

TOWN OF WESTERLY, RHODE ISLAND
Comprehensive Annual Financial Report
For the Fiscal Year Ended
June 30, 2012



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For the Fiscal Year Ended
June 30, 2012

Steven T. Hartford
Town Manager

James Lathrop
Finance Director

Prepared by: Finance Department

INTRODUCTORY SECTION

**THIS SECTION CONTAINS
THE FOLLOWING:**

- **Table of Contents**
- **Letter of Transmittal**
- **Town of Westerly Organizational Chart**
- **List of Town Officials**

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June 30, 2012

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Westerly Rhode Island

Finance Department

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March 1, 2013

To the Citizens of Westerly, Rhode Island

The comprehensive annual financial report of the Town of Westerly, Rhode Island, for the fiscal year ended June 30, 2012, is hereby submitted as mandated by state statute. State laws require that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants licensed to practice in the State of Rhode Island. The Town of Westerly requested and received an extension by the Rhode Island Attorney General.

This report consists of management's representations concerning the finances of the Town of Westerly, Rhode Island. Consequently, management assumes full responsibilities for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the Town of Westerly, Rhode Island has established a comprehensive internal control framework that is designed to both protect the government's accounts from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Town of Westerly's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Town of Westerly's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute assurance that the financial statements will be free from material misstatement. As management, I assert that, to the best of my knowledge and belief, this financial report is complete and reliable in all material respects.

The Town of Westerly's financial statements have been audited by Bacon & Company, LLC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town of Westerly for the fiscal year ended June 30, 2012, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded based upon the audit, that there was a reasonable basis for rendering an unqualified opinion, that the Town of Westerly's financial statement for the fiscal year ended June 30, 2012, are fairly presented in

conformity with GAAP. The independent auditor's report is present as the first component of the financial section of this report.

The independent audit of the financial statements of the Town of Westerly was part of the broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentations of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are included in a separate Single Audit Report.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Town of Westerly's MD&A can be found immediately following the report of the independent auditors.

PROFILE OF THE GOVERNMENT

General

The Town of Westerly, incorporated in 1669, is in the southwest corner of the State of Rhode Island, bounded on the west by the town of Stonington, Connecticut, on the North by the towns of North Stonington, Connecticut and Hopkinton, Rhode Island, on the east by the town of Charlestown, Rhode Island, and on the south by the Atlantic Ocean. Covering 32.5 square miles, Westerly is located approximately 42 miles from Providence, Rhode Island, 60 miles from Hartford, Connecticut, 80 miles from Boston, Massachusetts, and 130 miles from New York City, New York.

The Town has a population of 20,311 (2010 Census) up 1.4% from the 2000 census. In 2009, the Town's median family income was \$52,946, and the median value of owner occupied housing was \$310,000 (source US Census Bureau). Not reflected in the Census statistics is the above average income of the more than 17,000 summer inhabitants of the Town who contribute to the Town's economy, nor the value of vacation homes located along the Town's coastal areas.

Westerly is an economically diverse residential community with a well established commercial base, small pockets of industry and recreational facilities. Due to its many miles of salt water beaches and ocean frontage, the Town is a well known vacation and tourist center, and part of Rhode Island's South County summer vacation area. Stately

summer residences located in the Watch Hill area along with summer cottage colonies located in the Misquamicut, Weekapaug and Shelter Harbor areas of the Town add substantially to the Town's tax base.

Government

The Town of Westerly, established in 1669, operates under a Home Rule Charter adopted in 1968, which provides for a council/manager form of government. The Town Council, comprised of seven members elected at large who each serve two year terms, is vested by the Charter with all legislative powers of the Town, including the ordering of any tax, making appropriations, and transacting any other business pertaining to the financial affairs of the Town. The Charter grants to the Town Council all powers to enact, amend, or repeal ordinances related to the Town's property, affairs, and government. The Council also has the power relating to the Town's property, affairs, and government. The Council also has the power to authorize the issuance of bonds or notes by resolution, subject to approval by a majority of electors voting who are qualified to vote on financial matters of the Town.

The Town Council appoints the Town Manager for an indefinite term solely on the basis of his executive and administrative qualifications and experience. The Town Manager is the chief executive officer and the head of the administrative branch of the Town government. The Town Manager is responsible for carrying out the policies of the Town Council, for overseeing the day to day operations of the Town, and for appointing all other employees, except for School Department personnel.

The Town provides a full range of municipal services including public safety protection, the construction and maintenance of highways, streets and other infrastructure, libraries, recreational activities, planning and zoning, education and administrative services. In addition, the Town operates water, sewer and solid waste utility systems.

The annual budget serves as the foundation for the Town of Westerly's financial planning and control. All departments of the Town are required to submit requests for appropriation and revenue estimates to the Town Manager on or before December 28th of each year. The School Committee submits the proposed school budget by the first Monday of February each year. The Town Manager uses these requests as the starting point for developing a proposed budget. It is the responsibility of the Town Manager to submit a proposed budget for the following fiscal year to the Board of Finance on or before the third Monday of February of each year. The Town Council and Board of Finance hold several budget work sessions to discuss the details of the proposed budget document. The Town council may revise and adopt a preliminary budget not later than the fourth Wednesday in April of each year.

Following adoption of the preliminary budget by the Council, any qualified elector of the Town may circulate and file a petition contesting any of the proposed budget items, within eight (8) days of the publishing of the budget. If no petition is filed by this date, the budget is considered adopted. If there is a petition, a referendum must be held within 35 days of the date the Board of Canvassers validates the signatures on the budget petition.

The appropriated budget is prepared by fund, major program function (e.q., public safety) and department (e.q., police). Department heads may make transfer of appropriation within a department. Transfers with a major program function may be made by the Town Manager, provided that proper notification is given to the town Council.

Budget to actual comparisons are provided in this report for the general fund and the school unrestricted fund on page 64-66 and 110-112

Factors Affecting Financial Condition

The information presented in the financial statement is perhaps best understood when it is considered from the broader perspective of the specific environment within which the Town of Westerly operates.

Local Economy

Westerly was known for its granite and stone-cutting industry, a type of granite, known as Westerly granite, has been and continues to be quarried here. The granite is ideal for statuary, and has been used in numerous government buildings of states along the eastern seaboard.

Along the coast of Westerly lie salt ponds, which serve as shallow reef like pools, whose outer walls form the long, white beaches which the town is renowned for. These ponds, Maschaug Pond, Winnapaug Pond and the Ouocochontaug Pond are assets that the town continues to utilize. They are part of the Rhode Island's growing aquaculture industry. Portions of the ponds are leased to small commercial oyster farms.

With its coastline and beaches, Westerly was always a tourist destination. Despite the down economy, investment in Westerly continues. In 2010, the Ocean House's \$146 million dollar renovation was completed and it opened its door for business. The nearby Weekapaug Inn, closed in 2005, completed a \$25 million dollar renovation and opened in September 2012.

Being recognized as one of the Country's top new golf facilities, the Shelter Harbor Golf club was opened in 2005. This is just one of multiple public and private golf courses located in Westerly. Other recreation facilities include two yacht clubs, and several marinas and boat yards. The Westerly YMCA, located downtown, is near completion of a \$6.5 million renovation, and in 2011 started operating a downtown outdoor ice skating rink, funded with nearly \$1 million of private donations. The Westerly Public Library recently completed an \$8 million dollar renovation which was funded primarily with private donations.

Westerly is home to the Westerly State Airport, a 321 acre facility that has more than 25,000 annual flights (averaging over 60 per day), and is also home to an Amtrak Station.

Westerly just completed a \$30 million renovation of its high school. This was after building a \$28 million dollar middle school in 2006, a new \$12 million police station in 2007 and \$5 million public works facility in 2008. The town has started to study the needs and current conditions of its elementary schools.

In October 2012 the Misquamicut area of Westerly suffered damage due to Super Storm Sandy. The Cost to the Town for recovery and repairs to this area is estimated to be in the range of \$3 million dollars. The town expects FEMA to reimburse 75% of this cost. Besides the damage to town property, there was substantial damage to the area homes and businesses. Property owners are currently rebuilding and the community has banded together to raise funds to insure the reestablishment of the popular beach area.

Pension and other postemployment benefits

Unlike most municipalities Westerly has moved away from defined benefit type pensions. Most town employees participate in a defined contribution (401 type) plan. There are only two groups, police and teachers, which still have defined benefit plans.

Teachers participate in the State plan. In November 2011, the State of Rhode Island passed major changes to this plan. Among the changes is the creation of a hybrid program with both defined benefit and defined contribution components. This legislation also changed the required length of service.

The police are in a town managed defined benefit plan. Assets are professionally managed. This pension is currently funded at 64%. The town will look at changes made to the state plan, and look to implement some of ideas into its plan. The town has for the past two years and plans to continue to fund the Annual Required Payment (ARC) at 100%.

