
Underage Drinking	\$(157)
School Bond Fund	\$(262)
Pfizer Grant	\$(70)

NOTE 5 – CASH DEPOSITS

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

TOWN OF WESTERLY, RHODE ISLAND
Notes to Financial Statements
June 30, 2009

	Carrying Amount
Total Deposits	\$23,567,399
Add: Petty Cash	2,715
Add: Investments classified as cash equivalents	1,263,080
Total Cash and Cash Equivalents Reported in the Financial Statements	\$24,833,194

CUSTODIAL CREDIT RISK – custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the Town will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Town does not have a formal deposit policy for custodial credit risk, but is governed by State Laws as described below. As of June 30, 2009, \$23,656,839 of the Town’s bank balance of \$24,620,976 was exposed to custodial credit risk as follows:

	Bank Balance
Insured (Federal depository insurance funds)	\$ 964,137
Collateralized with securities held by pledging financial institution or its agent, in the Town’s name	23,656,839
Uninsured and uncollateralized	-
Total	\$24,620,976

Under Rhode Island general laws, depository institutions holding deposits of the State, its agencies or governmental subdivisions of the State, shall at a minimum, insure or pledge eligible collateral equal to one hundred percent (100%) of the deposits which are time deposits with maturities greater than sixty (60) days. Any of these institutions which do not meet minimum capital standards prescribed by federal regulators shall insure or pledge eligible collateral equal to one hundred percent (100%) of the deposits, regardless of maturity. At June 30, 2009, the Town's uncollateralized deposits with institutions were \$0. These deposits are held by institutions that meet the minimum capital standards prescribed by the federal regulators.

NOTE 6 – INVESTMENTS

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

TOWN OF WESTERLY, RHODE ISLAND
Notes to Financial Statements
June 30, 2009

As of June 30, 2009 the Town had the following investments:

<u>Investments</u>	<u>Fair Value</u>	<u>Rating</u>
MBIA – RI Investment Pool	\$ 1,299,542	Not rated
U.S. Government Money Market Fund	393,250	Not rated
Certificate of Deposit	213,750	Not rated
Goldman Sachs Financial Square Federal Fund	711,522	Not rated
US Government Obligation	305,289	Aa2
Federal National Mortgage Association	977,861	Aaa
Federal Home Loan Mortgage Corp.	327,607	Aaa
Federal Home Loan Bank	703,374	Aaa
Mortgage Backed Securities	957	Not rated
Corporate Bonds	2,095,220	A1
Corporate Bonds	2,627,230	A2
Corporate Bonds	1,186,171	A3
Corporate Bonds	212,282	Aa1
Corporate Bonds	457,987	Aa2
Corporate Bonds	271,712	Aa3
Corporate Bonds	521,570	Aaa
Corporate Bonds	194,922	Ba1
Corporate Bonds	530,808	Baa1
Corporate Bonds	79,832	Baa2
Corporate Bonds	335,953	Baa3
Corporate Bonds	170,025	CA
Corporate Bonds	165,747	WR
Common Stock	5,258,591	Not rated
Mutual Funds - Equity	2,136,418	Not rated
	<u>21,177,620</u>	
Less: Investments classified as cash and cash equivalents	<u>(1,263,080)</u>	
<i>Total investments reported in the financial statements</i>	<u>\$19,914,540</u>	

TOWN OF WESTERLY, RHODE ISLAND
Notes to Financial Statements
June 30, 2009

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

<u>Type of Investment</u>	<u>Fair value</u>	<u>Investment Maturities (In Years)</u>				
		<u>Less than 1 year</u>	<u>1-5 years</u>	<u>6-10 years</u>	<u>11-15 years</u>	<u>16-20 years</u>
Certificate of Deposit	\$ 213,750	\$ -	\$ 213,750	\$ -	\$ -	\$ -
U.S. Government Obligations	2,314,131	381,530	739,491	842,611	203,874	146,625
Corporate Bonds	8,849,459	586,433	4,922,823	3,340,203	-	-
Mortgage Backed Securities	957	-	100	857	-	-
Total	<u>\$11,378,297</u>	<u>\$967,963</u>	<u>\$5,876,164</u>	<u>\$4,183,671</u>	<u>\$203,874</u>	<u>\$146,625</u>

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

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

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

TOWN OF WESTERLY, RHODE ISLAND
Notes to Financial Statements
June 30, 2009

NOTE 7 – LONG TERM LIABILITIES

A. LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2009, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Bonds and capital leases payable:					
General obligation bonds	\$ 69,315,350	\$ -	\$ 3,500,350	\$ 65,815,000	\$ 3,800,000
Capital leases payable	1,877,460	1,259,784	1,004,921	2,132,323	1,140,980
	<u>71,192,810</u>	<u>1,259,784</u>	<u>4,505,271</u>	<u>67,947,323</u>	<u>4,940,980</u>
Plus amortized premium on bonds	503,686	-	29,177	474,509	29,177
Total bonds and capital leases	<u>71,696,496</u>	<u>1,259,784</u>	<u>4,534,448</u>	<u>68,421,832</u>	<u>4,970,157</u>
Other liabilities:					
Compensated absences	1,804,898	36,590	197,886	1,643,602	172,799
Net pension obligation	2,601,710	145,131	-	2,746,841	-
Net other postemployment benefit obligation	-	180,335	-	180,335	-
Total Governmental Activities					
Long-Term Liabilities	<u>\$ 76,103,104</u>	<u>\$ 1,621,840</u>	<u>\$ 4,732,334</u>	<u>\$ 72,992,610</u>	<u>\$ 5,142,956</u>
Business Type Activities:					
Bonds and loans payable:					
General obligation bonds	\$ 2,479,650	\$ -	\$ 254,650	\$ 2,225,000	\$ 145,000
Loans payable	8,071,301	-	556,109	7,515,192	577,919
	<u>10,550,951</u>	<u>-</u>	<u>810,759</u>	<u>9,740,192</u>	<u>722,919</u>
Less deferred amount on refundings	(6,885)	-	6,885	-	-
Plus amortized premium on bonds	9,647	-	536	9,111	536
Total bonds and loans	<u>10,553,713</u>	<u>-</u>	<u>804,410</u>	<u>9,749,303</u>	<u>723,455</u>
Other liabilities:					
Compensated absences	220,764	-	14,045	206,719	46,158
Business-Type Activities					
Long-Term Liabilities	<u>\$ 10,774,477</u>	<u>\$ -</u>	<u>\$ 818,455</u>	<u>\$ 9,956,022</u>	<u>\$ 769,613</u>

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

TOWN OF WESTERLY, RHODE ISLAND
Notes to Financial Statements
June 30, 2009

B. GENERAL OBLIGATION BONDS DEBT SERVICE REQUIRMENTS

The debt service requirements at June 30, 2009, were as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Governmental Activities General Obligation Bonds</u>		<u>Business-Type Activities General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 3,800,000	\$ 2,737,276	\$ 145,000	\$112,536
2011	4,140,000	2,579,734	145,000	105,186
2012	4,165,000	2,397,260	145,000	97,736
2013	4,195,000	2,201,916	145,000	90,199
2014	4,235,000	2,015,976	145,000	82,736
2015-2019	18,330,000	7,622,281	725,000	302,710
2020-2024	19,115,000	3,833,959	725,000	112,019
2025-2028	7,835,000	416,331	50,000	1,938
	<u>\$65,815,000</u>	<u>\$23,804,733</u>	<u>\$2,225,000</u>	<u>\$905,060</u>

C. CAPITAL LEASE COMMITMENTS

The Town acquired vehicles and machinery and equipment valued at \$4,989,133 that were financed with lease purchase agreements.

Obligation of governmental activities under capital leases at June 30, 2009 were as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Lease Payment Requirements</u>
2010	\$1,235,094
2011	837,964
2012	687,799
2013	189,606
2014	134,791
Total minimum lease payments	3,085,254
Less: Amount representing interest cost	(188,527)
Less: Lease proceeds remaining to be drawn down	(764,404)
Present value of minimum lease payments	<u>\$2,132,323</u>

TOWN OF WESTERLY, RHODE ISLAND
Notes to Financial Statements
June 30, 2009

D. LOAN PAYABLE

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

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

The loan proceeds are to be used by the Town for the upgrade of the sewer treatment system. The Agency pays project invoices certified by the Town directly to the contractors or reimburses the Town for costs incurred on the projects. As of June 30, 2009, loans payable of \$7,515,192 are reflected in the Sewer Fund. A due from the Rhode Island Clean Water Protection Finance Agency of \$305,472 is shown for that portion of the loans which have not been advanced as of June 30, 2009. The Town is responsible to drawdown and to repay the full amount of the loan.

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

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 577,919	\$ 206,534
2011	591,035	190,238
2012	604,591	173,497
2013	618,605	156,309
2014	633,091	138,664
2015-2019	3,092,257	428,192
2020-2024	1,221,394	71,304
2025-2026	176,300	3,641
	<u>\$7,515,192</u>	<u>\$1,368,379</u>

TOWN OF WESTERLY, RHODE ISLAND
Notes to Financial Statements
June 30, 2009

E. SCHEDULE OF BONDS, LOANS AND CAPITAL LEASES

	<u>Date of Issuance</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Authorized and Issued</u>	<u>Outstanding June 30, 2008</u>	<u>Additions</u>	<u>Maturities During Year</u>	<u>Outstanding June 30, 2009</u>
Governmental Activities								
General Obligation Bonds Payable								
Senior citizens center bond	10/1/1996	4.8-6.75%	10/1/2016	\$ 515,000	\$ 225,000	\$ -	\$ (25,000)	\$ 200,000
Refunding bond	12/15/1997	3.7-4.75%	1/15/2009	5,667,700	400,350	-	(400,350)	-
General obligation school bond	7/15/1998	5.0-7.5%	7/15/2018	560,000	290,000	-	(30,000)	260,000
School refunding bond	8/1/2001	3.3-5.0%	9/15/2014	13,635,000	6,585,000	-	(980,000)	5,605,000
Middle school bond	8/15/2004	3.0-5.0%	8/15/2024	27,000,000	25,250,000	-	(750,000)	24,500,000
High school renovations bond	8/15/2005	4.0-5.0%	8/15/2025	13,000,000	12,240,000	-	(680,000)	11,560,000
Police station and public works garage bond	7/1/2006	4.0-5.0%	7/1/2026	16,575,000	16,325,000	-	(425,000)	15,900,000
Road improvements and land acquisition	9/15/2007	3.7-4.0%	9/15/2027	8,000,000	8,000,000	-	(210,000)	7,790,000
Total general obligation bonds payable				<u>84,952,700</u>	<u>69,315,350</u>	<u>-</u>	<u>(3,500,350)</u>	<u>65,815,000</u>
Capital Lease Payable								
Master lease	8/24/2005	3.09%	8/24/2008	1,240,000	214,678	-	(214,678)	-
Master lease	8/24/2005	4.00%	7/28/2009	1,384,637	712,877	-	(470,530)	242,347
Master lease	8/3/2007	4.30%	8/3/2010	725,000	610,511	-	(236,429)	374,082
Master lease	8/3/2007	4.35%	8/3/2012	445,000	339,394	65,288	(83,284)	321,398
Master lease	9/18/2008	3.76%	9/1/2013	1,310,400	-	1,194,496	-	1,194,496
Total capital leases payable				<u>5,105,037</u>	<u>1,877,460</u>	<u>1,259,784</u>	<u>(1,004,921)</u>	<u>2,132,323</u>
Total bonds and capital leases - governmental activities					<u>\$ 71,192,810</u>	<u>\$ 1,259,784</u>	<u>\$ (4,505,271)</u>	<u>\$ 67,947,323</u>

TOWN OF WESTERLY, RHODE ISLAND
Notes to Financial Statements
June 30, 2009

	<u>Date of Issuance</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Authorized and Issued</u>	<u>Outstanding June 30, 2008</u>	<u>Additions</u>	<u>Maturities During Year</u>	<u>Outstanding June 30, 2009</u>
Business-Type Activities								
WESTERLY WATER FUND								
General Obligation Bonds Payable								
Refunding bond	12/15/1997	3.7-4.75%	1/15/2009	\$ 541,500	\$ 38,250	\$ -	\$ (38,250)	\$ -
Total general obligation bonds payable				<u>541,500</u>	<u>38,250</u>	<u>-</u>	<u>(38,250)</u>	<u>-</u>
WESTERLY SEWER FUND								
General Obligation Bonds Payable								
Refunding bond	12/15/1997	3.7-4.75%	1/15/2009	71,400	71,400	-	(71,400)	-
Total general obligation bonds payable				<u>71,400</u>	<u>71,400</u>	<u>-</u>	<u>(71,400)</u>	<u>-</u>
Loans Payable								
RICWFA SRF	12/15/1995	2.958%	9/1/2015	1,849,000	821,778	-	(102,722)	719,056
RICWFA 00 SRF	5/1/2000	3.037%	9/1/2020	255,000	185,128	-	(11,450)	173,678
RICWFA 01 SRF	12/19/2000	2.864%	9/1/2020	7,995,000	5,512,095	-	(355,937)	5,156,158
RICWFA 04 SRF	12/16/2004	.78-1.55%	9/1/2025	1,724,300	1,552,300	-	(86,000)	1,466,300
Total loans payable				<u>11,823,300</u>	<u>8,071,301</u>	<u>-</u>	<u>(556,109)</u>	<u>7,515,192</u>
WESTERLY BEACH FUND								
General Obligation Bonds Payable								
General obligation bond	10/15/2003	5.0-6.0%	10/15/2023	2,300,000	1,840,000	-	(115,000)	1,725,000
Beach bond	8/15/2004	3.0-5.0%	8/15/2024	200,000	170,000	-	(10,000)	160,000
Beach bond	8/15/2005	4.0-5.0%	8/15/2025	400,000	360,000	-	(20,000)	340,000
Total general obligation bonds payable				<u>2,900,000</u>	<u>2,370,000</u>	<u>-</u>	<u>(145,000)</u>	<u>2,225,000</u>
Total bonds and loans payable - business-type activities					<u>\$ 10,550,951</u>	<u>\$ -</u>	<u>\$ (810,759)</u>	<u>\$ 9,740,192</u>

TOWN OF WESTERLY, RHODE ISLAND
Notes to Financial Statements
June 30, 2009

F. OPERATING LEASES

As of June 30, 2009, the Town is committed to several leases for copiers. These leases are considered to be operating leases. Lease expenditures for the year ended June 30, 2009 amounted to \$140,581.