Westerly has an OPEB obligation of \$13 million, related to past and grandfathered employees. OPEB funds were previously part of the pension funds but now have been segregated. The OPEB is 24% funded.

Other

Westerly believes in transparency and the accountability it inspires. This is the second year that the town's annual audit is presented in the form of a Comprehensive Annual Financial Report. The town has redesigned its monthly budget reports and started posting them, its non payroll check register, and pension actuary reports on its Town website. For FY 2012 Westerly combined the role of Town and School Finance Director position, and continues to look at other areas to combine services and expand report on its activities to the public.

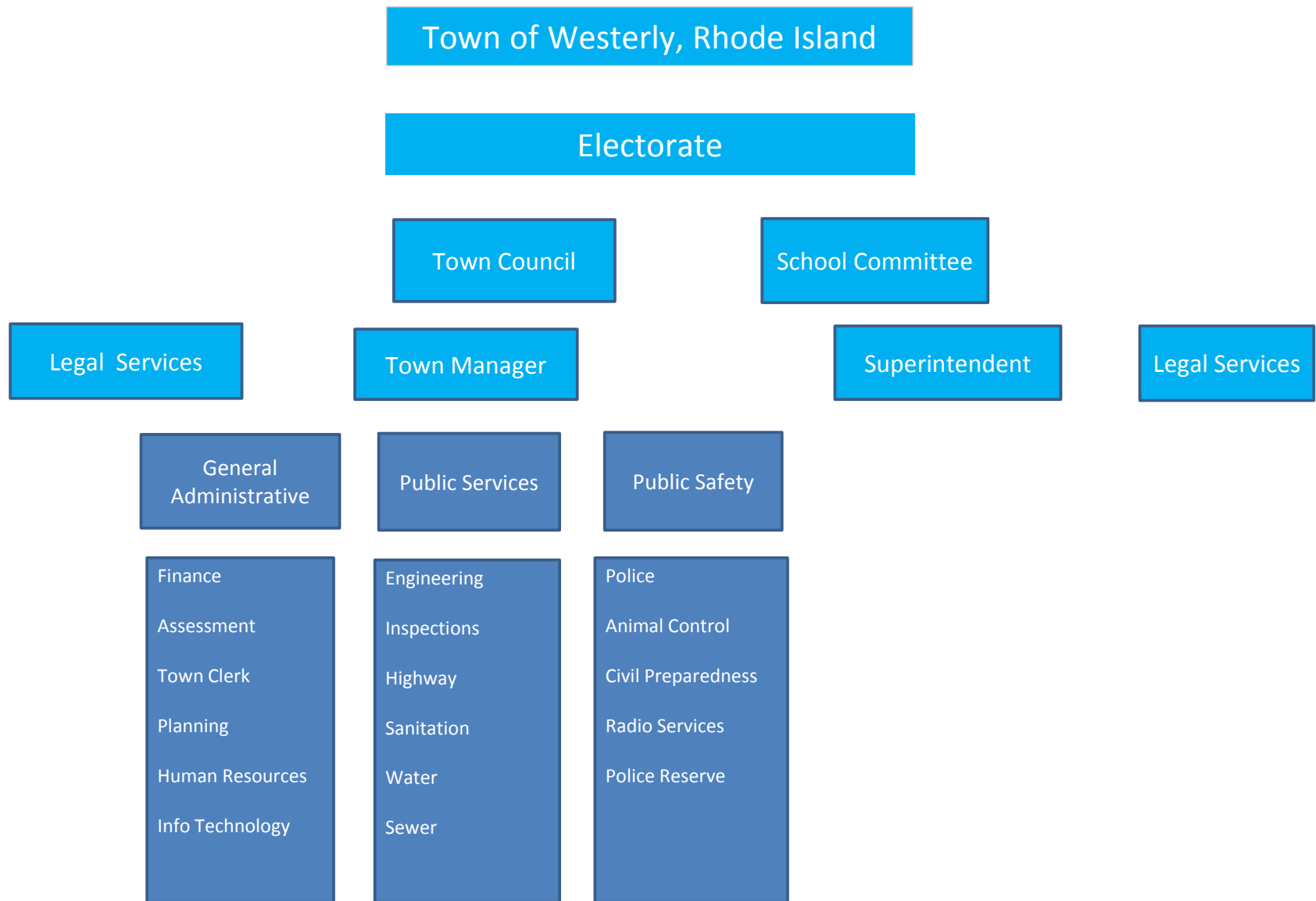
The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the finance department. We would like to express our appreciation to all members of the department. Credit must also be give to the Town Council and its President, and the School Committee and its Chairman, for the unfailing support for achieving and maintaining the highest standards of professionalism in the management of the Town of Westerly's finances.

Respectfully submitted,

Steven T. Hartford
Town Manager

Roy M. Seitsinger, Jr., PhD
School Superintendent

James Lathrop, CPA
Director of Finance



Town of Westerly, Rhode Island
Listing Elected and Appointed Officials
Fiscal Year Ended June 30, 2012

Elected

Town Council President

Diana L. Serra

School Committee Chair

David Patten Jr.

Town Council Vice President

Kenneth Parilla

School Committee Vice Chair

James E. Murano Jr.

Councilors

John P. Carson Sr.

Caswell Cooke, Jr.

Christopher A. Duhamel

Patricia A. Douglas

Andrew M. Gencarelli

Committee Members

Gina Fuller

Mario Ceilco

D. Jay Goodman

Diane Bowdy

Mary Raftery

Appointed

Town Manager

Superintendent of Schools

Director of Finance

Town Solicitor

School Solicitor

Town Clerk

Police Chief

Director of Public Works

Town Planner

Town Engineer

Utilities Superintendent

Director of Recreation

Assessor

Zoning Official

Acting Tax Collector

Steven T. Hartford

Dr. Roy Seitsinger

James L. Lathrop

Michelle A. Buck

Jon Lallo

Donna L. Giordano, MMC

Edward St. Clair

Peter Chiaradio

Marilyn Shellman

Paul La Blanc

Paul Corina

Paul Duffy

Charles E. Vacca

Elizabeth Burdick

Kathy Damicis

FINANCIAL SECTION

THIS SECTION CONTAINS THE FOLLOWING:

- **Independent Auditor's Report**
- **Management Discussion and Analysis**
- **Basic Financial Statements**
- **Required Supplementary Information**
- **Other Supplementary Information**

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Westerly, Rhode Island, as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Town of 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 previously 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, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 2013 on our consideration of the Town of Westerly, Rhode Island's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information and supplementary pension and other postemployment benefit information on pages 3 through 12 and 61 through 71 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Westerly, Rhode Island's basic financial statements. The combining nonmajor fund financial statements, the combining fiduciary fund financial statements and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements, the combining fiduciary fund financial statements and other supplementary information are fairly stated in all material respects in relation to the financial statements as a whole.

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 introductory and statistical sections are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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

Warwick, Rhode Island
March 1, 2013

TOWN OF WESTERLY, RHODE ISLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2012

As 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, 2012. We encourage the reads to consider the information presented here in conjunction with the letter of transmittal on pages i-vi of this report as well as the Town's basic financial statement that follow this section.

Financial Highlights

- The assets of the Town of Westerly exceeded its liabilities at the close of the most recent fiscal year by \$120,923,514. Of this amount \$15,427,201 is unrestricted and may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's net assets increased by \$1,098,623.
- As of the close of the current fiscal year, the Town of Westerly's governmental funds reported combined ending fund balances of \$15,383,561. Approximately 31.4% of the ending fund balance, \$4,823,203 is unassigned and available for use within the Town's designation and fiscal policies.
- At the end of the current fiscal year, the General Fund's unassigned fund balance was \$7,117,101, or 8.9% of the total General Fund budgeted expenditures for the 2013 fiscal year. The current fiscal year's General Fund expenditures and transfers exceeded revenues by \$1,023,181 on a GAAP basis and by \$17,821 on a budgetary basis.
- The Town's total bonded debt decreased by \$4,310,000 (7.2%) during the current fiscal year.

Overview of the Financial Statements

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

1. Government-Wide Financial Statements
2. Fund Financial Statements
3. Notes to the Financial Statements

This report also contains other supplementary information in addition to the basic financial statements themselves.

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 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. The government-wide financial statements are designed to provide readers with board overview of the Town's finances in a manner similar to a private-sector business.

The statement of net assets present information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increase 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 showing how the Town's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as 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 future fiscal periods. Examples are uncollected taxes and earned but unused compensated absences.

Both of the government-wide financial statement distinguish functions of the Town of Westerly that are principally supported by taxes and intergovernmental revenue (governmental activities) from other functions that are intended to recover all or a significant portion of their cost through user fees and charges (business-type activities). The government activities of the Town include general government, public safety, streets and highways, libraries, education and recreation. The business-type activities of the Town include a 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 of Westerly, 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 three categories, governmental funds, proprietary funds, and fiduciary 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 near-term inflows and outflows 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 statement, 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 fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town of Westerly maintains individual 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 Bond Fund, and Capital Project Fund, which are considered to be major funds. Data from the other governmental 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 included in the other supplementary information.