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

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Lease</u> <u>Payment</u> <u>Requirements</u>
2010	\$154,892
2011	127,760
2012	81,401
2013	16,348

NOTE 8 – PROPERTY TAXES

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

NOTE 9 – INTERFUND RECEIVABLES AND PAYABLES

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

	<i>Due From:</i>					<i>Total</i>
	<i>General Fund</i>	<i>School Unrestricted Fund</i>	<i>Water Fund</i>	<i>Pension Trust Fund</i>	<i>Sewer Fund</i>	
<i>Due To:</i>						
General Fund	\$ -	\$ -	\$ -	\$ 39,295	\$ -	\$ 39,295
Nonmajor Governmental Funds	-	29,479	-	-	-	29,479
Internal Service Fund	199,215	318,608	48,474	87,170	9,861	663,328
Total	\$ 199,215	\$ 348,087	\$ 48,474	\$ 126,465	\$ 9,861	\$732,102

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

TOWN OF WESTERLY, RHODE ISLAND
Notes to Financial Statements
June 30, 2009

NOTE 10 – INTERFUND TRANSFERS

	<i>Transfer From:</i>				<i>Total</i>
	<i>General Fund</i>	<i>School Unrestricted Fund</i>	<i>Capital Project Fund</i>	<i>Nonmajor Governmental Funds</i>	
<i>Transfer To:</i>					
School Unrestricted Fund	\$46,371,204	\$ -	\$ -	\$ -	\$46,371,204
Sewer Fund	431,201	-	-	-	431,201
Beach Fund	264,730	-	-	-	264,730
Nonmajor Governmental Funds	-	29,480	130,844	500,995	661,319
Capital Project Fund	1,316,516	-	-	-	1,316,516
<i>Total</i>	<u>\$48,383,651</u>	<u>\$ 29,480</u>	<u>\$ 130,844</u>	<u>\$ 500,995</u>	<u>\$49,044,970</u>

Transfers are used to move revenues from the fund that the budget requires to collect them, to the funds that the budget requires to expend them. For example, the \$46,371,204 transfer is the School appropriation that is budgeted in the General Fund as a revenue source to be transferred to the School Unrestricted Fund and expended.

NOTE 11 – NET ASSETS/FUND BALANCES

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

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

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

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

In the Fund Financial Statements, reserves and designations segregate portions of fund balance that are either not available or have been earmarked for specific purposes. At June 30, 2009, reservations and designations of fund balance are described below:

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

TOWN OF WESTERLY, RHODE ISLAND
Notes to Financial Statements
June 30, 2009

NOTE 12 – SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

A. LITIGATION

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

B. FEDERALLY ASSISTED PROGRAMS - COMPLIANCE AUDITS

The Town and School Department participate in a number of federally assisted programs. The audits of these programs through the year ended June 30, 2009 were audited in connection with the accompanying financial statements under the Single Audit concept and the auditor's reports thereon are presented in the Single Audit Section of this report. The amount, if any, of expenditures which may be disallowed will not be material to the financial position of the Town.

NOTE 13 – HEALTH FUND

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

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

In order to avoid catastrophic losses, the Town purchases specific stop loss re-insurance. Under the stop loss re-insurance, the Town is covered for \$125,000 in medical claims per person per contract period.

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

The claims liability of \$834,973 reported in the Health Fund at June 30, 2009 is based on the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

TOWN OF WESTERLY, RHODE ISLAND
Notes to Financial Statements
June 30, 2009

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

	<u><i>Beginning Fiscal Year Liability</i></u>	<u><i>Current Year Claims and Changes In Estimate</i></u>	<u><i>Claims Payments</i></u>	<u><i>Balance Fiscal Year End</i></u>
2006-2007	\$310,121	\$7,418,156	\$7,235,632	\$492,645
2007-2008	492,645	7,496,489	7,463,610	525,524
2008-2009	525,524	8,124,140	7,814,691	834,973

NOTE 14 – RISK MANAGEMENT

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

NOTE 15 – POST RETIRMENT BENEFITS

A. Police Other Postemployment Benefit Plan

Plan Description

The Town of Westerly administers a single-employer, defined benefit post-employment health insurance plan for its police officers through its Police Pension Trust Fund. This plan does not include the pension benefits discussed in Note 18. The plan provides medical and dental insurance for eligible retirees and their dependents through the Town's group health and dental insurance plan, which cover both active and retired members. Benefit provisions are established and amended by the union contract through negotiations between the Town and the Police Officers Union. The plan does not issue a publicly available financial report. The Town implemented GASB Statement No. 45 in fiscal year 2009 on a prospective basis.

TOWN OF WESTERLY, RHODE ISLAND
Notes to Financial Statements
June 30, 2009

Funding Policy

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

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

For the year ended June 30, 2009, the Town contribution to the plan was based on the budgeted amount which was less than the annual required contribution. For the fiscal year ended June 30, 2009, the Town contributed \$366,250 to the plan.

Annual OPEB Cost and Net OPEB Obligation

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

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

Annual required contribution (ARC)	\$433,200
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	433,200
Contributions made	366,250
Increase in net OPEB obligation	66,950
Net OPEB obligation, beginning of year	-
Net OPEB obligation, end of year	\$ 66,950

TOWN OF WESTERLY, RHODE ISLAND
Notes to Financial Statements
June 30, 2009

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

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

Funded Status and Funding Progress

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

Actuarial Accrued Liability (AAL)	\$11,319,636
Actuarial Value of Plan Assets	7,301,108
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 4,018,528</u>
Funded ratio (Actuarial Value of Plan Assets/AAL)	64.5%
Annual Covered Payroll (Active Plan Members)	\$ 2,976,831
UAAL as a Percentage of Covered Payroll	135.0%

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

Actuarial Methods and Assumptions

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

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The Town's annual required OPEB contribution was determined as part of the July 1, 2007 actuarial valuation using the Entry Age actuarial cost method. The actuarial assumptions included: a) 8% investment rate of return, net of expenses, compounded annually; b) medical cost trend rate – 10% per year graded off 1% per year to an ultimate rate of 5% per year for 2012 and after; and c) dental cost trend rate – 4%. The unfunded actuarial accrued liability as of July 1, 2007 is being amortized using the level dollar 30-year closed amortization basis. The actuarial value of assets is equal to fair market value.

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

B. School Other Postemployment Benefit Plan

Plan Description

The Town of Westerly administers a single-employer, defined benefit post-employment health insurance plan for its teachers. This plan does not include the pension benefits discussed in Note 18. The plan provides medical and dental insurance for eligible retirees and their dependents through the Town's group health and dental insurance plan, which cover both active and retired members. Benefit provisions are established and amended by the union contract through negotiations between the Town and the Westerly Teachers' Association. The plan does not issue a publicly available financial report. The Town implemented GASB Statement No. 45 in fiscal year 2009 on a prospective basis.

Funding Policy

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

- Participants that retired at the end of the 2008/2009 school year receive health insurance coverage for two (2) years under the School Department's self-insured plan. The retiree contributes 20% of the premium per year. In addition, retired members can exchange 35 sick days per year and the contribution of 20% of the annual premium for three (3) additional years of coverage.
- Participants that retired at the end of the 2007/2008 school year receive health insurance coverage for three (3) years under the School Department's self-insured plan. The retiree contributes 10% of the premium per year. In addition, retired members can exchange 35 sick days per year and the contribution of 15% of the annual premium for two (2) additional years of coverage.

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

For the year ended June 30, 2009, the Town contribution to the plan was on a pay-as-you-go basis. For the fiscal year ended June 30, 2009, the Town contributed \$419,054 to the plan.

Annual OPEB Cost and Net OPEB Obligation

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

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

Annual required contribution (ARC)	\$532,439
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	532,439
Contributions made	419,054
Increase in net OPEB obligation	113,385
Net OPEB obligation, beginning of year	-
Net OPEB obligation, end of year	\$113,385

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

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/09	\$532,439	78.7%	\$113,385

Funded Status and Funding Progress

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

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

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

Actuarial Methods and Assumptions

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

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

NOTE 16 – DISAGGREGATION OF RECEIVABLE AND PAYABLE BALANCES

A. ACCOUNTS RECEIVABLE

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

B. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The accounts payable and accrued liabilities at June 30, 2009, were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Other</u>	<u>Total</u>
Governmental activities:				
General Fund	\$ 334,172	\$ 236,775	\$ 1,797	\$ 572,744
School Unrestricted Fund	581,909	183,320	-	765,229
Capital Project Fund	200,984	-	-	200,984
Other Governmental Funds	265,176	22,750	-	287,926
Internal Service Fund	-	63,326	-	63,326
Total	<u>\$ 1,382,241</u>	<u>\$ 506,171</u>	<u>\$ 1,797</u>	<u>\$ 1,890,209</u>
Business-type activities:				
Water Fund	\$ 83,021	\$ 40,436	\$ -	\$ 123,457
Sewer Fund	260,928	11,936	3,000	275,864
Beach Fund	2,604	5,063	-	7,667
Total	<u>\$ 346,553</u>	<u>\$ 57,435</u>	<u>\$ 3,000</u>	<u>\$ 406,988</u>

TOWN OF WESTERLY, RHODE ISLAND
Notes to Financial Statements
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NOTE 17 – RESTATEMENTS AND RECLASSIFICATIONS

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

	<i>Governmental Activities</i>	<i>Business-Type Activities</i>
Net assets, June 30, 2008	\$78,862,508	\$36,075,385
To correct prior year capital assets	281,305	(320,932)
<i>Restated net assets, June 30, 2008</i>	<i>\$79,143,813</i>	<i>\$35,754,453</i>

The following restatements were made in the Fund Financial Statements – Proprietary Funds:

	<i>Enterprise Funds</i>	
	<i>Water Fund</i>	<i>Sewer Fund</i>
Net assets, June 30, 2008	\$21,647,744	\$13,166,032
To correct prior year capital assets	(201,761)	(119,171)
<i>Restated net assets, June 30, 2008</i>	<i>\$21,445,983</i>	<i>\$13,046,861</i>

NOTE 18 – PENSION PLANS

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

All Town of Westerly certified school personnel participate in the Employees' Retirement System of the State of Rhode Island ("ERS"), a cost-sharing multiple-employer defined benefit plan administered by the State of Rhode Island. The payroll for employees covered by the ERS for the year ended June 30, 2009 was \$24,419,310, which consisted of \$218,252 for employees charged to federal programs and \$24,201,058 for all other employees.

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

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Plan Description

The following eligibility and benefit provisions are established by Rhode Island General Laws, Title 16, Chapter 16-16, and were amended by the General Assembly in 2005 and 2009. All Westerly School Department certified school personnel are eligible to participate in the System if they are certified by the Board of Regents, engaged in teaching as principal occupation and are regularly employed on at least a half time basis. Superintendents, principals, business agents and other administrators participate as teachers. Employees are vested in their retirement benefits upon completion of 10 years of service.

Schedule A Provisions – Members Vested as of June 30, 2005

Employees who retire at or after age 60 with 10 years of credited service, or after 28 years of credited service regardless of age are entitled to a retirement benefit. The retirement benefit is equal to 1.7% of final average salary for each year of credited service up to 10 years, plus 1.9% of final average salary in excess of 10 years through 20 years, plus 3.0% of final average salary in excess of 20 years up to the 34th year of service, plus 2.0% of final average salary for the 35th year, up to a maximum benefit of 80% of final average salary. Final average salary is the average of the three highest consecutive years of earned salary exclusive of overtime, bonuses, or severance pay. Members receive a 3% compounded increase in their retirement benefit each year, beginning in January of the year in which the member reaches the third anniversary of retirement.

Schedule B Provisions – Members Vested After June 30, 2005

Employees who retire at or after age 65 with 10 years of credited service, or at or after age 59 with 29 years of credited service are entitled to a retirement benefit. In addition, a member may retire with a reduced benefit after attaining age 55 with at least 20 years of service credit. The benefit is calculated in the same manner as the unreduced benefit, but is reduced on an actuarial basis for each year the member's age at retirement is less than 65. The retirement benefit is equal to 1.6% of final average salary for each year of credited service up to 10 years, plus 1.8% of final average salary in excess of 10 years through 20 years, plus 2.0% of final average salary in excess of 20 years through 25 years, plus 2.25% of final average salary in excess of 25 years through 30 years, plus 2.5% of final average salary in excess of 30 years through 37 years of service, plus 2.25% of final average salary for the 38th year, up to a maximum benefit of 75% of final average salary. Final average salary is the average of the three highest consecutive years of earned salary exclusive of overtime, bonuses, or severance pay. Beginning the month after the 3rd anniversary of a member's date of retirement, members receive a cost of living adjustment that depends on the change in the CPI for all Urban Consumers, as published by the Bureau of Labor Statistics. The increase is equal to the year-to-year change in the CPI – U as of the prior September. The increase is limited to 3.0% in any year.

TOWN OF WESTERLY, RHODE ISLAND
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Plan Changes Enacted into Law by General Assembly in 2009

The following plan changes become effective October 1, 2009. Plan members who are eligible to retire as of September 30, 2009, are not affected by the changes, even if the plan members do not retire. The plan changes are as follows:

Retirement Eligibility

The law establishes a minimum retirement age of 62 for all members, except those Schedule B members who retire with less than 29 years of service; their retirement eligibility still remains 65 years old with a minimum of 10 years of service credit. The law provides a proportional downward adjustment of the minimum retirement age based on the years of service credited to the plan member's account as of September 30, 2009.

Service Credit Accrual Rates

The law freezes service credit earned for members under Schedule A as of September 30, 2009. Future accrual of service credits will be earned under Schedule B.

Final Average Salary

For members not eligible to retire as of September 30, 2009, the final average salary will be based on the 5 consecutive highest years of salary.

Cost of Living Adjustments (COLA)

The law changes the COLA to that provided under Schedule B which is the lower of the Consumer Prime Index (CPI) or 3%, and requires a full 3 year anniversary for receipt.

Service Credit Purchases

Effective for all service credit purchase requests received after June 16, 2009, the cost will be determined at full actuarial value, except purchases of military service and contribution refund paybacks.

Disability Provisions

Effective for applications filed after September 30, 2009, accidental disability will be available at 66 2/3% for members who are permanently and totally disabled as determined by the Retirement Board. If the disability is determined to be partial and the member is able to work in other jobs, the benefit will be limited to 50%.

TOWN OF WESTERLY, RHODE ISLAND
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Funding Policy

Covered employees are required by State Statute to contribute 9.5% of their salary to the plan. The State and the School Department are required to contribute an amount determined annually by the actuary and as provided by State Statute. The split between State and the School Department is specified by State Statute. The contribution requirement for the year ended June 30, 2009 was 20.07%. The Teachers' Plan cost is paid 60% by the School Department and 40% by the State. However, the State will pay the total cost of the contribution deferrals which were .26%. This results in a contribution requirement for the School of 11.89% and a contribution requirement for the State of 8.18%.

The State contribution for the cut off year ended June 30, 2009 was \$1,979,647 which represented 8.1% of covered payroll. The payments made by the State to the Employees' Retirement System are considered on behalf of payments and are reported as a revenue and as an expenditure in the financial statements. The School's contribution requirement for the cut off year ended June 30, 2009 was \$5,240,175, which consisted of \$2,920,341 from the School Department (\$43,803 for federal employees and \$2,876,538 for other employees), and \$2,319,834 from employees. These contributions represented 11.96% and 9.5% of covered payroll respectively. The annual required contribution was determined as part of the June 30, 2006 actuarial valuation.

The School Department does not have any investments or related party investments with the State Plan. The School Department's contribution represented 2.5% of total contributions required of all participating entities.

Three-Year Trend Information

<u><i>Fiscal Year</i></u>	<u><i>Annual Required Contribution</i></u>	<u><i>Percentage Contributed</i></u>
2007	\$2,703,630	100%
2008	\$3,188,824	100%
2009	\$2,920,341	100%

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

The Town of Westerly participates in the Municipal Employees' Retirement System ("MERS"), an agent multiple employer defined benefit plan administered by the State of Rhode Island. One current Town employee and eight retirees participate in the MERS. The payroll for the employee covered by the MERS for the year ended June 30, 2009 was \$64,591.

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

Plan Description

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

Funding Policy

General employees are required by State Statute to contribute 6% of their annual earnings. The contribution rate is increased to 7% with the optional cost-of-living provision. Police and firefighters are required by State Statute to contribute 7%. The contribution rate is increased to 8% with the optional cost-of-living provision. The contribution rate is increased by an additional 1% for the 20-year service plan. The Town is required to contribute based on an actuarially determined amount and as provided by State Statute for each participating municipality. The Town's rate for fiscal year 2008-2009 was 63.17% for general employees.

Annual Pension Cost

For 2008-2009, the Town's annual pension cost of \$40,802 for the MERS was equal to the Town's required and actual contributions.

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

<u>Fiscal Year</u>	<u>Annual Pension Cost</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2007	\$34,861	100%	-
2008	\$39,101	100%	-
2009	\$40,802	100%	-

The required contribution was determined as part of the June 30, 2006 actuarial valuation. The actuarial method used is the entry age normal actuarial cost method. Under this method, the employer contribution rate is the sum of (i) the employer normal cost rate, and (ii) a rate that will amortize the unfunded actuarial accrued liability. Significant actuarial assumptions used in the June 30, 2006 valuation include the following:

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

The actuarial value of assets is based on market value of assets with a five year phase-in of actual investment return in excess of (less than) expected investment income. The MERS' unfunded actuarial accrued liability is being amortized over 30 years as a level percentage of payroll on a closed basis. The remaining amortization period at June 30, 2006 was 23 years.

Funded Status and Funding Progress

As of June 30, 2008, the most recent actuarial valuation date, the general employees plan was 50.3% funded. The actuarial accrued liability for benefits was \$979,933, and the actuarial value of assets was \$492,478, resulting in an unfunded actuarial accrued liability (UAAL) of \$487,455. The covered payroll (annual payroll of active employees covered by the plan) was \$64,034, and the ratio of the UAAL to the covered payroll was 761.2%. The June 30, 2008 actuarial valuation used the same methods and assumptions described above under Annual Pension Cost.

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

C. LABORERS' INTERNATIONAL UNION OF NORTH AMERICA NATIONAL PENSION FUND

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

Plan Description

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

Funding Policy – The contribution requirements of the Town and employees are established by contract and may be amended by union negotiation. Employees are not required to contribute to the plan. The Town was required to contribute the following amounts for fiscal year 2009: bus drivers and aides - \$1.14 per hour up to a maximum of 40 hours per week; School maintenance, secretarial and clerical employees - \$1.59 per hour; and Town public works and secretarial employees - \$1.59 per hour for employee's normal workweek. The total Town contribution for fiscal year 2009 was \$619,762.

Three-Year Trend Information

<u>Fiscal Year</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2007	\$686,429	100%
2008	\$674,496	100%
2009	\$619,762	100%

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D. POLICE PENSION PLAN

Plan Description

The Town of Westerly is the administrator of a single-employer defined benefit pension plan established and administered by the Town to provide pension benefits for its police officers. The Plan is considered to be a part of the Town of Westerly's financial reporting entity and is included in the Town's financial statements as a pension trust fund. The Town does not issue a separate report for the Police Plan that includes financial statements and required supplementary information (RSI). At July 1, 2008, employee membership related to the plan was as follows:

Retirees and beneficiaries currently receiving benefits	40
Terminated employees entitled to benefits but not yet receiving them	1
Active members	<u>49</u>
Total	<u><u>90</u></u>

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

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

Summary of Significant Accounting Policies

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

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

TOWN OF WESTERLY, RHODE ISLAND
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Funding Policy

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

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

Annual required contribution	\$1,249,700
Interest on net pension obligation	208,137
Adjustment to ARC	<u>(213,956)</u>
Annual pension cost	1,243,881
Contributions made	<u>1,098,750</u>
Increase in net pension obligation	145,131
Net pension obligation – beginning of year	<u>2,601,710</u>
Net pension obligation – end of year	<u>\$2,746,841</u>

Three-Year Trend Information

<i>Fiscal Year</i>	<i>Annual Pension Cost (APC)</i>	<i>Percentage of APC Contributed</i>	<i>Net Pension Obligation</i>
2007	\$1,443,278	90.1%	\$2,255,656
2008	\$1,646,054	79.0%	\$2,601,710
2009	\$1,243,881	88.3%	\$2,746,841

The required contribution was determined as part of the July 1, 2007 actuarial valuation using the Entry Age Normal actuarial cost method. The actuarial assumptions included (a) 8% investment rate of return, net of expenses, compounded annually; (b) projected salary increases of 3-16% based on years of service; and (c) cost of living adjustment of 3% for members retiring after July 1, 1998 and 2.5% for members retiring before July 1, 1998. The actuarial value of assets is market value. The unfunded actuarial accrued liability is being amortized using the level dollar method on a closed basis. The amortization period remaining as of July 1, 2007 was 30 years. The July 1, 2007 actuarial valuation included changes in the actuarial cost method, the salary increases assumption, the method to determine the actuarial value of assets, and the amortization period for the UAAL.

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June 30, 2009

Funded Status and Funding Progress – As of July 1, 2008, the most recent actuarial valuation, the Police Plan was 54.3% funded. The actuarial accrued liability for benefits was \$26,013,800, and the actuarial value of assets was \$14,135,584, resulting in an unfunded actuarial accrued liability (UAAL) of \$11,878,216. The covered payroll (annual payroll of active employees covered by the plan) was \$2,976,831, and the ratio of the UAAL to covered payroll was 399.0%. The July 1, 2008 actuarial valuation used the same assumptions and methods discussed above under Annual Pension Cost and Net Pension Obligation.

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

E. INTERNATIONAL CITY MANAGEMENT ASSOCIATION (ICMA) PENSION PLAN

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

F. INTERNATIONAL CITY MANAGEMENT ASSOCIATION (ICMA) PENSION PLAN

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

G. SCHOOL DEPARTMENT PENSION PROGRAM

All School Department unaffiliated, classified, appointed employees participate in an agreed-upon pension program, which is funded by the School Department. The School Department's contribution is 10% of the qualified employee's salary per year. The employees do not contribute to the plan. The contributions are made to an eligible plan of the employee's choice. All School employees are eligible by federal law to participate in a payroll deduction tax deferred plan, which must be arranged by a broker or private insurance carrier. Contributions for fiscal year 2009 amounted to \$114,275.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF WESTERLY, RHODE ISLAND

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

	<i>Actuarial Valuation Date</i>	<i>Actuarial Value of Assets (AVA)</i>	<i>Actuarial Accrued Liability (AAL)</i>	<i>Unfunded Liability/ (Funding) (Excess)</i>	<i>Funded Ratio</i>	<i>Covered Payroll</i>	<i>Unfunded Liability/ (Funding Excess) as a Percentage of Covered Payroll</i>
<i>Police Pension Plan (1) (2):</i>	07/01/03	\$16,318,265	\$21,485,770	\$5,167,505	75.9%	\$2,249,157	229.8%
	07/01/04	\$17,387,600	\$22,611,917	\$5,224,317	76.9%	\$2,068,366	252.6%
	07/01/05	\$18,221,293	\$23,358,221	\$5,136,928	78.0%	\$2,397,868	214.2%
	07/01/06	\$19,301,326	\$24,323,095	\$5,021,769	79.4%	\$2,606,387	192.7%
	07/01/07	\$14,221,033	\$24,466,878	\$10,245,845	58.1%	\$2,624,354	390.4%
	07/01/08	\$14,135,584	\$26,013,800	\$11,878,216	54.3%	\$2,976,831	399.0%
<i>General Municipal Employees Pension Plan:</i>	06/30/06	\$527,722	\$1,071,729	\$544,007	49.2%	\$57,494	946.2%
	06/30/07	\$504,608	\$974,219	\$469,611	51.8%	\$60,043	782.1%
	06/30/08	\$492,478	\$979,933	\$487,455	50.3%	\$64,034	761.2%
<i>Police Other Postemployment Benefit Plan (2):</i>	07/01/07	\$7,587,224	\$11,364,770	\$3,777,546	66.8%	\$2,624,354	143.9%
	07/01/08	\$7,301,108	\$11,319,636	\$4,018,528	64.5%	\$2,976,831	135.0%
<i>School Other Postemployment Benefit Plan:</i>	07/01/08	\$0	\$1,576,553	\$1,576,553	0.0%	N/A	N/A

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

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

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

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

	<u>Year Ended June 30,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
Police Pension Plan:	2004	\$ 1,214,900	93%
	2005	\$ 1,301,600	96%
	2006	\$ 1,355,800	96%
	2007	\$ 1,502,900	86%
	2008	\$ 1,651,100	79%
	2009	\$ 1,249,700	88%
Police Other Postemployment Benefit Plan (2):	2009	\$ 433,200	85%

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

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

TOWN OF WESTERLY, RHODE ISLAND

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

For the Fiscal Year Ended June 30, 2009

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance With</i>
	<i>Original</i>	<i>Final</i>	<i>Amounts (Budgetary Basis)</i>	<i>Final Budget Positive (Negative)</i>
Revenues				
General property taxes	\$ 58,185,907	\$ 58,185,907	\$ 58,903,866	\$ 717,959
Intergovernmental revenues	11,547,232	10,372,707	9,841,506	(531,201)
License and permits	796,163	796,163	520,627	(275,536)
Fines and penalties	178,500	178,500	190,165	11,665
Interest on investments	500,000	500,000	447,307	(52,693)
Other revenue	1,404,986	1,404,986	972,322	(432,664)
Recreation	168,000	168,000	143,383	(24,617)
Solid waste revenue	2,585,000	2,585,000	2,206,183	(378,817)
Total revenues	<u>75,365,788</u>	<u>74,191,263</u>	<u>73,225,359</u>	<u>(965,904)</u>
Expenditures				
Legislative, judicial and general administrative	6,349,575	6,349,575	5,956,393	393,182
Public works	5,419,844	5,419,844	5,138,439	281,405
Public safety	4,647,563	4,647,563	4,443,189	204,374
Health and welfare	697,000	697,000	694,355	2,645
Conservation and development	48,140	48,140	44,213	3,927
Parks and recreation	572,575	572,575	533,489	39,086
Planning and zoning	225,509	225,509	230,018	(4,509)
Capital improvements/restricted programs	918,009	918,009	790,034	127,975
Debt service	7,034,193	7,034,193	6,972,082	62,111
Total expenditures	<u>25,912,408</u>	<u>25,912,408</u>	<u>24,802,212</u>	<u>1,110,196</u>
Excess of revenues over expenditures before other financing sources (uses)	<u>49,453,380</u>	<u>48,278,855</u>	<u>48,423,147</u>	<u>144,292</u>
Other financing uses				
Transfers to other funds	<u>(49,453,380)</u>	<u>(48,278,855)</u>	<u>(48,383,651)</u>	<u>(104,796)</u>
Total other financing uses	<u>(49,453,380)</u>	<u>(48,278,855)</u>	<u>(48,383,651)</u>	<u>(104,796)</u>
Excess of revenues over expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 39,496</u>	<u>\$ 39,496</u>

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

TOWN OF WESTERLY, RHODE ISLAND
Schedule of Revenues and Expenditures - Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
General property taxes				
Current property taxes	\$ 54,818,471	\$ 54,818,471	\$ 55,275,422	\$ 456,951
Motor vehicle - excise tax	2,373,600	2,373,600	2,603,134	229,534
Prior years property taxes	700,000	700,000	512,003	(187,997)
Pilot - RI Bowling Lane	21,565	21,565	25,421	3,856
Pilot - Housing authority	25,771	25,771	28,713	2,942
Pro-ration	75,000	75,000	71,958	(3,042)
Town tax interest, lien fees and other	171,500	171,500	387,215	215,715
Total general property taxes	<u>58,185,907</u>	<u>58,185,907</u>	<u>58,903,866</u>	<u>717,959</u>
Intergovernmental revenues				
State motor vehicle - excise tax phase out	3,000,000	3,000,000	2,999,237	(763)
State grants-in-aid - general	1,949,788	1,949,788	1,575,089	(374,699)
State grants-in-aid - school	6,597,444	5,422,919	5,267,180	(155,739)
Total intergovernmental revenues	<u>11,547,232</u>	<u>10,372,707</u>	<u>9,841,506</u>	<u>(531,201)</u>
Licenses and permits	796,163	796,163	520,627	(275,536)
Fines and penalties	178,500	178,500	190,165	11,665
Interest on investments	500,000	500,000	447,307	(52,693)
Other revenues	1,404,986	1,404,986	972,322	(432,664)
Recreation	168,000	168,000	143,383	(24,617)
Solid waste revenue	2,585,000	2,585,000	2,206,183	(378,817)
Total revenues	<u>75,365,788</u>	<u>74,191,263</u>	<u>73,225,359</u>	<u>(965,904)</u>

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

TOWN OF WESTERLY, RHODE ISLAND
Schedule of Revenues and Expenditures - Budget and Actual
General Fund (Continued)
For the Fiscal Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u> <i>(Budgetary Basis)</i>	<u>Final Budget</u> <i>Positive</i> <i>(Negative)</i>
Legislative, judicial and general administrative				
Legislative:				
Town Council	\$ 73,980	\$ 73,980	\$ 65,308	\$ 8,672
Finance Board	1,100	1,100	693	407
Judicial:				
Legal services	229,336	229,336	197,220	32,116
Probate court	48,017	48,017	48,430	(413)
Municipal court	52,531	52,531	52,034	497
Administrative:				
Board of canvassers	134,910	134,910	124,409	10,501
Town clerk	254,865	254,865	246,275	8,590
Town manager	253,510	249,345	239,304	10,041
Finance department	347,387	347,387	314,614	32,773
Town audit	25,000	25,000	24,625	375
Assessment administration	254,806	254,806	247,973	6,833
Data processing	196,740	196,740	186,492	10,248
Human resources	53,348	57,513	52,380	5,133
Benefits:				
Insurance	387,600	387,600	347,109	40,491
Pensions and retirement	1,864,147	1,864,147	1,833,846	30,301
Social security	402,833	402,833	357,711	45,122
Employee group insurance	1,759,465	1,759,465	1,611,363	148,102
Unemployment insurance	10,000	10,000	6,607	3,393
Total legislative, judicial and general administrative	<u>6,349,575</u>	<u>6,349,575</u>	<u>5,956,393</u>	<u>393,182</u>
Public Works				
Town buildings	562,058	562,058	529,262	32,796
Public works administration	27,796	27,796	27,581	215
Code enforcement office	179,395	179,395	169,315	10,080
Tree warden	33,144	33,144	1,700	31,444
Highway and drainage	1,118,513	1,118,513	1,058,109	60,404
Snow and ice control	189,500	189,500	249,817	(60,317)
Street lighting	365,000	365,000	402,728	(37,728)
Sanitation	2,687,762	2,687,762	2,464,616	223,146
Equipment maintenance	256,676	256,676	235,311	21,365
Total public works	<u>5,419,844</u>	<u>5,419,844</u>	<u>5,138,439</u>	<u>281,405</u>
Public Safety				
Police department	4,537,425	4,537,425	4,336,886	200,539
Animal control	98,388	98,388	99,302	(914)
Civil preparedness	6,000	6,000	1,251	4,749
Police reserve	5,750	5,750	5,750	-
Total public safety	<u>4,647,563</u>	<u>4,647,563</u>	<u>4,443,189</u>	<u>204,374</u>

(Continued)