The Town of Westerly adopts an annual appropriated budget for its General Fund and school fund. Budgetary comparison schedules have been provided for the General Fund and school fund to demonstrate compliance with this budget.

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 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 2001.

The Town's internal service funds represent an accounting device used to accumulate and allocate cost 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 present on pages 19-22.

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 statement can be found on pages 23-24.

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 statement are presented on page 25-60.

Other Information. In addition to the basis financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town of Westerly.

Required Supplementary information is presented on pages 61-71.

The combining statements referred to earlier in connection with non major governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 72-81.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town of Westerly, assets exceeded liabilities by \$120,923,514 as of June 30, 2012.

TOWN OF WESTERLY, RHODE ISLAND NET ASSETS

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and Other Assets	\$29,723,430	\$35,329,285	\$6,497,719	\$7,295,535	\$36,221,149	\$42,624,820
Capital Assets	156,293,309	148,999,898	37,620,451	36,853,769	193,913,760	185,853,667
Total Assets	<u>186,016,739</u>	<u>184,329,183</u>	<u>44,118,170</u>	<u>44,149,304</u>	<u>230,134,909</u>	<u>228,478,487</u>
Current Liabilities	17,088,762	25,444,858	1,367,594	1,246,919	18,456,356	26,691,777
Long-term Liabilities	83,575,213	74,007,291	7,179,826	7,954,528	90,755,039	81,961,819
Total Liabilities	<u>100,663,975</u>	<u>99,452,149</u>	<u>8,547,420</u>	<u>9,201,447</u>	<u>109,211,395</u>	<u>108,653,596</u>
Net Assets:						
Invested in capital assets						
net of related debt	71,011,628	70,008,175	30,194,723	28,728,337	101,206,351	98,736,512
Restricted	4,289,962	5,596,748	-	-	4,289,962	5,596,748
Unrestricted	10,051,174	9,272,111	5,376,027	6,219,520	15,427,201	15,491,631
Total Net Assets	<u>85,352,764</u>	<u>84,877,034</u>	<u>35,570,750</u>	<u>34,947,857</u>	<u>120,923,514</u>	<u>119,824,891</u>

The largest portion of the Town's net assets (84%) is its investment in capital assets (e.g. land, buildings, infrastructure, machinery and equipment); less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide service to citizens; consequently, these assets are not available for future spending. Although the Town's investment in capital assets is report net of related debt, it should be noted that the resources to repay this debt must be provided from other sources, since the capital asset cannot be used to liquidate these liabilities.

An additional portion of the Town's net assets, \$4,289,962, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets \$15,427,201, may be used to meet the government's ongoing obligations to its citizens and creditors.

At the end of the current fiscal year, the Town of Westerly is able to report positive balance in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

The Town's net assets increased by \$1,098,623 during the current fiscal year. Of this amount governmental activities accounted for \$475,730 the increase while business-type activities accounted for a \$622,893.

Governmental Activities. Governmental activities increased the Town's net assets by, \$475,730, thereby accounting for 43% of the total increase in net assets of the town.

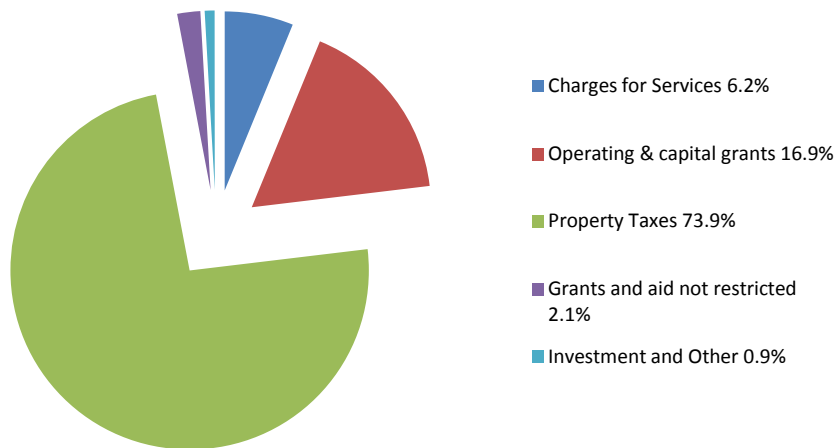
TOWN OF WESTERLY, RHODE ISLAND

CHANGES IN NET ASSETS

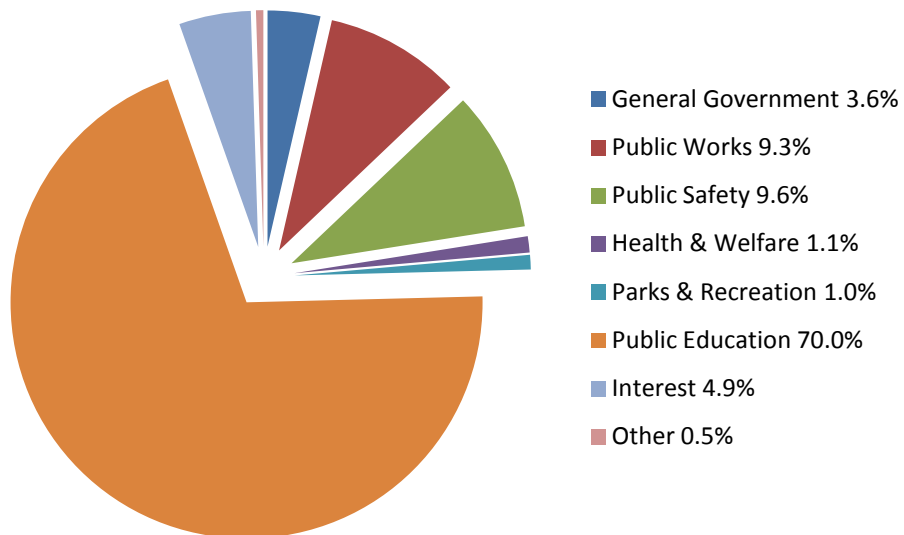
For the Fiscal Years ending June 30, 2012, and 2011

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues						
Program Revenues						
Charges for Services	\$5,362,715	\$ 5,365,732	\$ 7,558,475	\$ 7,887,108	\$ 12,921,190	\$ 13,252,840
Operating grants & contributions	14,632,146	12,570,266	-	1,568	14,632,146	12,571,834
Capital Grants and contributions	577,744	735,857	385,000	-	962,744	735,857
General Revenues						
Property Taxes	64,031,797	63,296,907	-	-	64,031,797	63,296,907
State aid not restricted for a specific purpose	1,841,526	1,801,556	-	-	1,841,526	1,801,556
Investment Earnings	33,906	157,636	2,049	6,814	35,955	164,450
Miscellaneous	<u>127,607</u>	<u>129,642</u>	<u>-</u>	<u>-</u>	<u>127,607</u>	<u>129,642</u>
Total Revenues	86,607,441	84,057,596	7,945,524	7,895,490	94,552,965	91,953,086
Expenses						
General Government	3,112,646	2,781,707	-	-	3,112,646	2,781,707
Public Works	7,954,858	9,985,135	-	-	7,954,858	9,985,135
Public Safety	8,214,392	8,240,563	-	-	8,214,392	8,240,563
Health & Welfare	944,618	802,416	-	-	944,618	802,416
Conservation & Development	66,841	61,603	-	-	66,841	61,603
Parks & recreation	855,819	851,085	-	-	855,819	851,085
Planning & Zoning	328,874	317,731	-	-	328,874	317,731
Public Education	59,863,127	56,373,765	-	-	59,863,127	56,373,765
Interest	4,161,148	3,001,369	-	-	4,161,148	3,001,369
Water Fund	-	-	4,126,250	5,107,553	4,126,250	5,107,553
Sewer Fund	-	-	3,549,839	3,390,936	3,549,839	3,390,936
Beach Fund	<u>-</u>	<u>-</u>	<u>275,930</u>	<u>263,071</u>	<u>275,930</u>	<u>263,071</u>
Total Expenses	85,502,323	82,415,374	7,952,019	8,761,560	93,454,342	91,176,934
Increase in net assets before transfers	1,105,118	1,642,222	(6,495)	(866,070)	1,098,623	776,152
Transfers	<u>(629,388)</u>	<u>(640,824)</u>	<u>629,388</u>	<u>640,824</u>	<u>-</u>	<u>-</u>
Increase (Decrease) in net assets	475,730	1,001,398	622,893	(225,246)	1,098,623	776,152
Net assets July 1, 2011, as restated	84,877,034	83,875,636	34,947,857	35,173,103	119,824,891	119,048,739
Net Assets June 30, 2012	\$ 85,352,764	\$ 84,877,034	\$ 35,570,750	\$ 34,947,857	\$120,923,514	\$ 119,824,891

2012 Governmental Activities Revenue



2012 Governmental Activities Expenses



Business-type Activities - Net assets in business type activities increased by \$622,893, resulting in a 1.8% increase in business-type assets.