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

TOWN OF WESTERLY, RHODE ISLAND
Schedule of Revenues and Expenditures - Budget and Actual
General Fund (Continued)
For the Fiscal Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Health and welfare				
Subsidies	697,000	697,000	694,355	2,645
Total health and welfare	<u>697,000</u>	<u>697,000</u>	<u>694,355</u>	<u>2,645</u>
Conservation and development				
Conservation commission	4,775	4,775	898	3,877
Minimum housing	43,365	43,365	43,315	50
Total conservation and development	<u>48,140</u>	<u>48,140</u>	<u>44,213</u>	<u>3,927</u>
Parks and recreation				
Recreation and leisure	245,542	245,542	247,720	(2,178)
Town beach operation	101,708	101,708	104,575	(2,867)
Celebration of public events	2,700	2,700	666	2,034
Maintenance	222,625	222,625	180,528	42,097
Total parks and recreation	<u>572,575</u>	<u>572,575</u>	<u>533,489</u>	<u>39,086</u>
Planning and zoning				
Department of planning and zoning	225,509	225,509	230,018	(4,509)
Total planning and zoning	<u>225,509</u>	<u>225,509</u>	<u>230,018</u>	<u>(4,509)</u>
Capital improvements/restricted programs				
Restricted programs	270,788	270,788	177,816	92,972
Capital improvements - school	586,842	586,842	586,842	-
Capital improvements	60,379	60,379	25,376	35,003
Total capital improvements and restricted programs	<u>918,009</u>	<u>918,009</u>	<u>790,034</u>	<u>127,975</u>
Debt service				
Town debt service	2,551,067	2,551,067	2,494,595	56,472
School debt service	4,483,126	4,483,126	4,477,487	5,639
Total debt service	<u>7,034,193</u>	<u>7,034,193</u>	<u>6,972,082</u>	<u>62,111</u>
Total expenditures	<u>25,912,408</u>	<u>25,912,408</u>	<u>24,802,212</u>	<u>1,110,196</u>
Other financing uses				
Transfer to Capital Project Funds	1,316,516	1,316,516	1,316,516	-
Transfer to School Unrestricted Fund	47,440,933	46,266,408	46,371,204	(104,796)
Transfer to Special Revenue Fund	-	-	-	-
Transfer to Beach Fund	264,730	264,730	264,730	-
Transfer to Sewer Fund	431,201	431,201	431,201	-
Total other financing uses	<u>49,453,380</u>	<u>48,278,855</u>	<u>48,383,651</u>	<u>(104,796)</u>
Total expenditures and other financing uses	<u>\$ 75,365,788</u>	<u>\$ 74,191,263</u>	<u>\$ 73,185,863</u>	<u>\$ 1,005,400</u>

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

TOWN OF WESTERLY, RHODE ISLAND

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

School Unrestricted Fund

For the Fiscal Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u> <u>(Budgetary</u> <u>Basis)</u>	<u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
Revenues				
Medicaid revenue	\$ 382,243	\$ 382,243	\$ 578,566	\$ 196,323
Other revenues	2,030,623	2,030,623	1,333,406	(697,217)
Total revenues	<u>2,412,866</u>	<u>2,412,866</u>	<u>1,911,972</u>	<u>(500,894)</u>
Expenditures				
Instructional				
Salaries	20,520,707	20,520,707	19,696,739	823,968
Employee benefits	6,539,677	5,342,272	7,107,971	(1,765,699)
Purchased services	277,966	277,966	326,495	(48,529)
Supplies and materials	777,966	777,966	557,821	220,145
Capital outlay	7,659	7,659	27,387	(19,728)
Total instructional	<u>28,123,975</u>	<u>26,926,570</u>	<u>27,716,413</u>	<u>(789,843)</u>
Instructional support				
Salaries	4,207,117	4,207,117	4,296,817	(89,700)
Employee benefits	1,739,786	1,669,368	952,871	716,497
Purchased services	623,382	768,327	631,279	137,048
Supplies and materials	141,014	141,014	60,044	80,970
Capital outlay	26,282	26,282	18,948	7,334
Other costs	27,074	27,074	27,058	16
Total instructional support	<u>6,764,655</u>	<u>6,839,182</u>	<u>5,987,017</u>	<u>852,165</u>
Operations				
Salaries	3,234,992	3,234,992	3,122,717	112,275
Employee benefits	1,903,466	1,854,555	1,574,798	279,757
Purchased services	1,974,780	1,974,780	1,677,569	297,211
Supplies and materials	829,022	829,022	751,504	77,518
Capital outlay	6,712	6,712	8,201	(1,489)
Other costs	292,831	292,831	286,969	5,862
Total operational cost	<u>8,241,803</u>	<u>8,192,892</u>	<u>7,421,758</u>	<u>771,134</u>
Other commitments				
Salaries	87,273	87,273	145,980	(58,707)
Employee benefits	539,872	539,872	660,640	(120,768)
Purchased services	1,899,897	1,899,897	2,427,756	(527,859)
Supplies and materials	112,775	112,775	28,214	84,561
Capital outlay	-	-	4,310	(4,310)
Other costs	1,700	1,700	4,294	(2,594)
Total other commitments	<u>2,641,517</u>	<u>2,641,517</u>	<u>3,271,194</u>	<u>(629,677)</u>

(Continued)

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

TOWN OF WESTERLY, RHODE ISLAND

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

School Unrestricted Fund (Continued)

For the Fiscal Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		<i>Actual</i>	<i>Variance With</i>
	<u>Original</u>	<u>Final</u>	<i>Amounts</i> <i>(Budgetary</i> <i>Basis)</i>	<i>Final Budget</i> <i>Positive</i> <i>(Negative)</i>
Leadership				
Salaries	2,234,250	2,234,250	2,304,236	(69,986)
Employee benefits	892,615	889,879	804,931	84,948
Purchased services	909,509	909,509	197,085	712,424
Supplies and materials	681	681	8,193	(7,512)
Capital outlay	(18,444)	(18,444)	3,474	(21,918)
Other costs	63,238	63,238	39,093	24,145
Total leadership cost	<u>4,081,849</u>	<u>4,079,113</u>	<u>3,357,012</u>	<u>722,101</u>
Total expenditures	<u>49,853,799</u>	<u>48,679,274</u>	<u>47,753,394</u>	<u>925,880</u>
Deficiency of revenues under expenditures before other financing sources (uses)	<u>(47,440,933)</u>	<u>(46,266,408)</u>	<u>(45,841,422)</u>	<u>424,986</u>
Other financing sources (uses)				
Transfer from general fund	47,440,933	46,266,408	46,371,204	104,796
Transfers to Noon Day Lunch fund	-	-	(29,480)	(29,480)
Total other financing sources (uses)	<u>47,440,933</u>	<u>46,266,408</u>	<u>46,341,724</u>	<u>75,316</u>
Excess of revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 500,302</u>	<u>\$ 500,302</u>

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

TOWN OF WESTERLY, RHODE ISLAND
Notes to Required Supplementary Information
June 30, 2009

NOTE 2 - BUDGETARY DATA AND BUDGETARY COMPLIANCE

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

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

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

TOWN OF WESTERLY, RHODE ISLAND
Notes to Required Supplementary Information
June 30, 2009

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

<u>Revenues</u>	<u>General Fund</u>	<u>School Unrestricted Fund</u>
Actual amounts (budgetary basis)	\$73,225,359	\$ 1,911,972
Differences – budget to GAAP:		
The pension contributions made to the Employees Retirement System by the State on behalf of the Town of Westerly is not reported as budgetary revenue, but is a current year revenue for financial reporting purposes.	-	1,979,647
<i>Total revenues as reported on the statement of revenues, expenditures and changes in fund balances – governmental funds</i>	<u>\$73,225,359</u>	<u>\$3,891,619</u>
<u>Expenditures</u>		
Actual amounts (budgetary basis)	\$24,802,212	\$47,753,394
Differences – budget to GAAP:		
Capital assets acquired with capital lease proceeds not reported as a budgetary expenditure, but is a current year expenditure for financial reporting purposes.	1,259,784	-
The pension contributions made to the Employees Retirement System by the State on behalf of the Town of Westerly is not reported as a budgetary expenditure, but is a current year expenditure for financial reporting purposes.	-	1,979,647
<i>Total expenditures as reported in the statement of revenues, expenditures and changes in fund balances – governmental funds</i>	<u>\$26,061,996</u>	<u>\$49,733,041</u>

OTHER SUPPLEMENTARY INFORMATION

TOWN OF WESTERLY, RHODE ISLAND
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2009

Special Revenue Funds

	<i>School Restricted Fund</i>	<i>School Lunch Fund</i>	<i>Animal Shelter Fund</i>	<i>Town Clerks Fund</i>	<i>Civil Defense Fund</i>	<i>Archive Fund</i>	<i>Animal Fund</i>	<i>Revaluation Fund</i>
ASSETS								
Cash	\$ 164,811	\$ 105,309	\$ 7,313	\$ 6,377	\$ 5,410	\$ 1	\$ -	\$ 55
Investments	-	-	1,003	20,044	12,673	343	12,117	9,336
Accounts receivable	2,450	-	6	-	-	-	-	-
Due from federal and state governments	579,084	42,282	-	-	-	-	-	-
Due from other funds	-	29,479	-	-	-	-	-	-
Total assets	<u>\$ 746,345</u>	<u>\$ 177,070</u>	<u>\$ 8,322</u>	<u>\$ 26,421</u>	<u>\$ 18,083</u>	<u>\$ 344</u>	<u>\$ 12,117</u>	<u>\$ 9,391</u>
 LIABILITIES AND FUND BALANCES								
Liabilities								
Cash overdraft	\$ 524,121	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,509	\$ -
Accounts payable and accrued expenditures	58,818	177,070	-	315	-	-	323	-
Total liabilities	<u>582,939</u>	<u>177,070</u>	<u>-</u>	<u>315</u>	<u>-</u>	<u>-</u>	<u>1,832</u>	<u>-</u>
Fund balances (deficits)								
Unreserved - undesignated	163,406	-	8,322	26,106	18,083	344	10,285	9,391
Total fund balances (deficits)	<u>163,406</u>	<u>-</u>	<u>8,322</u>	<u>26,106</u>	<u>18,083</u>	<u>344</u>	<u>10,285</u>	<u>9,391</u>
Total liabilities and fund balances	<u>\$ 746,345</u>	<u>\$ 177,070</u>	<u>\$ 8,322</u>	<u>\$ 26,421</u>	<u>\$ 18,083</u>	<u>\$ 344</u>	<u>\$ 12,117</u>	<u>\$ 9,391</u>

(Continued)

TOWN OF WESTERLY, RHODE ISLAND
Combining Balance Sheet
Nonmajor Governmental Funds (Continued)
June 30, 2009

	<i>Special Revenue Funds</i>							
	<i>DEM Stormwater Management</i>	<i>CDBG 2008</i>	<i>CDBG 2007</i>	<i>CDBG 2006</i>	<i>CDBG 2005</i>	<i>CDBG 2004</i>	<i>Department of Community Development</i>	<i>GIS System</i>
ASSETS								
Cash	\$ -	\$ -	\$ -	\$ 5,715	\$ 6,740	\$ -	\$ 3,567	\$ 15,000
Investments	-	-	-	-	-	-	-	-
Accounts receivable	-	-	-	-	-	-	-	-
Due from federal and state governments	25,000	6,500	22,000	29,665	9,400	19,650	-	-
Due from other funds	-	-	-	-	-	-	-	-
Total assets	<u>\$ 25,000</u>	<u>\$ 6,500</u>	<u>\$ 22,000</u>	<u>\$ 35,380</u>	<u>\$ 16,140</u>	<u>\$ 19,650</u>	<u>\$ 3,567</u>	<u>\$ 15,000</u>
 LIABILITIES AND FUND BALANCES								
<i>Liabilities</i>								
Cash overdraft	\$ 25,000	\$ 1,500	\$ 1,000	\$ -	\$ -	\$ 19,650	\$ -	\$ -
Accounts payable and accrued expenditures	-	-	13,000	19,200	-	-	-	-
Total liabilities	<u>25,000</u>	<u>1,500</u>	<u>14,000</u>	<u>19,200</u>	<u>-</u>	<u>19,650</u>	<u>-</u>	<u>-</u>
<i>Fund balances (deficits)</i>								
Unreserved - undesignated	-	5,000	8,000	16,180	16,140	-	3,567	15,000
Total fund balances (deficits)	<u>-</u>	<u>5,000</u>	<u>8,000</u>	<u>16,180</u>	<u>16,140</u>	<u>-</u>	<u>3,567</u>	<u>15,000</u>
Total liabilities and fund balances	<u>\$ 25,000</u>	<u>\$ 6,500</u>	<u>\$ 22,000</u>	<u>\$ 35,380</u>	<u>\$ 16,140</u>	<u>\$ 19,650</u>	<u>\$ 3,567</u>	<u>\$ 15,000</u>

(Continued)

TOWN OF WESTERLY, RHODE ISLAND

Combining Balance Sheet

Nonmajor Governmental Funds (Continued)

June 30, 2009

Special Revenue Funds

	<i>Athletic Fund</i>	<i>Substance Abuse</i>	<i>Donations K-9 Division</i>	<i>Community Based Substance Abuse</i>	<i>Community Police Officer</i>	<i>Mentor & Juvenile Hearing</i>	<i>BYRNE Grant</i>	<i>Federal Forfeiture</i>
ASSETS								
Cash	\$ 40,356	\$ 2,672	\$ 3,061	\$ -	\$ -	\$ 4,004	\$ 666	\$ -
Investments	-	-	-	-	-	-	-	363,435
Accounts receivable	-	-	-	-	-	-	-	-
Due from federal and state governments	-	2,350	-	7,474	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-
Total assets	\$ 40,356	\$ 5,022	\$ 3,061	\$ 7,474	\$ -	\$ 4,004	\$ 666	\$ 363,435
LIABILITIES AND FUND BALANCES								
Liabilities								
Cash overdraft	\$ -	\$ -	\$ -	\$ 7,474	\$ 41	\$ -	\$ -	\$ 29,435
Accounts payable and accrued expenditures	-	2,674	-	9,028	-	-	-	-
Total liabilities	-	2,674	-	16,502	41	-	-	29,435
Fund balances (deficits)								
Unreserved - undesignated	40,356	2,348	3,061	(9,028)	(41)	4,004	666	334,000
Total fund balances (deficits)	40,356	2,348	3,061	(9,028)	(41)	4,004	666	334,000
Total liabilities and fund balances	\$ 40,356	\$ 5,022	\$ 3,061	\$ 7,474	\$ -	\$ 4,004	\$ 666	\$ 363,435

(Continued)

TOWN OF WESTERLY, RHODE ISLAND

Combining Balance Sheet

Nonmajor Governmental Funds (Continued)