Charges for services for business-type activities accounted for 95% of the total revenue sources. The balance of revenues for business-type activities was from operating grants and contributions and investment income.

The total expenses within the business-type activities of the Town include the following: Water Fund 51.9%, wastewater treatment 44.6% and Beach Fund 3.5%.

Financial Analysis of the Town of Westerly's Funds

As noted earlier, the Town of Westerly uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

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, unassigned fund balance may serve as a useful measure of a government'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 a combined ending fund balances of \$15,383,561. Approximately 31.4% is available for spending at the government's discretion within the Town's total Fund Balance. The remaining fund balance of \$10,560,358 included \$3,758,534 of Restricted and Committed Fund Balance for Capital Projects, \$785,000 assigned to the 2013 budget, \$1,424,796 nonspendable for prepaid items, and \$4,592,028 restricted, and committed to specific programs.

The General Fund is the chief operating fund of the Town of Westerly. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$7,117,101 while total fund balance reached \$13,362,572. As a measure of the General Fund's liquidity it may be useful to compare both unassigned fund balance and total fund balance to total General Fund budgeted expenditures. Unassigned fund balance represents 8.9% of the 2013 FY Adopted General Fund Expenditure Budget. While total fund balance represents 16.6% of that same amount.

Key Factors in the change of the Town's Governmental Fund Balances

The major factor impacting Westerly's Governmental Fund balances was from the Road Improvement Fund. This fund operated at deficit of (\$2,285,241) and had a negative fund balance of (\$2,285,241) on June 30, 2012.

The School Restricted fund balance of \$3,812,873 of which \$1,000,000 has been committed to the 2013 FY budget, additionally \$91,750 is committed to liquidate contracts and purchase orders of the prior year. There is \$345,000 designated for maintenance, capital, and contingencies.

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

Unrestricted net assets in the water fund at the end of the fiscal year amounted to \$2,743,233, unrestricted net assets in the sewer fund were \$2,650,489 and the balance in the beach fund was \$(17,695).

General Fund Budgetary Highlights

Overall the Town of Westerly, Rhode Island finished the 2011-2012 fiscal year with a budgetary deficit of \$(17,821).

Major General Fund Revenue Factors:

General Property Taxes - Property taxes are the largest single revenue source for the General Fund and account for 88.7% of total revenues. The town budgeted current property tax at 98.0% collection rate, while the actual collection rate was at approximately 96.2%. The weak economy impacted tax collections.

Intergovernmental Revenues - The Town receives a portion of revenue from Meals and Hotel Tax collected by local establishments and remitted to the State of Rhode Island. Despite the weak economy, the addition of new business, and a good summer trade, more than offset this and is the main reason that the Town collected \$151,131 more than budgeted for Intergovernmental Revenues.

Licenses and Permits - The economy and downturn in new residential construction resulted in this item being under budget by \$53,727.

Interest on Investments - Lower interest rates and an increased demand for compensating balances to offset bank fees resulted in significantly lower interest income. This item was \$87,331 under budget.

Solid Waste Revenues - Transfer station receipts were under budget by \$252,282. This is due to weaker economy and decreased volumes of demolitions from construction and renovations, and increased efforts towards recycling. The reduction in revenue was partial offset by reduced expenditures in dumping fees at Rhode Island Resource Recovery.

Major Expenditure Factors:

Education Expense account for approximately 61.8% of the total expenditures within the General Fund of the Town of Westerly. Public Safety 6.4%, Public Works 6.8%, and General Government 9.3%. The other major expense is debt service which accounts for 12.2%.

Capital Assets and Debt Administration

Capital Assets - The Town of Westerly's in capital assets for its governmental and business-type activities as of June 30, 2012 amounts to \$193,913,760 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, infrastructure, and construction in progress.

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

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 12,095,021	\$ 11,879,126	\$ 5,930,455	\$ 5,930,455	\$ 18,025,476	\$ 17,809,581
Buildings and Improvements	87,082,994	61,285,483	10,239,507	10,037,457	97,322,501	71,322,940
Construction in Progress	2,157,959	21,220,842	1,221,766	224,683	3,379,725	21,445,525
Mains, well, pumps and hydrants	-	-	10,716,990	10,898,997	10,716,990	10,898,997
Tanks and Structures	-	-	9,221,360	9,405,361	9,221,360	9,405,361
Motor Vehicles	2,095,414	2,542,338	-	-	2,095,414	2,542,338
Furniture & Equipment	1,893,022	1,492,354	290,373	356,816	2,183,395	1,849,170
Infrastructure	50,920,957	50,495,144	-	-	50,920,957	50,495,144
Software	47,942	84,611	-	-	47,942	84,611
Total	\$156,293,309	\$ 148,999,898	\$ 37,620,451	\$ 36,853,769	\$ 193,913,760	\$ 185,853,667

Major Capital Asset events during the current fiscal year included:

- High School Renovation Project
- Fleet Upgrades and Replacements
- Road Improvements

Debt Administration - At the end of the current fiscal year, the Town of Westerly had total bonded debt outstanding of \$55,500,000, entirely backed by the full faith and credit of the Town and \$884,240 of capital leases and \$35,193,587 loans payable.

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

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
General Obligation Bonds Payable	\$ 53,710,000	\$ 57,875,000	\$ 1,790,000	\$ 1,935,000	\$ 55,500,000	\$ 59,810,000
Capital Leases Payable	860,400	776,135	23,840	-	884,240	776,135
Loans Payable	29,411,562	15,351,000	5,782,025	6,370,864	35,193,587	21,721,864
	\$ 83,981,962	\$ 74,002,135	\$ 7,595,865	\$ 8,305,864	\$ 91,577,827	\$ 82,307,999

State statutes limit the amount of general obligation bonded debt a town can issue to 3 percent of net assessed property values. However, all bonds approved through State enabling legislation and voter referendums are exempt from the limit. As of June 30, 2012, the Town had a debt limit of \$185,610,133.

In May 2012 the Town of Westerly was rated as part of Bond Refunding. Standard and Poor's rated the Town of Westerly's credit rating at AA/Stable. Moody's Investors Service rated the Town at Aa2.

Economic Factors and Next Year's Budget and Rates

The Town of Westerly's total General Fund budget for fiscal year 2013 amounts to \$80,326,734, which reflects an increase of \$3,846,249 (5.0%) over the fiscal 2012 budget. Of the Town's \$80,326,734 budget, \$ 49,922,844 or 62% is budgeted for Westerly Public Schools. The Town is budgeted to receive \$6,250,604 from the State of Rhode Island for Aid to Education.

The Town's tax rate for fiscal year 2012 is \$9.74 versus \$9.73 for fiscal year 2013. The Town was able to maintain the tax rate with an increase in budget, due to growth in grand list, improved collection rates, and increased revenues from other sources.

The Town's debt service will remain level, until 2016 when the Town will see significant reductions. The primary cause of this increase is recently issued debt related to the High School renovation.

The Town is the first Rhode Island community to combine the Town and School Finance Director position. The Town and School continue to find ways to share services to reduce overall cost.

Request for Information: This financial report is designed to provide a general overview of the Town of Westerly's finances for all those with an interest in the town's finances. Questions concerning any of the information provided in this report or request for additional information should be addressed to the Office of the Finance Director, Town Hall 45 Broad Street, Westerly, RI 02891.

James L. Lathrop, CPA
Finance Director

BASIC FINANCIAL STATEMENTS

THE BASIC FINANCIAL STATEMENTS INCLUDE:

Government-Wide Financial Statements

Fund Financial Statements:

- **Governmental Funds**
- **Proprietary Funds**
- **Fiduciary Funds**

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

TOWN OF WESTERLY, RHODE ISLAND

Statement of Net Assets

June 30, 2012

	<i>Governmental Activities</i>	<i>Business-Type Activities</i>	<i>Total</i>
Assets:			
Current assets:			
Cash and cash equivalents	\$ 19,351,237	\$ 3,927,553	\$ 23,278,790
Real estate, personal property and sewer tax receivable	3,843,334	-	3,843,334
Water and sewer use and assessments	-	2,119,083	2,119,083
Due from federal and state governments	3,343,279	94,178	3,437,457
Other receivables	796,677	40,493	837,170
Internal balances	188,062	(188,062)	-
Inventory	-	158,253	158,253
Other assets - net	1,424,796	-	1,424,796
Total current assets	<u>28,947,385</u>	<u>6,151,498</u>	<u>35,098,883</u>
Noncurrent assets:			
Sewer assessment receivable	-	210,734	210,734
Capital assets:			
Land	12,095,021	5,930,455	18,025,476
Depreciable property, plant and equipment - net	142,040,329	30,468,230	172,508,559
Construction in progress	2,157,959	1,221,766	3,379,725
Other assets - net	776,045	135,487	911,532
Total noncurrent assets	<u>157,069,354</u>	<u>37,966,672</u>	<u>195,036,026</u>
Total assets	<u>186,016,739</u>	<u>44,118,170</u>	<u>230,134,909</u>
Liabilities:			
Current liabilities:			
Accounts payable and accrued liabilities	2,005,119	479,497	2,484,616
Accrued interest payable	1,335,466	77,478	1,412,944
Unearned revenue	54,163	-	54,163
Claims payable	762,770	-	762,770
Compensated absences payable	130,082	35,145	165,227
Bond anticipation note payable	6,500,000	-	6,500,000
Long-term debt - due within one year	6,301,162	775,474	7,076,636
Total current liabilities	<u>17,088,762</u>	<u>1,367,594</u>	<u>18,456,356</u>
Noncurrent liabilities:			
Unearned revenue	-	210,734	210,734
Compensated absences payable	1,689,164	141,198	1,830,362
Net other post-employment benefit obligations	1,360,053	-	1,360,053
Net pension obligation	2,211,952	-	2,211,952
Long-term debt - due in more than one year	78,314,044	6,827,894	85,141,938
Total noncurrent liabilities	<u>83,575,213</u>	<u>7,179,826</u>	<u>90,755,039</u>
Total liabilities	<u>100,663,975</u>	<u>8,547,420</u>	<u>109,211,395</u>
Net Assets:			
Invested in capital assets, net of related debt	71,011,628	30,194,723	101,206,351
Restricted for:			
Special projects and programs	4,289,962	-	4,289,962
Unrestricted	10,051,174	5,376,027	15,427,201
Total net assets	<u>\$ 85,352,764</u>	<u>\$ 35,570,750</u>	<u>\$ 120,923,514</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, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
Legislative, judicial and general administrative	\$ 3,112,646	\$ 1,072,310	\$ 27,629	\$ -	\$ (2,012,707)	\$ -	\$ (2,012,707)
Public works	7,954,858	2,230,461	1,793,190	174,394	(3,756,813)	-	(3,756,813)
Public safety	8,214,392	236,944	92,971	19,000	(7,865,477)	-	(7,865,477)
Health and welfare	944,618	-	131,967	-	(812,651)	-	(812,651)
Conservation and development	66,841	22,512	-	-	(44,329)	-	(44,329)
Parks and recreation	855,819	176,045	-	-	(679,774)	-	(679,774)
Planning and zoning	328,874	62,967	-	-	(265,907)	-	(265,907)
Public education	59,863,127	1,561,476	10,529,193	384,350	(47,388,108)	-	(47,388,108)
Interest on long-term debt	4,161,148	-	2,057,196	-	(2,103,952)	-	(2,103,952)
Total governmental activities	85,502,323	5,362,715	14,632,146	577,744	(64,929,718)	-	(64,929,718)
Business-Type Activities:							
Water fund	4,126,250	4,151,082	-	-	-	24,832	24,832
Sewer fund	3,549,839	3,283,137	-	385,000	-	118,298	118,298
Beach fund	275,930	124,256	-	-	-	(151,674)	(151,674)
Total business-type activities	7,952,019	7,558,475	-	385,000	-	(8,544)	(8,544)
Total	\$ 93,454,342	\$ 12,921,190	\$ 14,632,146	\$ 962,744	(64,929,718)	(8,544)	(64,938,262)
General Revenues:							
Property taxes levied for general purposes					64,031,797	-	64,031,797
State aid and in lieu of taxes not restricted for a specific purpose					1,841,526	-	1,841,526
Investment earnings					33,906	2,049	35,955
Miscellaneous					127,607	-	127,607
Transfers					(629,388)	629,388	-
Total general revenues					65,405,448	631,437	66,036,885
Change in net assets					475,730	622,893	1,098,623
Net assets - beginning of year, as restated					84,877,034	34,947,857	119,824,891
Net assets - end of year					\$ 85,352,764	\$ 35,570,750	\$ 120,923,514

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

TOWN OF WESTERLY, RHODE ISLAND

Balance Sheet
Governmental Funds
June 30, 2012

	General Fund	\$6.5 Million Road Improvements	Other Governmental Funds	Total Governmental Funds
Assets				
Cash	\$ 11,072,401	\$ 4,392,107	\$ 4,067,349	\$ 19,531,857
Property tax receivable	3,843,334	-	-	3,843,334
Due from federal and state governments	1,512,270	-	1,831,009	3,343,279
Other receivables	358,533	-	5,683	364,216
Due from other funds	1,353,741	-	796	1,354,537
Prepaid expenditures	1,424,796	-	-	1,424,796
Total assets	<u>\$ 19,565,075</u>	<u>\$ 4,392,107</u>	<u>\$ 5,904,837</u>	<u>\$ 29,862,019</u>
Liabilities and Fund Balances				
Liabilities:				
Cash overdraft	\$ -	\$ -	\$ 1,342,317	\$ 1,342,317
Accounts payable and accrued expenditures	1,571,481	177,348	256,290	2,005,119
Due to other funds	422,442	-	-	422,442
Deferred revenues	4,078,498	-	-	4,078,498
Accrued compensated absences	130,082	-	-	130,082
Bond anticipation note payable	-	6,500,000	-	6,500,000
Total liabilities	<u>6,202,503</u>	<u>6,677,348</u>	<u>1,598,607</u>	<u>14,478,458</u>
Fund Balances:				
Nonspendable:				
Prepaid expenditures	1,424,796	-	-	1,424,796
Restricted for:				
Education programs	3,812,873	-	60,120	3,872,993
Historical records preservation	-	-	68,779	68,779
Public safety programs	-	-	280,556	280,556
Health and welfare programs	-	-	9,437	9,437
Capital projects	-	-	1,076,249	1,076,249
Other programs	-	-	27,934	27,934
Committed for:				
Town capital projects	-	-	2,682,285	2,682,285
Animal Shelter	-	-	75,260	75,260
Other programs	222,802	-	34,267	257,069
Assigned for:				
2013 budget	785,000	-	-	785,000
Unassigned	7,117,101	(2,285,241)	(8,657)	4,823,203
Total fund balance	<u>13,362,572</u>	<u>(2,285,241)</u>	<u>4,306,230</u>	<u>15,383,561</u>
Total liabilities and fund balances	<u>\$ 19,565,075</u>	<u>\$ 4,392,107</u>	<u>\$ 5,904,837</u>	<u>\$ 29,862,019</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, 2012*

Total Fund Balances - Total Governmental Funds	\$ 15,383,561
 Amounts reported for Governmental Activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet.	156,293,309
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.	178,858
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.	3,845,477
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.	(1,335,466)
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.	290,620
Long-term liabilities (including bonds and loans 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.	(89,243,131)
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.	(633,244)
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>572,780</u>
 Net Assets of Governmental Activities	 <u><u>\$ 85,352,764</u></u>

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

TOWN OF WESTERLY, RHODE ISLAND
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2012

	<i>General Fund</i>	<i>\$6.5 Million Road Improvements</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
Revenues:				
General property taxes	\$ 62,722,274	\$ -	\$ -	\$ 62,722,274
Intergovernmental and department revenues	16,078,189	-	4,467,015	20,545,204
License and permits	433,773	-	-	433,773
Fines and penalties	165,168	-	-	165,168
Interest on investments	27,683	-	6,223	33,906
Other revenues	1,294,637	-	188,300	1,482,937
Total revenues	<u>80,721,724</u>	<u>-</u>	<u>4,661,538</u>	<u>85,383,262</u>
Expenditures:				
Current:				
Legislative, judicial and general administrative	6,485,667	-	40,199	6,525,866
Public works	4,875,216	-	36,534	4,911,750
Public safety	4,436,338	-	114,325	4,550,663
Health and welfare	739,143	-	167,780	906,923
Conservations and development	51,311	-	-	51,311
Parks and recreation	722,607	-	-	722,607
Planning and zoning	226,453	-	-	226,453
Education	53,366,803	-	3,107,234	56,474,037
Capital improvements/restricted programs	1,343,578	2,225,069	10,677,485	14,246,132
Debt Service	9,161,946	-	357,081	9,519,027
Total expenditures	<u>81,409,062</u>	<u>2,225,069</u>	<u>14,500,638</u>	<u>98,134,769</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	<u>(687,338)</u>	<u>(2,225,069)</u>	<u>(9,839,100)</u>	<u>(12,751,507)</u>
Other financing sources (uses):				
Loan proceeds	-	-	14,645,000	14,645,000
Lease proceeds	581,413	-	180,000	761,413
Premium on debt	-	-	200,395	200,395
Transfers from other funds	45,763	-	378,803	424,566
Transfers to other funds	(963,019)	(60,172)	(45,763)	(1,068,954)
Total other financing sources (uses)	<u>(335,843)</u>	<u>(60,172)</u>	<u>15,358,435</u>	<u>14,962,420</u>
Net change in fund balances	(1,023,181)	(2,285,241)	5,519,335	2,210,913
Fund balances - as restated, beginning of year	<u>14,385,753</u>	<u>-</u>	<u>(1,213,105)</u>	<u>13,172,648</u>
Fund balances, end of year	<u><u>\$ 13,362,572</u></u>	<u><u>\$ (2,285,241)</u></u>	<u><u>\$ 4,306,230</u></u>	<u><u>\$ 15,383,561</u></u>