June 30, 2009

Special Revenue Funds

	<i>Homeland Security Reimbursable</i>	<i>Drink Drive & Lose</i>	<i>Seatbelt Grants</i>	<i>Underage Drinking</i>	<i>GOHS DWI Grant</i>	<i>Tobacco Grants</i>	<i>Total Special Revenue Funds</i>
ASSETS							
Cash	\$ 1,378	\$ -	\$ 13	\$ -	\$ -	\$ -	\$ 372,448
Investments	-	-	-	-	-	-	418,951
Accounts receivable	-	-	-	-	-	-	2,456
Due from federal and state governments	-	-	-	355	-	204	743,964
Due from other funds	-	-	-	-	-	-	29,479
Total assets	<u>\$ 1,378</u>	<u>\$ -</u>	<u>\$ 13</u>	<u>\$ 355</u>	<u>\$ -</u>	<u>\$ 204</u>	<u>\$ 1,567,298</u>
 LIABILITIES AND FUND BALANCES							
Liabilities							
Cash overdraft	\$ -	\$ 1,368	\$ -	\$ 512	\$ -	\$ 204	611,814
Accounts payable and accrued expenditures	-	-	-	-	-	-	280,428
Total liabilities	<u>-</u>	<u>1,368</u>	<u>-</u>	<u>512</u>	<u>-</u>	<u>204</u>	<u>892,242</u>
Fund balances (deficits)							
Unreserved - undesignated	1,378	(1,368)	13	(157)	-	-	675,056
Total fund balances (deficits)	<u>1,378</u>	<u>(1,368)</u>	<u>13</u>	<u>(157)</u>	<u>-</u>	<u>-</u>	<u>675,056</u>
Total liabilities and fund balances	<u>\$ 1,378</u>	<u>\$ -</u>	<u>\$ 13</u>	<u>\$ 355</u>	<u>\$ -</u>	<u>\$ 204</u>	<u>\$ 1,567,298</u>

(Continued)

TOWN OF WESTERLY, RHODE ISLAND

Combining Balance Sheet

Nonmajor Governmental Funds (Continued)

June 30, 2009

Capital Project Funds

	<i>Land Acquisition Fund</i>	<i>School Bond Fund</i>	<i>Public Works Garage</i>	<i>Police Station Fund</i>	<i>Roads and Sidewalks</i>	<i>Total Capital Project Funds</i>	<i>Total All Nonmajor Governmental Funds</i>
ASSETS							
Cash	\$ 172,199	\$ -	\$ 393,961	\$ 492,119	\$ 2,031,347	\$ 3,089,626	\$ 3,462,074
Investments	-	-	-	-	-	-	418,951
Accounts receivable	-	-	-	-	-	-	2,456
Due from federal and state governments	-	-	-	-	-	-	743,964
Due from other funds	-	-	-	-	-	-	29,479
Total assets	<u>\$ 172,199</u>	<u>\$ -</u>	<u>\$ 393,961</u>	<u>\$ 492,119</u>	<u>\$ 2,031,347</u>	<u>\$ 3,089,626</u>	<u>\$ 4,656,924</u>
 LIABILITIES AND FUND BALANCES							
Liabilities							
Cash overdraft	-	262	-	-	-	262	612,076
Accounts payable and accrued expenditures	-	-	34	-	7,464	7,498	287,926
Total liabilities	<u>-</u>	<u>262</u>	<u>34</u>	<u>-</u>	<u>7,464</u>	<u>7,760</u>	<u>900,002</u>
Fund balances (deficits)							
Unreserved - undesignated	172,199	(262)	393,927	492,119	2,023,883	3,081,866	3,756,922
Total fund balances (deficits)	<u>172,199</u>	<u>(262)</u>	<u>393,927</u>	<u>492,119</u>	<u>2,023,883</u>	<u>3,081,866</u>	<u>3,756,922</u>
Total liabilities and fund balances	<u>\$ 172,199</u>	<u>\$ -</u>	<u>\$ 393,961</u>	<u>\$ 492,119</u>	<u>\$ 2,031,347</u>	<u>\$ 3,089,626</u>	<u>\$ 4,656,924</u>

TOWN OF WESTERLY, RHODE ISLAND
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2009

Special Revenue Funds

	<i>School Restricted Fund</i>	<i>School Lunch Fund</i>	<i>Animal Shelter Fund</i>	<i>Town Clerks Fund</i>	<i>Civil Defense Fund</i>	<i>Archive Fund</i>	<i>Animal Fund</i>	<i>Revaluation Fund</i>
Revenues								
State and federal aid and grants	\$ 3,584,865	\$ 454,260	\$ -	\$ 2,000	\$ 4,000	\$ -	\$ -	\$ -
Charges for services	14,277	503,717	1,889	31,927	-	-	-	-
Investment and interest income	-	-	5	290	114	2	67	47
Contributions and private grants	58,782	-	6,745	-	-	-	-	-
Other revenue	-	-	-	3,158	-	-	-	-
Total revenues	<u>3,657,924</u>	<u>957,977</u>	<u>8,639</u>	<u>37,375</u>	<u>4,114</u>	<u>2</u>	<u>67</u>	<u>47</u>
Expenditures								
Current:								
Legislative, financial, judicial and general administrative	-	-	-	55,147	-	-	-	-
Public works	-	-	-	-	-	-	-	-
Public safety	-	-	392	-	10,518	-	3,353	-
Health and welfare	11,866	-	-	-	-	-	-	-
Education	3,696,199	987,457	-	-	-	-	-	-
Total expenditures	<u>3,708,065</u>	<u>987,457</u>	<u>392</u>	<u>55,147</u>	<u>10,518</u>	<u>-</u>	<u>3,353</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	<u>(50,141)</u>	<u>(29,480)</u>	<u>8,247</u>	<u>(17,772)</u>	<u>(6,404)</u>	<u>2</u>	<u>(3,286)</u>	<u>47</u>
Other financing sources (uses)								
Transfers from other funds	-	29,480	-	-	-	-	995	-
Transfers to other funds	-	-	(995)	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>29,480</u>	<u>(995)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>995</u>	<u>-</u>
Net change in fund balance	(50,141)	-	7,252	(17,772)	(6,404)	2	(2,291)	47
Fund balances (deficits) beginning of year	<u>213,547</u>	<u>-</u>	<u>1,070</u>	<u>43,878</u>	<u>24,487</u>	<u>342</u>	<u>12,576</u>	<u>9,344</u>
Fund balances (deficits) end of year	<u>\$ 163,406</u>	<u>\$ -</u>	<u>\$ 8,322</u>	<u>\$ 26,106</u>	<u>\$ 18,083</u>	<u>\$ 344</u>	<u>\$ 10,285</u>	<u>\$ 9,391</u>

(Continued)

TOWN OF WESTERLY, RHODE ISLAND
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds (Continued)
 For the Fiscal Year Ended June 30, 2009

	Special Revenue Funds							
	<i>DEM Stormwater Management</i>	<i>CDBG 2008</i>	<i>CDBG 2007</i>	<i>CDBG 2006</i>	<i>CDBG 2005</i>	<i>CDBG 2004</i>	<i>Department of Community Development</i>	<i>GIS System</i>
Revenues								
State and federal aid and grants	\$ -	\$ 201,708	\$ 69,340	\$ 56,419	\$ 17,200	\$ -	\$ -	\$ 15,000
Charges for services	-	-	-	-	-	-	-	-
Investment and interest income	-	-	-	-	-	-	8	-
Contributions and private grants	-	-	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-	-	-
Total revenues	<u>-</u>	<u>201,708</u>	<u>69,340</u>	<u>56,419</u>	<u>17,200</u>	<u>-</u>	<u>8</u>	<u>15,000</u>
Expenditures								
Current:								
Legislative, financial, judicial and general administrative	-	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Health and welfare	-	196,708	161,340	61,764	164,212	-	-	-
Education	-	-	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>196,708</u>	<u>161,340</u>	<u>61,764</u>	<u>164,212</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	<u>-</u>	<u>5,000</u>	<u>(92,000)</u>	<u>(5,345)</u>	<u>(147,012)</u>	<u>-</u>	<u>8</u>	<u>15,000</u>
Other financing sources (uses)								
Transfers from other funds	-	-	-	-	-	-	-	-
Transfers to other funds	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>-</u>	<u>5,000</u>	<u>(92,000)</u>	<u>(5,345)</u>	<u>(147,012)</u>	<u>-</u>	<u>8</u>	<u>15,000</u>
Fund balances (deficits) beginning of year	<u>-</u>	<u>-</u>	<u>100,000</u>	<u>21,525</u>	<u>163,152</u>	<u>-</u>	<u>3,559</u>	<u>-</u>
Fund balances (deficits) end of year	<u>\$ -</u>	<u>\$ 5,000</u>	<u>\$ 8,000</u>	<u>\$ 16,180</u>	<u>\$ 16,140</u>	<u>\$ -</u>	<u>\$ 3,567</u>	<u>\$ 15,000</u>

(Continued)

TOWN OF WESTERLY, RHODE ISLAND
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds (Continued)
For the Fiscal Year Ended June 30, 2009

Special Revenue Funds

	<i>Athletic Fund</i>	<i>Substance Abuse</i>	<i>Donations K-9 Division</i>	<i>Community Based Substance Abuse</i>	<i>Community Police Officer</i>	<i>Mentor & Juvenile Hearing</i>	<i>BYRNE Grant</i>	<i>Federal Forfeiture</i>
Revenues								
State and federal aid and grants	\$ -	\$ 28,192	\$ -	\$ 128,325	\$ -	\$ -	\$ -	\$ 95,761
Charges for services	20,480	-	-	-	-	-	-	-
Investment and interest income	-	-	-	-	-	-	-	3,365
Contributions and private grants	-	1,524	-	-	-	1,042	-	-
Other revenue	-	-	-	-	-	-	-	-
Total revenues	<u>20,480</u>	<u>29,716</u>	<u>-</u>	<u>128,325</u>	<u>-</u>	<u>1,042</u>	<u>-</u>	<u>99,126</u>
Expenditures								
Current:								
Legislative, financial, judicial and general administrative	-	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	91	-	-	35,406
Health and welfare	-	28,472	-	134,124	-	532	-	-
Education	4,733	-	-	-	-	-	-	-
Total expenditures	<u>4,733</u>	<u>28,472</u>	<u>-</u>	<u>134,124</u>	<u>91</u>	<u>532</u>	<u>-</u>	<u>35,406</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	<u>15,747</u>	<u>1,244</u>	<u>-</u>	<u>(5,799)</u>	<u>(91)</u>	<u>510</u>	<u>-</u>	<u>63,720</u>
Other financing sources (uses)								
Transfers from other funds	-	-	-	-	-	-	-	-
Transfers to other funds	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	15,747	1,244	-	(5,799)	(91)	510	-	63,720
Fund balances (deficits) beginning of year	<u>24,609</u>	<u>1,104</u>	<u>3,061</u>	<u>(3,229)</u>	<u>50</u>	<u>3,494</u>	<u>666</u>	<u>270,280</u>
Fund balances (deficits) end of year	<u>\$ 40,356</u>	<u>\$ 2,348</u>	<u>\$ 3,061</u>	<u>\$ (9,028)</u>	<u>\$ (41)</u>	<u>\$ 4,004</u>	<u>\$ 666</u>	<u>\$ 334,000</u>

(Continued)

TOWN OF WESTERLY, RHODE ISLAND
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds (Continued)
 For the Fiscal Year Ended June 30, 2009

	<u>Special Revenue Funds</u>						<i>Total Special Revenue Funds</i>
	<i>Homeland Security Reimbursable</i>	<i>Drink Drive & Lose</i>	<i>Seatbelt Grants</i>	<i>Underage Drinking</i>	<i>GOHS DWI Grant</i>	<i>Tobacco Grants</i>	
Revenues							
State and federal aid and grants	\$ -	\$ 2,194	\$ -	\$ 1,476	\$ 5,554	\$ 204	\$ 4,666,498
Charges for services	-	-	-	-	-	-	572,290
Investment and interest income	-	-	-	-	-	-	3,898
Contributions and private grants	-	-	-	-	-	-	68,093
Other revenue	-	-	-	-	-	-	3,158
Total revenues	<u>-</u>	<u>2,194</u>	<u>-</u>	<u>1,476</u>	<u>5,554</u>	<u>204</u>	<u>5,313,937</u>
Expenditures							
Current:							
Legislative, financial, judicial and general administrative	-	-	-	-	-	-	55,147
Public works	-	-	-	-	-	-	-
Public safety	-	2,595	-	1,709	5,554	-	59,618
Health and welfare	-	-	-	-	-	204	759,222
Education	-	-	-	-	-	-	4,688,389
Total expenditures	<u>-</u>	<u>2,595</u>	<u>-</u>	<u>1,709</u>	<u>5,554</u>	<u>204</u>	<u>5,562,376</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	<u>-</u>	<u>(401)</u>	<u>-</u>	<u>(233)</u>	<u>-</u>	<u>-</u>	<u>(248,439)</u>
Other financing sources (uses)							
Transfers from other funds	-	-	-	-	-	-	30,475
Transfers to other funds	-	-	-	-	-	-	(995)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,480</u>
Net change in fund balance	-	(401)	-	(233)	-	-	(218,959)
Fund balances (deficits) beginning of year	<u>1,378</u>	<u>(967)</u>	<u>13</u>	<u>76</u>	<u>-</u>	<u>-</u>	<u>894,015</u>
Fund balances (deficits) end of year	<u>\$ 1,378</u>	<u>\$ (1,368)</u>	<u>\$ 13</u>	<u>\$ (157)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 675,056</u>

(Continued)

TOWN OF WESTERLY, RHODE ISLAND
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds (Continued)
For the Fiscal Year Ended June 30, 2009

	<u>Capital Project Funds</u>						
	<u>Land Acquisition Fund</u>	<u>School Bond Fund</u>	<u>Public Works Garage</u>	<u>Police Station Fund</u>	<u>Roads and Sidewalks</u>	<u>Total Capital Project Funds</u>	<u>Total All Nonmajor Governmental Funds</u>
Revenues							
State and federal aid and grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,666,498
Charges for services	-	-	-	75,000	-	75,000	647,290
Investment and interest income	-	-	8,228	8,045	42,174	58,447	62,345
Contributions and private grants	-	-	-	-	-	-	68,093
Other revenue	-	-	-	-	-	-	3,158
Total revenues	<u>-</u>	<u>-</u>	<u>8,228</u>	<u>83,045</u>	<u>42,174</u>	<u>133,447</u>	<u>5,447,384</u>
Expenditures							
Current:							
Legislative, financial, judicial and general administrative	-	-	-	-	-	-	55,147
Public works	-	-	274,200	-	401,088	675,288	675,288
Public safety	-	-	-	30,970	-	30,970	90,588
Health and welfare	-	-	-	-	-	-	759,222
Education	-	262	-	-	-	262	4,688,651
Total expenditures	<u>-</u>	<u>262</u>	<u>274,200</u>	<u>30,970</u>	<u>401,088</u>	<u>706,520</u>	<u>6,268,896</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	<u>-</u>	<u>(262)</u>	<u>(265,972)</u>	<u>52,075</u>	<u>(358,914)</u>	<u>(573,073)</u>	<u>(821,512)</u>
Other financing sources (uses)							
Transfers from other funds	-	-	500,000	-	130,844	630,844	661,319
Transfers to other funds	-	-	-	(500,000)	-	(500,000)	(500,995)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>500,000</u>	<u>(500,000)</u>	<u>130,844</u>	<u>130,844</u>	<u>160,324</u>
Net change in fund balance	-	(262)	234,028	(447,925)	(228,070)	(442,229)	(661,188)
Fund balances (deficits) beginning of year	<u>172,199</u>	<u>-</u>	<u>159,899</u>	<u>940,044</u>	<u>2,251,953</u>	<u>3,524,095</u>	<u>4,418,110</u>
Fund balances (deficits) end of year	<u>\$ 172,199</u>	<u>\$ (262)</u>	<u>\$ 393,927</u>	<u>\$ 492,119</u>	<u>\$ 2,023,883</u>	<u>\$ 3,081,866</u>	<u>\$ 3,756,922</u>

TOWN OF WESTERLY, RHODE ISLAND
Combining Balance Sheet
Special Revenue Funds - School Restricted Fund
June 30, 2009

	<i>Title I</i>	<i>Title IV</i>	<i>IDEA Part B</i>	<i>Section 619 Preschool</i>	<i>Title V</i>	<i>Title II</i>	<i>Feinstein</i>
ASSETS							
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 928
Due from federal and state governments	162,633	6,527	206,939	8,098	4,114	56,409	-
Accounts receivable	768	-	-	-	-	-	-
	<i>Total assets</i>	<i>Total assets</i>	<i>Total assets</i>	<i>Total assets</i>	<i>Total assets</i>	<i>Total assets</i>	<i>Total assets</i>
	\$ 163,401	\$ 6,527	\$ 206,939	\$ 8,098	\$ 4,114	\$ 56,409	\$ 928
 LIABILITIES AND FUND BALANCES							
<i>Liabilities</i>							
Cash overdraft	\$ 161,931	\$ 6,527	\$ 173,313	\$ 7,839	\$ 4,114	\$ 56,360	\$ -
Accounts payable and accrued expenditures	1,470	-	33,490	259	-	49	136
	<i>Total liabilities</i>	<i>Total liabilities</i>	<i>Total liabilities</i>	<i>Total liabilities</i>	<i>Total liabilities</i>	<i>Total liabilities</i>	<i>Total liabilities</i>
	163,401	6,527	206,803	8,098	4,114	56,409	136
<i>Fund balances</i>	-	-	136	-	-	-	792
	<i>Total liabilities and fund balances</i>	<i>Total liabilities and fund balances</i>	<i>Total liabilities and fund balances</i>	<i>Total liabilities and fund balances</i>	<i>Total liabilities and fund balances</i>	<i>Total liabilities and fund balances</i>	<i>Total liabilities and fund balances</i>
	\$ 163,401	\$ 6,527	\$ 206,939	\$ 8,098	\$ 4,114	\$ 56,409	\$ 928

(Continued)

TOWN OF WESTERLY, RHODE ISLAND
Combining Balance Sheet
Special Revenue Funds - School Restricted Fund (Continued)
June 30, 2009

ASSETS	<u>Family Engagement</u>	<u>Title III</u>	<u>Child Opportunity Zone</u>	<u>Even Start</u>	<u>Literacy Set Aside</u>	<u>Article 31</u>	<u>Federal Stabilization</u>
Cash	\$ -	\$ -	\$ -	\$ -	\$ 17,982	\$ 69,956	\$ -
Due from federal and state governments	-	2,925	7,377	31,842	-	-	73,690
Accounts receivable	-	-	-	-	-	-	-
Total assets	<u>\$ -</u>	<u>\$ 2,925</u>	<u>\$ 7,377</u>	<u>\$ 31,842</u>	<u>\$ 17,982</u>	<u>\$ 69,956</u>	<u>\$ 73,690</u>
 LIABILITIES AND FUND BALANCES							
Liabilities							
Cash overdraft	\$ -	\$ 2,702	\$ 5,998	\$ 21,827	\$ -	\$ -	\$ 73,690
Accounts payable and accrued expenditures	-	223	520	10,015	-	11,374	-
Total liabilities	<u>-</u>	<u>2,925</u>	<u>6,518</u>	<u>31,842</u>	<u>-</u>	<u>11,374</u>	<u>73,690</u>
Fund balances	<u>-</u>	<u>-</u>	<u>859</u>	<u>-</u>	<u>17,982</u>	<u>58,582</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 2,925</u>	<u>\$ 7,377</u>	<u>\$ 31,842</u>	<u>\$ 17,982</u>	<u>\$ 69,956</u>	<u>\$ 73,690</u>

(Continued)

TOWN OF WESTERLY, RHODE ISLAND
Combining Balance Sheet
Special Revenue Funds - School Restricted Fund (Continued)
June 30, 2009

	<u>Algebra I Test</u>	<u>UCOA</u>	<u>Playground</u>	<u>Pfizer Grant WMS</u>	<u>RI Foundation</u>	<u>Can We Talk</u>	<u>Perkins Vocational Education</u>
ASSETS							
Cash	\$ -	\$ -	\$ -	\$ 13	\$ 8,386	\$ 417	\$ 1,951
Due from federal and state governments	-	18,530	-	-	-	-	-
Accounts receivable	-	-	-	-	-	-	-
Total assets	<u>\$ -</u>	<u>\$ 18,530</u>	<u>\$ -</u>	<u>\$ 13</u>	<u>\$ 8,386</u>	<u>\$ 417</u>	<u>\$ 1,951</u>
 LIABILITIES AND FUND BALANCES							
Liabilities							
Cash overdraft	\$ -	\$ 9,750	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable and accrued expenditures	-	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>9,750</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances	<u>-</u>	<u>8,780</u>	<u>-</u>	<u>13</u>	<u>8,386</u>	<u>417</u>	<u>1,951</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 18,530</u>	<u>\$ -</u>	<u>\$ 13</u>	<u>\$ 8,386</u>	<u>\$ 417</u>	<u>\$ 1,951</u>

(Continued)

TOWN OF WESTERLY, RHODE ISLAND
Combining Balance Sheet
Special Revenue Funds - School Restricted Fund (Continued)
 June 30, 2009

	<i>Community Crusade for Children</i>	<i>Pottery Grant WHS</i>	<i>Nutrition Grant</i>	<i>My Reading Coach</i>	<i>Wal-Mart</i>	<i>RIPIN PERC Funds</i>	<i>Take a Seat</i>
ASSETS							
Cash	\$ 1,827	\$ 3,322	\$ -	\$ 12	\$ 294	\$ 997	\$ -
Due from federal and state governments	-	-	-	-	-	-	-
Accounts receivable	-	-	-	-	-	1,316	-
Total assets	\$ 1,827	\$ 3,322	\$ -	\$ 12	\$ 294	\$ 2,313	\$ -
LIABILITIES AND FUND BALANCES							
Liabilities							
Cash overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable and accrued expenditures	-	-	-	-	-	516	-
Total liabilities	-	-	-	-	-	516	-
Fund balances	1,827	3,322	-	12	294	1,797	-
Total liabilities and fund balances	\$ 1,827	\$ 3,322	\$ -	\$ 12	\$ 294	\$ 2,313	\$ -

(Continued)

TOWN OF WESTERLY, RHODE ISLAND
Combining Balance Sheet
Special Revenue Funds - School Restricted Fund (Continued)
June 30, 2009

	<i>Elementary Mini Grants</i>	<i>Kimball Foundation</i>	<i>RI Foundation WHS-WMS</i>	<i>WISSP Center</i>	<i>Graduation Achievement Program</i>	<i>Citigroup Foundation</i>	<i>NEA Foundation</i>
ASSETS							
Cash	\$ 14,801	\$ -	\$ 4,333	\$ 34,476	\$ 100	\$ 255	\$ 184
Due from federal and state governments	-	-	-	-	-	-	-
Accounts receivable	366	-	-	-	-	-	-
Total assets	\$ 15,167	\$ -	\$ 4,333	\$ 34,476	\$ 100	\$ 255	\$ 184
LIABILITIES AND FUND BALANCES							
Liabilities							
Cash overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable and accrued expenditures	660	-	-	106	-	-	-
Total liabilities	660	-	-	106	-	-	-
Fund balances	14,507	-	4,333	34,370	100	255	184
Total liabilities and fund balances	\$ 15,167	\$ -	\$ 4,333	\$ 34,476	\$ 100	\$ 255	\$ 184

(Continued)

TOWN OF WESTERLY, RHODE ISLAND
Combining Balance Sheet
Special Revenue Funds - School Restricted Fund (Continued)
June 30, 2009

	<u>RI Foundation</u>	<u>Pfizer Grant</u>	<u>E2T2 MCI Grant</u>	<u>SPED Parent Advisory</u>	<u>Total</u>
ASSETS					
Cash	\$ 2,577	\$ -	\$ -	\$ 2,000	\$ 164,811
Due from federal and state governments	-	-	-	-	579,084
Accounts receivable	-	-	-	-	2,450
Total assets	<u>\$ 2,577</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,000</u>	<u>\$ 746,345</u>
 LIABILITIES AND FUND BALANCES					
Liabilities					
Cash overdraft	\$ -	\$ 70	\$ -	\$ -	524,121
Accounts payable and accrued expenditures	-	-	-	-	58,818
Total liabilities	<u>-</u>	<u>70</u>	<u>-</u>	<u>-</u>	<u>582,939</u>
Fund balances	<u>2,577</u>	<u>(70)</u>	<u>-</u>	<u>2,000</u>	<u>163,406</u>
Total liabilities and fund balances	<u>\$ 2,577</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,000</u>	<u>\$ 746,345</u>

TOWN OF WESTERLY, RHODE ISLAND
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Special Revenue Funds - School Restricted Fund
For the Fiscal Year Ended June 30, 2009

	<u>Title I</u>	<u>Title IV</u>	<u>IDEA Part B</u>	<u>Section 619 Preschool</u>	<u>Title V</u>	<u>Title II</u>	<u>Feinstein</u>
Revenues							
Federal and state aid and grants	\$ 421,124	\$ 17,815	\$ 760,095	\$ 25,319	\$ 4,114	\$ 186,491	\$ -
Contributions and private grants	-	-	-	-	-	-	928
Charges for services	-	-	-	-	-	-	-
Total revenues	<u>421,124</u>	<u>17,815</u>	<u>760,095</u>	<u>25,319</u>	<u>4,114</u>	<u>186,491</u>	<u>928</u>
Expenditures							
Health and welfare	-	-	-	-	-	-	-
Education	421,124	17,815	760,095	25,319	4,114	186,491	136
Total expenditures	<u>421,124</u>	<u>17,815</u>	<u>760,095</u>	<u>25,319</u>	<u>4,114</u>	<u>186,491</u>	<u>136</u>
Net change in fund balance	-	-	-	-	-	-	792
Fund balances beginning of year	-	-	136	-	-	-	-
Fund balances (deficits) end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 136</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 792</u>

(Continued)

TOWN OF WESTERLY, RHODE ISLAND
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Special Revenue Funds - School Restricted Fund (Continued)
For the Fiscal Year Ended June 30, 2009

	<u>Family Engagement</u>	<u>Title III</u>	<u>Child Opportunity Zone</u>	<u>Even Start</u>	<u>Literacy Set Aside</u>	<u>Article 31</u>	<u>Federal Stabilization</u>
Revenues							
Federal and state aid and grants	\$ -	\$ 12,327	\$ 23,000	\$ 87,800	\$ 136,433	\$ 1,528,710	\$ 307,232
Contributions and private grants	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Total revenues	<u>-</u>	<u>12,327</u>	<u>23,000</u>	<u>87,800</u>	<u>136,433</u>	<u>1,528,710</u>	<u>307,232</u>
Expenditures							
Health and welfare	-	-	-	-	-	-	-
Education	6,183	12,327	22,738	87,800	125,372	1,571,308	307,232
Total expenditures	<u>6,183</u>	<u>12,327</u>	<u>22,738</u>	<u>87,800</u>	<u>125,372</u>	<u>1,571,308</u>	<u>307,232</u>
Net change in fund balance	(6,183)	-	262	-	11,061	(42,598)	-
Fund balances beginning of year	<u>6,183</u>	<u>-</u>	<u>597</u>	<u>-</u>	<u>6,921</u>	<u>101,180</u>	<u>-</u>
Fund balances (deficits) end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 859</u>	<u>\$ -</u>	<u>\$ 17,982</u>	<u>\$ 58,582</u>	<u>\$ -</u>

(Continued)

TOWN OF WESTERLY, RHODE ISLAND
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Special Revenue Funds - School Restricted Fund (Continued)
For the Fiscal Year Ended June 30, 2009

	<u>Algebra I Test</u>	<u>UCOA</u>	<u>Playground</u>	<u>Pfizer Grant WMS</u>	<u>RI Foundation</u>	<u>Can We Talk</u>	<u>Perkins Vocational Education</u>
Revenues							
Federal and state aid and grants	\$ 8,313	\$ 18,530	\$ -	\$ -	\$ -	\$ -	\$ 28,219
Contributions and private grants	-	-	-	-	14,208	-	-
Charges for services	-	-	-	-	-	-	-
Total revenues	<u>8,313</u>	<u>18,530</u>	<u>-</u>	<u>-</u>	<u>14,208</u>	<u>-</u>	<u>28,219</u>
Expenditures							
Health and welfare	-	-	1,866	-	-	-	-
Education	8,313	9,750	-	-	12,501	-	30,292
Total expenditures	<u>8,313</u>	<u>9,750</u>	<u>1,866</u>	<u>-</u>	<u>12,501</u>	<u>-</u>	<u>30,292</u>
Net change in fund balance	-	8,780	(1,866)	-	1,707	-	(2,073)
Fund balances beginning of year	-	-	1,866	13	6,679	417	4,024
Fund balances (deficits) end of year	<u>\$ -</u>	<u>\$ 8,780</u>	<u>\$ -</u>	<u>\$ 13</u>	<u>\$ 8,386</u>	<u>\$ 417</u>	<u>\$ 1,951</u>

(Continued)

TOWN OF WESTERLY, RHODE ISLAND
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Special Revenue Funds - School Restricted Fund (Continued)
For the Fiscal Year Ended June 30, 2009

	<i>Community Crusade for Children</i>	<i>Pottery Grant WHS</i>	<i>Nutrition Grant</i>	<i>My Reading Coach</i>	<i>Wal-Mart</i>	<i>RIPIN PERC Funds</i>	<i>Take a Seat</i>
Revenues							
Federal and state aid and grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions and private grants	145	5,550	1,754	-	-	4,637	4,600
Charges for services	-	-	-	-	-	-	-
Total revenues	<u>145</u>	<u>5,550</u>	<u>1,754</u>	<u>-</u>	<u>-</u>	<u>4,637</u>	<u>4,600</u>
Expenditures							
Health and welfare	-	-	-	-	-	-	-
Education	774	4,127	1,754	-	206	4,637	12,700
Total expenditures	<u>774</u>	<u>4,127</u>	<u>1,754</u>	<u>-</u>	<u>206</u>	<u>4,637</u>	<u>12,700</u>
Net change in fund balance	(629)	1,423	-	-	(206)	-	(8,100)
Fund balances beginning of year	<u>2,456</u>	<u>1,899</u>	<u>-</u>	<u>12</u>	<u>500</u>	<u>1,797</u>	<u>8,100</u>
Fund balances (deficits) end of year	<u>\$ 1,827</u>	<u>\$ 3,322</u>	<u>\$ -</u>	<u>\$ 12</u>	<u>\$ 294</u>	<u>\$ 1,797</u>	<u>\$ -</u>

(Continued)

TOWN OF WESTERLY, RHODE ISLAND
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Special Revenue Funds - School Restricted Fund (Continued)
For the Fiscal Year Ended June 30, 2009