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

TOWN OF WESTERLY, RHODE ISLAND
*Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and
Changes in the Fund Balances to Government-Wide Statement of Activities
For the Year Ended June 30, 2012*

Net Changes in Fund Balances - Total Governmental Funds	\$ 2,210,913
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.	11,944,594
This is the amount of current year depreciation on capital assets.	(4,651,182)
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.	1,309,523
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.	(120,494)
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.	(99,310)
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.	(15,406,413)
This amount represents long-term debt payments.	5,426,586
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.	24,491
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.	(6,875)
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 current year premium received.	(200,395)
This amount represents the current year amortization of bond premium.	42,266
This amount represents current year bond issuance costs.	167,858
This amount represents current year amortization of bond issuance costs.	(47,021)
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.	(118,811)
Change in Net Assets of Governmental Activities	\$ 475,730

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, 2012*

	<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	\$ 1,987,828	\$ 1,958,911	\$ -	\$ 3,946,739	\$ 1,161,697
Accounts receivable:					
Water and sewer use and assessments	1,198,312	920,771	-	2,119,083	-
Other receivables	351	4,092	36,050	40,493	250,231
Inventory	148,419	9,834	-	158,253	-
Due from federal and state government	-	94,178	-	94,178	-
Due from other funds	-	-	-	-	789,475
Total current assets	<u>3,334,910</u>	<u>2,987,786</u>	<u>36,050</u>	<u>6,358,746</u>	<u>2,201,403</u>
Noncurrent assets:					
Sewer assessment receivable	-	210,734	-	210,734	-
Capital assets:					
Land	2,190,615	597,320	3,142,520	5,930,455	-
Buildings and improvements	1,803,502	19,066,052	481,072	21,350,626	-
Mains, wells, pumps and hydrants	12,915,384	4,150,707	-	17,066,091	-
Tanks and structures	4,450,972	9,553,112	-	14,004,084	-
Equipment and machinery	2,695,409	574,583	-	3,269,992	-
Odor control plant	-	1,024,302	-	1,024,302	-
Construction in progress	1,118,486	103,280	-	1,221,766	-
Total capital assets	25,174,368	35,069,356	3,623,592	63,867,316	-
Less accumulated depreciation	(8,720,917)	(17,346,994)	(178,954)	(26,246,865)	-
Net capital assets	16,453,451	17,722,362	3,444,638	37,620,451	-
Other assets	-	122,950	12,537	135,487	203,265
Total noncurrent assets	<u>16,453,451</u>	<u>18,056,046</u>	<u>3,457,175</u>	<u>37,966,672</u>	<u>203,265</u>
Total assets	<u>19,788,361</u>	<u>21,043,832</u>	<u>3,493,225</u>	<u>44,325,418</u>	<u>2,404,668</u>
Liabilities					
Current liabilities:					
Cash overdraft	-	-	19,186	19,186	-
Accounts payable and accrued expenses	317,135	150,276	12,086	479,497	-
Accrued interest payable	-	55,005	22,473	77,478	-
Compensated absences	25,293	9,852	-	35,145	-
Due to other funds	135,352	52,710	-	188,062	1,351,278
Claims payable	-	-	-	-	762,770
Current portion of bonds, loans and lease payable	11,333	618,605	145,536	775,474	-
Total current liabilities	<u>489,113</u>	<u>886,448</u>	<u>199,281</u>	<u>1,574,842</u>	<u>2,114,048</u>
Noncurrent liabilities:					
Unearned revenue	-	210,734	-	210,734	-
Compensated absences payable	113,897	27,301	-	141,198	-
Bonds, loans and lease payable due in more than one year	12,507	5,163,420	1,651,967	6,827,894	-
Total noncurrent liabilities	<u>126,404</u>	<u>5,401,455</u>	<u>1,651,967</u>	<u>7,179,826</u>	<u>-</u>
Total liabilities	<u>615,517</u>	<u>6,287,903</u>	<u>1,851,248</u>	<u>8,754,668</u>	<u>2,114,048</u>
Net Assets					
Investment in capital assets, net of related debt	16,429,611	12,105,440	1,659,672	30,194,723	-
Unrestricted	2,743,233	2,650,489	(17,695)	5,376,027	290,620
Total net assets	<u>\$ 19,172,844</u>	<u>\$ 14,755,929</u>	<u>\$ 1,641,977</u>	<u>\$ 35,570,750</u>	<u>\$ 290,620</u>

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

TOWN OF WESTERLY, RHODE ISLAND
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2012

	<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	\$ 3,898,048	\$ 2,501,699	\$ 124,256	\$ 6,524,003	\$ -
Sewer assessments and taxes	-	521,207	-	521,207	-
Charges for insurance	-	-	-	-	8,749,859
Other revenues	253,034	260,231	-	513,265	706,948
Total operating revenues	<u>4,151,082</u>	<u>3,283,137</u>	<u>124,256</u>	<u>7,558,475</u>	<u>9,456,807</u>
Operating expenses					
Salaries and benefits	1,909,141	600,992	93,087	2,603,220	-
Materials and supplies	612,060	36,614	4,063	652,737	-
Repair and maintenance	620,504	304,562	38,831	963,897	-
Depreciation and amortization	368,301	485,347	24,562	878,210	-
Utilities	269,282	1,967	5,059	276,308	-
Administrative expense	25,040	16,219	1,500	42,759	179,268
Insurance	96,493	31,416	12,892	140,801	-
Claims	-	-	-	-	9,299,414
Contracted services	225,429	1,896,393	-	2,121,822	-
Total operating expenses	<u>4,126,250</u>	<u>3,373,510</u>	<u>179,994</u>	<u>7,679,754</u>	<u>9,478,682</u>
Operating income (loss)	<u>24,832</u>	<u>(90,373)</u>	<u>(55,738)</u>	<u>(121,279)</u>	<u>(21,875)</u>
Nonoperating revenues (expenses)					
Operating grant	-	-	-	-	-
Interest income	984	1,065	-	2,049	-
Interest expense	-	(176,329)	(95,936)	(272,265)	-
Total nonoperating revenues (expenses)	<u>984</u>	<u>(175,264)</u>	<u>(95,936)</u>	<u>(270,216)</u>	<u>-</u>
Income (loss) before transfers and capital contributions	<u>25,816</u>	<u>(265,637)</u>	<u>(151,674)</u>	<u>(391,495)</u>	<u>(21,875)</u>
Transfers in	<u>-</u>	<u>389,044</u>	<u>240,344</u>	<u>629,388</u>	<u>15,000</u>
Capital contributions	<u>-</u>	<u>385,000</u>	<u>-</u>	<u>385,000</u>	<u>-</u>
Change in net assets	<u>25,816</u>	<u>508,407</u>	<u>88,670</u>	<u>622,893</u>	<u>(6,875)</u>
Total net assets, beginning of year	<u>19,147,028</u>	<u>14,247,522</u>	<u>1,553,307</u>	<u>34,947,857</u>	<u>297,495</u>
Total net assets, end of year	<u>\$ 19,172,844</u>	<u>\$ 14,755,929</u>	<u>\$ 1,641,977</u>	<u>\$ 35,570,750</u>	<u>\$ 290,620</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, 2012*

	<i>Enterprise Funds</i>				<i>Internal Service Funds</i>
	<i>Water Fund</i>	<i>Sewer Fund</i>	<i>Beach Fund</i>	<i>Total</i>	
Cash flows from operating activities					
Cash received from insurance and service charges	\$ -	\$ -	\$ -	\$ -	\$ 9,829,648
Claim payments	-	-	-	-	(9,186,883)
Cash received from customers	3,871,066	2,919,921	93,071	6,884,058	-
Cash payments to suppliers for goods and services	(1,604,253)	(2,281,284)	(68,801)	(3,954,338)	-
Cash payments to employees for services	(1,792,924)	(551,607)	(95,315)	(2,439,846)	-
Other operating cash receipts	253,635	260,668	-	514,303	469,227
Other operating cash disbursements	-	-	-	-	(179,268)
Net cash provided by (used for) operating activities	727,524	347,698	(71,045)	1,004,177	932,724
Cash flows from non-capital financing activities					
Transfers from other funds	-	389,044	240,344	629,388	15,000
Net cash provided by noncapital related financing activities	-	389,044	240,344	629,388	15,000
Cash flows from capital and related financing activities					
Principal paid on bonds, loans and leases	(11,334)	(588,839)	(145,000)	(745,173)	-
Additions to capital assets	(1,180,955)	(538,872)	-	(1,719,827)	-
Interest paid on long-term debt	-	(186,604)	(97,737)	(284,341)	-
Capital contribution received	-	332,975	-	332,975	-
Net cash used for capital and related financing activities	(1,192,289)	(981,340)	(242,737)	(2,416,366)	-
Cash flows from investing activities					
Interest income	984	1,065	-	2,049	-
Net cash provided by investing activities	984	1,065	-	2,049	-
Net increase (decrease) in cash and cash equivalents	(463,781)	(243,533)	(73,438)	(780,752)	947,724
Cash and cash equivalents, beginning of year	2,451,609	2,202,444	54,252	4,708,305	213,973
Cash and cash equivalents, end of year	\$ 1,987,828	\$ 1,958,911	\$ (19,186)	\$ 3,927,553	\$ 1,161,697