	<i>Elementary Mini Grants</i>	<i>Kimball Foundation</i>	<i>RI Foundation WHS-WMS</i>	<i>WISSP Center</i>	<i>Graduation Achievement Program</i>	<i>Citigroup Foundation</i>	<i>NEA Foundation</i>
Revenues							
Federal and state aid and grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions and private grants	11,960	10,000	-	-	-	3,000	-
Charges for services	-	-	-	14,277	-	-	-
Total revenues	<u>11,960</u>	<u>10,000</u>	<u>-</u>	<u>14,277</u>	<u>-</u>	<u>3,000</u>	<u>-</u>
Expenditures							
Health and welfare	-	10,000	-	-	-	-	-
Education	30,386	-	-	7,883	-	2,987	-
Total expenditures	<u>30,386</u>	<u>10,000</u>	<u>-</u>	<u>7,883</u>	<u>-</u>	<u>2,987</u>	<u>-</u>
Net change in fund balance	(18,426)	-	-	6,394	-	13	-
Fund balances beginning of year	<u>32,933</u>	<u>-</u>	<u>4,333</u>	<u>27,976</u>	<u>100</u>	<u>242</u>	<u>184</u>
Fund balances (deficits) end of year	<u>\$ 14,507</u>	<u>\$ -</u>	<u>\$ 4,333</u>	<u>\$ 34,370</u>	<u>\$ 100</u>	<u>\$ 255</u>	<u>\$ 184</u>

(Continued)

TOWN OF WESTERLY, RHODE ISLAND
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Special Revenue Funds - School Restricted Fund (Continued)
For the Fiscal Year Ended June 30, 2009

	<u>RI Foundation</u>	<u>Pfizer Grant</u>	<u>E2T2 MCI Grant</u>	<u>SPED Parent Advisory</u>	<u>Total</u>
Revenues					
Federal and state aid and grants	\$ -	\$ -	\$ 19,343	\$ -	\$ 3,584,865
Contributions and private grants	-	-	-	2,000	58,782
Charges for services	-	-	-	-	14,277
Total revenues	<u>-</u>	<u>-</u>	<u>19,343</u>	<u>2,000</u>	<u>3,657,924</u>
Expenditures					
Health and welfare	-	-	-	-	11,866
Education	1,500	992	19,343	-	3,696,199
Total expenditures	<u>1,500</u>	<u>992</u>	<u>19,343</u>	<u>-</u>	<u>3,708,065</u>
Net change in fund balance	(1,500)	(992)	-	2,000	(50,141)
Fund balances beginning of year	<u>4,077</u>	<u>922</u>	<u>-</u>	<u>-</u>	<u>213,547</u>
Fund balances (deficits) end of year	<u>\$ 2,577</u>	<u>\$ (70)</u>	<u>\$ -</u>	<u>\$ 2,000</u>	<u>\$ 163,406</u>

TOWN OF WESTERLY, RHODE ISLAND

Combining Statement of Net Assets

Internal Service Funds

June 30, 2009

	<i>Health Fund</i>	<i>Self Insurance Fund</i>	<i>Total</i>
ASSETS			
<i>Current assets:</i>			
Cash and cash equivalents	\$ 171,511	\$ 138,810	\$ 310,321
Due from other funds	663,328	-	663,328
<i>Total current assets</i>	<u>834,839</u>	<u>138,810</u>	<u>973,649</u>
<i>Noncurrent assets</i>			
Other assets	485,244	-	485,244
<i>Total noncurrent assets</i>	<u>485,244</u>	<u>-</u>	<u>485,244</u>
<i>Total assets</i>	<u>1,320,083</u>	<u>138,810</u>	<u>1,458,893</u>
LIABILITIES			
<i>Current liabilities:</i>			
Accounts payable	-	63,326	63,326
Claims payable	834,973	-	834,973
<i>Total current liabilities</i>	<u>834,973</u>	<u>63,326</u>	<u>898,299</u>
NET ASSETS			
Unrestricted	<u>485,110</u>	<u>75,484</u>	<u>560,594</u>
<i>Total net assets</i>	<u>\$ 485,110</u>	<u>\$ 75,484</u>	<u>\$ 560,594</u>

TOWN OF WESTERLY, RHODE ISLAND
Combining Statement of Revenues, Expenses and Changes in Net Assets
Internal Service Funds
For the Fiscal Year Ended June 30, 2009

	<i>Health Fund</i>	<i>Self Insurance Fund</i>	<i>Total</i>
<i>Operating revenues</i>			
Charges for insurance	\$ 8,338,976	\$ -	\$ 8,338,976
Other	-	52,180	52,180
<i>Total operating revenues</i>	<u>8,338,976</u>	<u>52,180</u>	<u>8,391,156</u>
<i>Operating expenses</i>			
Claims	8,124,140	143,974	8,268,114
Other	154,536	22,200	176,736
<i>Total operating expenses</i>	<u>8,278,676</u>	<u>166,174</u>	<u>8,444,850</u>
<i>Operating income (loss)</i>	<u>60,300</u>	<u>(113,994)</u>	<u>(53,694)</u>
<i>Nonoperating revenues</i>			
Interest income	-	1,146	1,146
<i>Total nonoperating revenues</i>	<u>-</u>	<u>1,146</u>	<u>1,146</u>
<i>Change in net assets</i>	60,300	(112,848)	(52,548)
<i>Net assets - beginning of year</i>	<u>424,810</u>	<u>188,332</u>	<u>613,142</u>
<i>Net assets - end of year</i>	<u>\$ 485,110</u>	<u>\$ 75,484</u>	<u>\$ 560,594</u>

TOWN OF WESTERLY, RHODE ISLAND

Combining Statement of Cash Flows

Internal Service Funds

For the Fiscal Year Ended June 30, 2009

	<i>Health Fund</i>	<i>Self Insurance Fund</i>	<i>Total</i>
<i>Cash flows form operating activities</i>			
Cash received from insurance charges	\$ 7,670,227	\$ -	\$ 7,670,227
Claims payments	(7,814,691)	(83,911)	(7,898,602)
Cash payments to suppliers for goods and services	(154,536)	-	(154,536)
Other operating cash receipts	-	52,180	52,180
Other operating cash disbursements	(50,300)	(22,200)	(72,500)
<i>Net cash used for operating activities</i>	<u>(349,300)</u>	<u>(53,931)</u>	<u>(403,231)</u>
 <i>Cash flows from investing activities</i>			
Investment income	-	1,146	1,146
<i>Net cash provided by investing activities</i>	<u>-</u>	<u>1,146</u>	<u>1,146</u>
 <i>Net decrease in cash and cash equivalents</i>	(349,300)	(52,785)	(402,085)
 <i>Cash and cash equivalents - beginning of year</i>	520,811	191,595	712,406
<i>Cash and cash equivalents - end of year</i>	<u>\$ 171,511</u>	<u>\$ 138,810</u>	<u>\$ 310,321</u>
 <i>Reconciliation of operating income(loss) to net cash provided by (used for) operating activities</i>			
<i>Operating income (loss)</i>	\$ 60,300	\$ (113,994)	\$ (53,694)
 <i>Adjustments to reconcile operating income(loss) to net cash used for operating activities:</i>			
Increase in other assets	(50,300)	-	(50,300)
Increase in due from/to other funds	(668,749)	-	(668,749)
Increase in accounts payable and accrued expenses	309,449	60,063	369,512
<i>Total adjustments</i>	<u>(409,600)</u>	<u>60,063</u>	<u>(349,537)</u>
 <i>Net cash used for operating activities</i>	<u>\$ (349,300)</u>	<u>\$ (53,931)</u>	<u>\$ (403,231)</u>

TOWN OF WESTERLY, RHODE ISLAND

Combining Statement of Net Assets

Private-Purpose Trust Funds

June 30, 2009

	<i>Permanent Neighbor Committee</i>	<i>Honor Roll Fund</i>	<i>Brandywine Village Fund</i>	<i>Welfare Fund</i>	<i>Lois B. Stillmen Fund</i>	<i>Richmond Brewer Fund</i>
ASSETS						
Cash and cash equivalents	\$ 1,567	\$ 895	\$ 44,673	\$ 4,408	\$ 10,205	\$ 32,731
Total assets	<u>1,567</u>	<u>895</u>	<u>44,673</u>	<u>4,408</u>	<u>10,205</u>	<u>32,731</u>
Net Assets						
Held in trust for other purposes	<u>\$ 1,567</u>	<u>\$ 895</u>	<u>\$ 44,673</u>	<u>\$ 4,408</u>	<u>\$ 10,205</u>	<u>\$ 32,731</u>

(Continued)

TOWN OF WESTERLY, RHODE ISLAND

*Combining Statement of Net Assets
Private-Purpose Trust Funds (Continued)
June 30, 2009*

	<i>Irene Vose Fund</i>	<i>Martha C. Babcock Memorial</i>	<i>Premio L. Russo Memorial</i>	<i>Class of 1886</i>	<i>Otis P. Chapman Fund</i>	<i>Municipal Court</i>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
ASSETS						
Cash and cash equivalents	\$ 48,873	\$ 2,867	\$ 1,424	\$ 1,059	\$ 1,860	\$ 473
Total assets	<u>48,873</u>	<u>2,867</u>	<u>1,424</u>	<u>1,059</u>	<u>1,860</u>	<u>473</u>
Net Assets						
Held in trust for other purposes	<u>\$ 48,873</u>	<u>\$ 2,867</u>	<u>\$ 1,424</u>	<u>\$ 1,059</u>	<u>\$ 1,860</u>	<u>\$ 473</u>

(Continued)

TOWN OF WESTERLY, RHODE ISLAND

*Combining Statement of Net Assets
Private-Purpose Trust Funds (Continued)
June 30, 2009*

	<i>Francis Pat Coyle Memorial</i>	<i>Betty Zerbarini Fund</i>	<i>Berardinelli Trust Fund</i>	<i>John J. & Mary C. Smith Scholarship</i>	<i>Robert F. Serra Fund</i>	<i>Total</i>
ASSETS						
Cash and cash equivalents	\$ 985	\$ 1,158	\$ 18,031	\$ 11,888	\$ 1,682	\$ 184,779
Total assets	<u>985</u>	<u>1,158</u>	<u>18,031</u>	<u>11,888</u>	<u>1,682</u>	<u>184,779</u>
 <i>Net Assets</i>						
Held in trust for other purposes	<u>\$ 985</u>	<u>\$ 1,158</u>	<u>\$ 18,031</u>	<u>\$ 11,888</u>	<u>\$ 1,682</u>	<u>\$ 184,779</u>

TOWN OF WESTERLY, RHODE ISLAND

Combining Statement of Changes in Net Assets

Private-Purpose Trust Funds

For the Fiscal Year Ended June 30, 2009

	<u>Permanent Neighbor Committee</u>	<u>Honor Roll Fund</u>	<u>Brandywine Village Fund</u>	<u>Welfare Fund</u>	<u>Lois B. Stillmen Fund</u>	<u>Richmond Brewer Fund</u>
Additions						
<i>Investment earnings</i>						
Interest income	\$ 8	\$ 106	\$ 229	\$ 23	\$ 57	\$ 126
Other revenue	-	-	-	-	-	-
Total additions	<u>8</u>	<u>106</u>	<u>229</u>	<u>23</u>	<u>57</u>	<u>126</u>
Deductions						
Miscellaneous	<u>100</u>	<u>230</u>	<u>-</u>	<u>-</u>	<u>1,000</u>	<u>-</u>
Total deductions	<u>100</u>	<u>230</u>	<u>-</u>	<u>-</u>	<u>1,000</u>	<u>-</u>
Change in net assets	(92)	(124)	229	23	(943)	126
Nets assets - beginning of year	<u>1,659</u>	<u>1,019</u>	<u>44,444</u>	<u>4,385</u>	<u>11,148</u>	<u>32,605</u>
Nets assets - end of year	<u>\$ 1,567</u>	<u>\$ 895</u>	<u>\$ 44,673</u>	<u>\$ 4,408</u>	<u>\$ 10,205</u>	<u>\$ 32,731</u>

(Continued)

TOWN OF WESTERLY, RHODE ISLAND

Combining Statement of Changes in Net Assets

Private-Purpose Trust Funds (Continued)

For the Fiscal Year Ended June 30, 2009

	<i>Irene Vose Fund</i>	<i>Martha C. Babcock Memorial</i>	<i>Premio L. Russo Memorial</i>	<i>Class of 1886</i>	<i>Otis P. Chapman Fund</i>	<i>Municipal Court</i>
Additions						
<i>Investment earnings</i>						
Interest income	\$ 242	\$ 15	\$ 7	\$ 5	\$ 9	\$ -
Other revenue	5,593	-	-	-	-	-
Total additions	<u>5,835</u>	<u>15</u>	<u>7</u>	<u>5</u>	<u>9</u>	<u>-</u>
Deductions						
Miscellaneous	3,603	-	35	-	-	-
Total deductions	<u>3,603</u>	<u>-</u>	<u>35</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net assets	2,232	15	(28)	5	9	-
Nets assets - beginning of year	<u>46,641</u>	<u>2,852</u>	<u>1,452</u>	<u>1,054</u>	<u>1,851</u>	<u>473</u>
Nets assets - end of year	<u>\$ 48,873</u>	<u>\$ 2,867</u>	<u>\$ 1,424</u>	<u>\$ 1,059</u>	<u>\$ 1,860</u>	<u>\$ 473</u>

(Continued)

TOWN OF WESTERLY, RHODE ISLAND

Combining Statement of Changes in Net Assets

Private-Purpose Trust Funds (Continued)

For the Fiscal Year Ended June 30, 2009

	<i>Francis Pat Coyle Memorial</i>	<i>Betty Zerbarini Fund</i>	<i>Berardinelli Trust Fund</i>	<i>John J. & Mary C. Smith Scholarship</i>	<i>Robert F. Serra Fund</i>	<i>Total</i>
Additions						
<i>Investment earnings</i>						
Interest income	\$ 5	\$ 6	\$ 93	\$ 61	\$ 8	\$ 1,000
Other revenue	-	-	-	-	-	5,593
Total additions	<u>5</u>	<u>6</u>	<u>93</u>	<u>61</u>	<u>8</u>	<u>6,593</u>
Deductions						
Miscellaneous	-	-	-	-	-	4,968
Total deductions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,968</u>
Change in net assets	5	6	93	61	8	1,625
Nets assets - beginning of year	<u>980</u>	<u>1,152</u>	<u>17,938</u>	<u>11,827</u>	<u>1,674</u>	<u>183,154</u>
Nets assets - end of year	<u>\$ 985</u>	<u>\$ 1,158</u>	<u>\$ 18,031</u>	<u>\$ 11,888</u>	<u>\$ 1,682</u>	<u>\$ 184,779</u>

TOWN OF WESTERLY, RHODE ISLAND

Statement of Net Assets

Agency Funds

June 30, 2009

	<u>Title II</u> <u>P.W.E.A.</u>	<u>Babcock</u> <u>Middle School</u> <u>Student Activity</u> <u>Fund</u>	<u>Westerly</u> <u>High School</u> <u>Student Activity</u> <u>Fund</u>	<u>Construction</u> <u>Escrow</u> <u>Deposits</u>	<u>Probate</u> <u>Accounts</u>	<u>Total</u>
ASSETS						
Cash and cash equivalents	\$ 2,580	\$ 12,188	\$ 153,547	\$ 327,363	\$ 10,026	\$ 505,704
Total assets	<u>\$ 2,580</u>	<u>\$ 12,188</u>	<u>\$ 153,547</u>	<u>\$ 327,363</u>	<u>\$ 10,026</u>	<u>\$ 505,704</u>
LIABILITIES						
Deposits held in custody for others	\$ 2,580	\$ 12,188	\$ 153,547	\$ 327,363	\$ 10,026	\$ 505,704
Total liabilities	<u>\$ 2,580</u>	<u>\$ 12,188</u>	<u>\$ 153,547</u>	<u>\$ 327,363</u>	<u>\$ 10,026</u>	<u>\$ 505,704</u>