(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, 2012

	<i>Enterprise Funds</i>				<i>Internal Service Funds</i>
	<i>Water Fund</i>	<i>Sewer Fund</i>	<i>Beach Fund</i>	<i>Total</i>	
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities					
Operating income(loss)	\$ 24,832	\$ (90,373)	\$ (55,738)	\$ (121,279)	\$ (21,875)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation and amortization	368,301	485,347	24,562	878,210	-
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable	(26,381)	(68,823)	(31,185)	(126,389)	(248,022)
(Increase) decrease in inventory	9,868	859	-	10,727	-
Increase (decrease) in due to other funds	124,218	49,701	-	173,919	1,079,790
Increase (decrease) in accounts payable and accrued expenses	237,206	6,376	(8,684)	234,898	112,531
Increase (decrease) in unearned revenue	-	(33,725)	-	(33,725)	-
Increase (decrease) in compensated absences	(10,520)	(1,664)	-	(12,184)	-
(Increase) decrease in other assets	-	-	-	-	10,300
Total adjustments	<u>702,692</u>	<u>438,071</u>	<u>(15,307)</u>	<u>1,125,456</u>	<u>954,599</u>
Net cash provided by (used for) operating activities	<u>\$ 727,524</u>	<u>\$ 347,698</u>	<u>\$ (71,045)</u>	<u>\$ 1,004,177</u>	<u>\$ 932,724</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, 2012*

	<i>Pension Trust</i>	<i>Private- purpose Trusts</i>	<i>Agency Funds</i>
	<u></u>	<u></u>	<u></u>
Assets			
Cash and cash equivalents	\$ 388,631	\$ 126,939	\$ 407,404
Accrued interest receivable	145,628	-	-
Investments, at fair value:			
US Government Obligations	773,805	-	-
Municipal obligations	1,966,248	-	-
Corporate Bonds	9,397,204	-	-
Mutual funds - equity	2,990,670	-	-
Mutual funds - fixed income	445,003	-	-
Foreign Bonds	262,945	-	-
Common stock	8,780,089	-	-
Foreign stock	90,874	-	-
Mortgage backed securities	191	-	-
Total investments	<u>24,707,029</u>	<u>-</u>	<u>-</u>
Total assets	<u>25,241,288</u>	<u>126,939</u>	<u>407,404</u>
Liabilities			
Due to other funds	182,230	-	-
Deposits held in custody for others	-	-	407,404
Total liabilities	<u>182,230</u>	<u>-</u>	<u>407,404</u>
Net Assets			
Held in trust for pension benefits	21,818,154	-	-
Held in trust for other postemployment benefits	3,240,904	-	-
Held in trust for other purposes	-	126,939	-
Total net assets	<u>\$ 25,059,058</u>	<u>\$ 126,939</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, 2012*

	<i>Pension Trust Fund</i>	<i>Private- purpose Trusts</i>
Additions		
Contributions:		
Employer - pension	\$ 1,225,170	\$ -
Employer - other postemployment	685,328	-
Plan members - pension	341,613	-
Total contributions	<u>2,252,111</u>	<u>-</u>
Investment earnings:		
Interest and dividends	869,842	83
Net decrease in fair value of investments	(8,392)	-
Total investment earnings	861,450	83
Less investment expense	(50,021)	-
Net investment earnings	<u>811,429</u>	<u>83</u>
Total additions	<u>3,063,540</u>	<u>83</u>
 Deductions		
Benefits - pension	1,726,463	-
Benefits - other postemployment	687,909	-
Miscellaneous	14,800	5,127
Total deductions	<u>2,429,172</u>	<u>5,127</u>
 Change in net assets	634,368	(5,044)
 Net assets - beginning of year-restated	<u>24,424,690</u>	<u>131,983</u>
Net assets - end of year	<u><u>\$ 25,059,058</u></u>	<u><u>\$ 126,939</u></u>

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

TOWN OF WESTERLY, RHODE ISLAND
Notes to Financial Statements
June 30, 2012

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, 2012

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, 2012

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.

\$6.5 Million Road Improvements – The Road Improvement Fund is used to account for financial resources to be used for the construction and repair and maintenance of Town roads (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.

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.

TOWN OF WESTERLY, RHODE ISLAND
Notes to Financial Statements
June 30, 2012

Fiduciary Fund Financial Statements

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

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

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

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

C. CASH EQUIVALENTS

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

D. INVESTMENTS

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

E. ACCOUNTS RECEIVABLE AND TAXES RECEIVABLE

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

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

F. UNBILLED SERVICES RECEIVABLE

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

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.

TOWN OF WESTERLY, RHODE ISLAND
Notes to Financial Statements
June 30, 2012

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. DEBT PREMIUMS AND ISSUANCE COSTS

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

In the Government-Wide Statements, debt premiums and issuance costs are deferred and amortized over the term of the debt. Debt premiums are presented as an addition to the face amount of the debt 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.

K. PROPERTY TAXES

The Town is permitted by state law to levy property taxes. Current tax collections for the Town were approximately 96.6% of the total 2011 levy.

The Town's fiscal 2011-2012 property taxes were levied on July 1, 2011 on assessed valuation as of December 31, 2010. Taxes are payable in full or quarterly, at the taxpayer's option. Installments dates are July 31, October 31, January 31 and April 30. Failure to make payments by due dates will result in a lien on the taxpayer's property.

TOWN OF WESTERLY, RHODE ISLAND
Notes to Financial Statements
June 30, 2012

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, 2012.

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, 2012

NOTE 2 - CAPITAL ASSETS

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

	<i>Beginning Balance</i>	<i>Additions</i>	<i>Retirements</i>	<i>Ending Balance</i>
<i>Governmental Activities:</i>				
Nondepreciable assets:				
Land	\$ 11,879,126	\$ 215,895	\$ -	\$ 12,095,021
Construction in progress	21,220,842	10,706,559	29,769,442	2,157,959
	<u>33,099,968</u>	<u>10,922,454</u>	<u>29,769,442</u>	<u>14,252,980</u>
Depreciable assets:				
Buildings and improvements	80,268,724	28,614,940	-	108,883,664
Motor vehicles	6,579,533	183,675	15,145	6,748,063
Machinery, equipment and furniture	5,245,910	815,084	-	6,060,994
Software	307,408	-	-	307,408
Infrastructure	75,188,199	1,177,882	-	76,366,081
	<u>167,589,774</u>	<u>30,791,581</u>	<u>15,145</u>	<u>198,366,210</u>
<i>Total capital assets</i>	<u>200,689,742</u>	<u>41,714,035</u>	<u>29,784,587</u>	<u>212,619,190</u>
Less accumulated depreciation for:				
Buildings and improvements	18,983,241	2,817,429	-	21,800,670
Motor vehicles	4,037,195	630,599	15,145	4,652,649
Machinery, equipment and furniture	3,753,556	414,416	-	4,167,972
Software	222,797	36,669	-	259,466
Infrastructure	24,693,055	752,069	-	25,445,124
<i>Total accumulated depreciation</i>	<u>51,689,844</u>	<u>4,651,182</u>	<u>15,145</u>	<u>56,325,881</u>
<i>Governmental activities capital assets, net</i>	<u>\$ 148,999,898</u>	<u>\$ 37,062,853</u>	<u>\$ 29,769,442</u>	<u>\$ 156,293,309</u>
<i>Business-Type Activities:</i>				
Nondepreciable assets:				
Land	\$ 5,930,455	\$ -	\$ -	\$ 5,930,455
Construction in progress	224,683	997,083	-	1,221,766
	<u>6,155,138</u>	<u>997,083</u>	<u>-</u>	<u>7,152,221</u>
Depreciable assets:				
Building and improvements	20,800,487	550,139	-	21,350,626
Mains, wells, pumps and hydrants	17,013,891	52,200	-	17,066,091
Tanks and structures	14,004,084	-	-	14,004,084
Machinery and equipment	3,234,817	35,175	-	3,269,992
Odor control plant	1,024,302	-	-	1,024,302
	<u>56,077,581</u>	<u>637,514</u>	<u>-</u>	<u>56,715,095</u>
<i>Total capital assets</i>	<u>62,232,719</u>	<u>1,634,597</u>	<u>-</u>	<u>63,867,316</u>
Less accumulated depreciation for:				
Building and improvements	10,763,030	348,089	-	11,111,119
Mains, wells, pumps and hydrants	6,114,894	234,207	-	6,349,101
Tanks and structures	4,598,723	184,001	-	4,782,724
Machinery and equipment	2,878,001	101,618	-	2,979,619
Odor control plant	1,024,302	-	-	1,024,302
<i>Total accumulated depreciation</i>	<u>25,378,950</u>	<u>867,915</u>	<u>-</u>	<u>26,246,865</u>
<i>Business-Type activities capital assets, net</i>	<u>\$ 36,853,769</u>	<u>\$ 766,682</u>	<u>\$ -</u>	<u>\$ 37,620,451</u>