TOWN OF WESTERLY, RHODE ISLAND

*Tax Collector's Annual Report
For the Fiscal Year Ended June 30, 2009*

Real Estate and Personal Property Taxes

<u>Fiscal Year</u>	<u>Balance June 30, 2008</u>	<u>Current year Assessment</u>	<u>Additions</u>	<u>Abatements</u>	<u>Amount to be Collected</u>	<u>Current Year Collections</u>	<u>Balance June 30, 2009</u>
2009	\$ -	\$ 58,931,923	\$ 101,916	\$ 99,429	\$ 58,934,410	\$ 57,978,492	\$ 955,918
2008	630,196	-	210	3,189	627,217	452,777	174,440
2007	108,953	-	223	2,260	106,916	24,678	82,238
2006	86,033	-	267	1,241	85,059	7,774	77,285
2005	65,298	-	-	840	64,458	3,858	60,600
2004	56,537	-	-	1,108	55,429	8,043	47,386
2003	51,267	-	-	1,160	50,107	5,266	44,841
2002	67,364	-	-	2,037	65,327	6,237	59,090
2001	88,018	-	-	578	87,440	10,316	77,124
2000	96,526	-	-	4	96,522	2,693	93,829
1999	88,062	-	-	-	88,062	1,378	86,684
1998	77,537	-	-	-	77,537	462	77,075
1997	72,813	-	-	-	72,813	413	72,400
1996	78,418	-	49	49	78,418	543	77,875
1995	93,925	-	-	-	93,925	286	93,639
Suspense	1,520,299	-	-	-	1,520,299	-	1,520,299
	<u>\$ 3,181,246</u>	<u>\$ 58,931,923</u>	<u>\$ 102,665</u>	<u>\$ 111,895</u>	<u>\$ 62,103,939</u>	<u>\$ 58,503,216</u>	<u>\$ 3,600,723</u>

Schedule of Most Recent Net Assessed Property Value by Category

<u>Description of Property</u>	<u>Valuation</u>	<u>Levy</u>
Real property	\$ 6,328,033,730	\$ 56,129,659
Motor vehicles	182,725,179	5,421,456
Tangible personal property	96,273,051	853,942
Total	<u>6,607,031,960</u>	<u>62,405,057</u>
Exemptions and tax freeze	(185,142,722)	(3,473,134)
Net assessed value	<u>\$ 6,421,889,238</u>	<u>\$ 58,931,923</u>

Single Audit Section

***REPORT ON THE 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 Members of the Town Council
Westerly, Rhode Island

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Westerly, Rhode Island, as of and for the year ended June 30, 2009, which collectively comprise the Town of Westerly, Rhode Island's basic financial statements and have issued our report thereon dated March 1, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 09-01 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item 09-01 to be a material weakness.

Compliance and Other Matters

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

We noted certain matters that we reported to the management of the Town of Westerly, Rhode Island in a separate letter dated March 1, 2010.

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

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

Bacon & Company LLC

Warwick, Rhode Island
March 1, 2010

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

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

Compliance

We have audited the compliance of the Town of Westerly, Rhode Island with 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, 2009. The Town of Westerly, Rhode Island's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Town of Westerly, Rhode Island's management. Our responsibility is to express an opinion on the Town of Westerly, Rhode Island's compliance based on our audit.

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

As described in item 09-02 in the accompanying schedule of findings and questioned costs, the Town of Westerly, Rhode Island did not comply with requirements regarding allowable costs/cost principles that are applicable to its Special Education Cluster, Title I and Federal Stabilization Grants. Compliance with such requirements is necessary, in our opinion, for the Town of Westerly, Rhode Island to comply with the requirements applicable to these programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the Town of Westerly, Rhode Island complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009. The results of our auditing procedures also disclosed other instances of noncompliance with these requirements, which are required to be reported in accordance with OMB Circular A-133, and which are described in the accompanying schedule of findings and questioned costs as items 09-03.

Internal Control Over Compliance

The management of the Town of Westerly, Rhode Island is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Town of Westerly, 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 Town of Westerly, Rhode Island's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and others that we consider to be material weaknesses.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 09-02 and 09-04 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider item 09-02, to be a material weakness.

The Town of Westerly, Rhode Island's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Town of Westerly, 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 Town Council, the School Committee, the State of Rhode Island Auditor General, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Bacm & Company, d.d.C

Warwick, Rhode Island
March 1, 2010

TOWN OF WESTERLY, RHODE ISLAND
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2009

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs

<i>CFDA Number</i>	<i>Name of Program or Cluster</i>
84.027A	<i>Special Education Cluster – IDEA</i>
84.173A	<i>Special Education Cluster – Preschool</i>
84.010A	<i>Title I</i>
84.394	<i>Federal Stabilization</i>
10.555	<i>Child Nutrition Cluster – National School Lunch Program</i>
10.553	<i>Child Nutrition Cluster – National School Breakfast Program</i>
93.243	<i>Strategic Planning Framework State Incentive Grant</i>
20.205	<i>Highway Planning and Construction</i>

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

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

TOWN OF WESTERLY, RHODE ISLAND
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2009

SECTION II – FINANCIAL STATEMENT FINDINGS

Capital Assets

09-01 Significant Deficiency - The Town does not have policies and procedures in place to properly account for the Town's construction in progress, capital assets, accumulated depreciation and depreciation expense. The Town is not accounting for the capital assets on a perpetual basis and only updates the detail schedule of capital assets after year-end. The Town also does not have procedures in place to account for the disposal of capital assets and does not perform a physical inventory of the Town's capital assets. As a result of the Town's lack of policies and procedures, we had to propose several material audit adjustments to correct errors and add omitted assets from the Town's capital asset schedules. The Town is accounting for the capital assets on an Excel spreadsheet and we noted several errors in the formulas calculating depreciation expense and various totals.

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

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

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

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

Management's Response - In December 2009, The Town of Westerly established procedures for maintaining its capital asset list, which was after the audited fiscal year ended. Twice a year, December 31st and June 30th, capital assets lists are sent to each department. The departments update the list and return them to the Finance Department. In addition, the Town Accountant reviews the general ledger for possible additions to the capital assets list, and department heads will be contacted if potential item has been found which was not picked up during the bi-annual inventory update. The Town Accountant reviews the Town Council-approved Resolutions and the Accounts Payable files for any "Construction in Progress" reports. This allows up-to-date information on the contract amounts, and any changes in orders or payments. The information from this review is an additional step for construction in progress items.

TOWN OF WESTERLY, RHODE ISLAND
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2009

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Program: Special Education Cluster - IDEA and Preschool; Title I; Federal Stabilization
Agency: U.S. Department of Education
Pass-through: R.I. Department of Education
CFDA Number: 84.027; 84.173; 84.010; 84.394

09-02 Criteria - Attachment B of OMB Circular A-87 “*Cost Principles for State, Local, and Indian Tribal Governments*” states that wages, salaries and fringe benefits charged to federal awards are allowable only to the extent that they are determined and documented as provided in Section 8(h). Specifically, where employees work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications must be prepared semi-annually and signed by the employee or supervisory official having first hand knowledge of the work performed by the employee. Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation. Personnel activity reports or equivalent documentation must reflect after-the-fact distribution of the actual activity of the employee and must account for the total activity for which the employee was compensated. Personnel activity reports must be prepared at least monthly and must coincide with one or more pay periods. Finally, personnel activity reports must be signed by the employee. Budget estimates or other distribution percentages determined before the services are performed **do not qualify** as support for the charges to Federal awards.

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

Questioned Costs - None

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

TOWN OF WESTERLY, RHODE ISLAND
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2009

Management's Response - As you note, the School Department did, during 2009, establish "procedures to ensure compliance with time certification and documentation requirements." We believe that these procedures meet the requisites of Attachment B of OMB Circular A-87, including Section 8(h) thereof, and you have not suggested otherwise. We have prepared time certifications for employees charged to the Special Education Cluster grants since May 1, 2009, and we will continue to do so. We will apply these requirements to employees paid under the State Fiscal Stabilization Fund, in whole or in part, for 2010 as well. We will continue to insist that periodic certifications - and, where appropriate, personal activity reports - be prepared for employees charged to the Title I grant also. The failure to have a certification in place for one Title I employee for the period April 1, 2009 through June 30, 2009 was an isolated incident, and we will, in the future, take all reasonable steps to assure full and uniform compliance with this requirement by all employees to whom the requirement applies. In this regard, we will conduct a periodic sample review and informal audit of pertinent documentation as to employees paid in whole or in part under these grants, and we will address promptly any issues which arise from them.

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

09-03 Criteria - For a child to be eligible for free or reduced lunch benefits the child must be directly certified or the household must submit a complete application and be determined to be either categorically eligible or income eligible. The certifying school official must verify the application is complete, determine eligibility and approve the application.

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

Questioned Costs - None

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

TOWN OF WESTERLY, RHODE ISLAND
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2009

Management's Response - You detected fifteen (15) applications for free or reduced price lunch which lacked certain requested information. We are meeting with responsible staff members regarding the procedure used to review the applications. We have reiterated to them the importance of careful and meticulous scrutiny of these documents. We have also directed them to review the allowed applications on file for the current academic year for completeness and for compliance as well. My office will conduct its own sample audit of these documents this spring, and we have so notified responsible staff members. Hopefully, this will enhance our compliance with this requirement substantially.

Program: Highway Planning and Construction
Agency: U.S. Department of Transportation
Pass-through: R.I. Department of Transportation
CFDA Number: 20.205

09-04 Criteria - The Davis-Bacon Act requires contractors or subcontractors on construction contracts in excess of \$2,000 financed by federal assistance funds to submit to the contracting entity, payroll records and a statement of compliance with the Davis-Bacon requirements. The contracting entity is responsible for notifying the contractors of the requirement to comply with the Davis-Bacon Act.

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

Questioned Costs - None

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

Management's Response - The Finance Department Staff members as well as Town Planner attended a seminar sponsored by RIDOT on February 17, 2010. The seminar went over the procedures and requirements for Federally-funded projects. The seminar included the requirement for Davis Bacon prevailing wages. The instructor explained that the Town must receive a copy of the certified payroll from the contractors for each contract. The Town Accountant has already communicated this to the Town Engineer. The Town Accountant also recommended that the Town Planner review the procedures with the Town Planner.

TOWN OF WESTERLY, RHODE ISLAND
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2009

Program: Special Education Cluster - IDEA and Preschool
Agency: U.S. Department of Education
Pass-through: R.I. Department of Education
CFDA Number: 84.027; 84.173

08-01 Criteria - Attachment B of OMB Circular A-87 “*Cost Principles for State, Local, and Indian Tribal Governments*” states that wages, salaries and fringe benefits charged to federal awards are allowable only to the extent that they are determined and documented as provided in Section 8(h). Specifically, where employees work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications must be prepared semi-annually and signed by the employee or supervisory official having first hand knowledge of the work performed by the employee. Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation. Personnel activity reports or equivalent documentation must reflect after-the-fact distribution of the actual activity of the employee and must account for the total activity for which the employee was compensated. Personnel activity reports must be prepared at least monthly and must coincide with one or more pay periods. Finally, personnel activity reports must be signed by the employee. Budget estimates or other distribution percentages determined before the services are performed **do not qualify** as support for the charges to Federal awards.

Condition - Employees charged to the Special Education Cluster did not complete the time certifications required by Attachment B of OMB Circular A-87 for fiscal year 2008.

School Department employees charged to Federal grants who worked on multiple cost objectives did not complete the required personnel activity reports for fiscal year 2008.

Questioned Costs - None

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

Current Status - The Westerly School Department implemented a system to track time and effort required certifications and personal activity reports. The system for employees charged to the Special Education Cluster however, was not implemented until May 2009.

TOWN OF WESTERLY, RHODE ISLAND

Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended June 30, 2009

<i>Federal Grantor/ Pass-Through Grantor/ Program Title</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Federal Expenditures</i>
<i>U.S. Department of Agriculture</i>			
Passed through R.I. Department of Education			
<i>Child Nutrition Cluster:</i>			
National School Lunch Program	10.555	N/A	\$ 341,939
National School Breakfast Program	10.553	N/A	94,155
Food Distribution	10.550	N/A	48,769
<i>Total U.S. Department of Agriculture</i>			<u>484,863</u>
<i>U.S. Department of Housing and Urban Development</i>			
Passed through the Rhode Island Division of Planning Office of Housing and Community Development			
Community Development Block Grant-2007	14.228	07/36/26	161,340
Community Development Block Grant-2006	14.228	06/36/25	61,764
Community Development Block Grant-2005	14.228	05/36/24	164,212
Community Development Block Grant-2008	14.228	08/36/27	196,708
<i>Total U.S. Department of Housing and Urban Development</i>			<u>584,024</u>
<i>U.S. Department of Justice</i>			
Direct Program			
Federal Seized Assets	16.000	N/A	35,406
<i>Total U.S. Department of Justice</i>			<u>35,406</u>
<i>U.S. Department of Transportation</i>			
Passed through the R.I. Department of Transportation			
Speed	20.600	N/A	2,595
Alcohol	20.601	N/A	6,268
Highway Planning and Construction	20.205	N/A	482,916
<i>Total U.S. Department of Transportation</i>			<u>491,779</u>

(Continued)

TOWN OF WESTERLY, RHODE ISLAND
Schedule of Expenditures of Federal Awards (Continued)
For the Fiscal Year Ended June 30, 2009

<i>Federal Grantor/ Pass-Through Grantor/ Program Title</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Federal Expenditures</i>
<i>U.S. Department of Education</i>			
Passed through R.I. Department of Education			
Title I	84.010A	1420-51600-901	421,124
<i>Special Education Cluster (IDEA):</i>			
Special Education - IDEA Part B	84.027A	1430-50500-901	760,095
Special Education - Preschool Grants	84.173A	1430-50800-901	25,319
Special Education - COZ	84.027A	1415-11753-901	5,000
Title IV	84.186A	1420-52900-901	17,815
Even Start	84.213C	1420-51900-901	87,800
Title V - Innovative Ed	84.298A	1420-51000-901	4,114
Federal Stabilization	84.394	N/A	307,232
E2T2MCI	84.318X	1420-53600-930	19,343
Title III	84.365A	1420-54100-901	12,327
Title II - Professional Development	84.367A	1420-54000-901	186,491
Passed through R.I. Department of Education			
Passed through the Chariho Regional School District			
Perkins - Vocational Education	84.048A	9-1440-53200-98-01	<u>30,292</u>
<i>Total U.S. Department of Education</i>			<u><u>1,876,952</u></u>
 <i>U.S. Department of Health and Human Services</i>			
Passed through R.I. Department of Mental Health, Retardation, and Hospitals			
Strategic Planning Framework State Incentive Grant	93.243	N/A	<u>134,124</u>
<i>Total U.S. Department of Health and Human Services</i>			<u><u>134,124</u></u>
 <i>Total Expenditures of Federal Awards</i>			<u><u><u>\$3,607,148</u></u></u>

TOWN OF WESTERLY, RHODE ISLAND
Notes to Schedule of Expenditures of Federal Awards
June 30, 2009

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Town of Westerly, Rhode Island and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations". Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.