TOWN OF WESTERLY, RHODE ISLAND
Notes to Financial Statements
June 30, 2012

Depreciation expense was charged to governmental functions as follows:

Legislative, judicial and general administrative	\$ 80,188
Public works	1,314,501
Public safety	480,336
Health and welfare	15,695
Parks and recreation	14,661
Education	2,745,801
Total Depreciation Expense	<u>\$ 4,651,182</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 \$185,610,133. As of June 30, 2012, the Town's debt subject to the legal debt margin is \$34,592,621 and the Town is under the debt limit by \$151,017,512. The debt subject to the debt limitation is based on the type of debt that is issued.

NOTE 4 – DEFICIT UNRESTRICTED NET ASSETS/FUND BALANCE OF INDIVIDUAL FUNDS

As of June 30, 2012 the following funds had deficit fund balances:

\$6.5 Million Road Improvements	\$(2,285,241)
Beach Fund	\$(17,695)
Riverwalk Greenways Grant	\$(6,551)
CDBG 2009	\$(1,096)
SOR Grant	\$(558)
Juvenile Justice	\$(177)
Underage Drinking	\$(269)
GOHS DWI Grant	\$(6)

NOTE 5 – CASH DEPOSITS

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

TOWN OF WESTERLY, RHODE ISLAND
Notes to Financial Statements
June 30, 2012

	<u>Carrying Amount</u>
Total Deposits	\$23,812,154
Add: Petty Cash	2,805
Add: Investments classified as cash equivalents	386,805
Total Cash and Cash Equivalents Reported in the Financial Statements	<u>\$24,201,764</u>

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, 2012, \$604,508 of the Town's bank balance of \$25,971,520 was exposed to custodial credit risk as follows:

	<u>Bank Balance</u>
Insured (Federal depository insurance funds)	\$ 25,367,012
Collateralized with securities held by pledging financial institution or its agent, in the Town's name	604,508
Uninsured and uncollateralized	-
Total	<u>\$25,971,520</u>

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, 2012, 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, 2012

As of June 30, 2012 the Town had the following investments:

<u>Investments</u>	<u>Fair Value</u>	<u>Rating</u>
Goldman Sachs Financial Square Federal Fund	\$386,805	Not rated
Federal National Mortgage Association	516,340	Aaa
Federal Home Loan Mortgage Corp.	257,465	Aaa
Mortgage Backed Securities	191	Not rated
Corporate Bonds	2,361,149	A1
Corporate Bonds	2,613,146	A2
Corporate Bonds	1,003,544	A3
Corporate Bonds	116,032	Aa1
Corporate Bonds	627,766	Aa2
Corporate Bonds	566,340	Aa3
Corporate Bonds	600,543	Aaa
Corporate Bonds	333,327	Ba1
Corporate Bonds	861,092	Baa1
Corporate Bonds	314,265	WR
Municipal Bonds	218,513	Aa1
Municipal Bonds	539,403	Aa2
Municipal Bonds	854,092	Aa3
Municipal Bonds	354,240	Not rated
Foreign Bonds	262,945	A3
Foreign Stock	90,874	Not rated
Common Stock	8,780,089	Not rated
Mutual Funds – Equity	2,990,670	Not rated
Mutual Funds – Fixed Income	445,003	Average – B1
	<u>25,093,834</u>	
Less: Investments classified as cash and cash equivalents	<u>(386,805)</u>	
<i>Total investments reported in the financial statements</i>	<u>\$24,707,029</u>	

TOWN OF WESTERLY, RHODE ISLAND
Notes to Financial Statements
June 30, 2012

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

<u>Type of Investment</u>	<u>Fair value</u>	<u>Investment Maturities (In Years)</u>			
		<u>Less than 1 year</u>	<u>1-5 years</u>	<u>6-10 years</u>	<u>11-15 years</u>
Mutual Funds – Fixed Income	\$ 445,003	\$ -	\$ -	\$ 445,003	\$ -
U.S. Government Obligations	773,805	-	-	773,805	-
Municipal Bonds	1,966,248	-	104,076	893,643	968,529
Corporate Bonds	9,660,149	1,842,401	2,364,596	5,453,152	-
Mortgage Backed Securities	191	-	191	-	-
Total	<u>\$12,845,396</u>	<u>\$1,842,401</u>	<u>\$2,468,863</u>	<u>\$7,565,603</u>	<u>\$968,529</u>

Mutual Funds – Fixed Income is based on an average maturity of 7.83 years for the fund.

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.

Foreign Currency Risk – The Town does not have a policy governing foreign currency risk. The Town’s exposure to foreign currency risk is as follows:

<u>Investments</u>	<u>Currency</u>	<u>Maturity</u>	<u>Fair Value</u>
Corporate Bond	Israeli Shekel	November 2021	\$262,945
International Stock	European Euro	N/A	90,874
			<u>\$353,819</u>

TOWN OF WESTERLY, RHODE ISLAND
Notes to Financial Statements
June 30, 2012

NOTE 7 – LONG-TERM LIABILITIES

A. LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2012, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Bonds, loans and capital leases payable:					
General obligation bonds	\$57,875,000	\$ -	\$4,165,000	\$53,710,000	\$4,195,000
Loan payable	15,351,000	14,645,000	584,438	29,411,562	1,679,438
Capital leases payable	776,135	761,413	677,148	860,400	384,458
	<u>74,002,135</u>	<u>15,406,413</u>	<u>5,426,586</u>	<u>83,981,962</u>	<u>6,258,896</u>
Plus amortized premium on bonds and loans	475,115	200,395	42,266	633,244	42,266
Total bonds, loans and capital leases	<u>74,477,250</u>	<u>15,606,808</u>	<u>5,468,852</u>	<u>84,615,206</u>	<u>6,301,162</u>
Other liabilities:					
Compensated absences	1,721,666	229,392	131,812	1,819,246	130,082
Net pension obligation	2,216,911	-	4,959	2,211,952	-
Net other postemployment benefit obligation	1,234,600	125,453	-	1,360,053	-
Total Governmental Activities					
Long-Term Liabilities	<u>\$79,650,427</u>	<u>\$15,961,653</u>	<u>\$5,605,623</u>	<u>\$90,006,457</u>	<u>\$6,431,244</u>
Business Type Activities:					
Bonds, loans and lease payable:					
General obligation bonds	\$ 1,935,000	\$ -	\$ 145,000	\$ 1,790,000	\$ 145,000
Loans payable	6,370,864	-	588,839	5,782,025	618,605
Lease payable	-	35,174	11,334	23,840	11,333
	<u>8,305,864</u>	<u>35,174</u>	<u>745,173</u>	<u>7,595,865</u>	<u>774,938</u>
Plus amortized premium on bonds	8,039	-	536	7,503	536
Total bonds and loans	<u>8,313,903</u>	<u>35,174</u>	<u>745,709</u>	<u>7,603,368</u>	<u>775,474</u>
Other liabilities:					
Compensated absences	188,527	42,234	54,418	176,343	35,145
Business-Type Activities					
Long-Term Liabilities	<u>\$ 8,502,430</u>	<u>\$ 77,408</u>	<u>\$ 800,127</u>	<u>\$ 7,779,711</u>	<u>\$ 810,619</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. 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, 2012

B. GENERAL OBLIGATION BONDS DEBT SERVICE REQUIREMENTS

The debt service requirements at June 30, 2012, 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>
2013	\$ 4,195,000	\$ 2,201,916	\$ 145,000	\$ 90,199
2014	4,235,000	2,015,979	145,000	82,736
2015	4,280,000	1,833,926	145,000	75,336
2016	3,430,000	1,664,826	145,000	67,911
2017	3,490,000	1,516,644	145,000	60,545
2018-2022	18,320,000	5,420,309	725,000	190,143
2023-2027	15,350,000	1,446,666	340,000	22,731
2028	410,000	8,200	-	-
	<u>\$53,710,000</u>	<u>\$16,108,466</u>	<u>\$1,790,000</u>	<u>\$589,601</u>

C. CAPITAL LEASE COMMITMENTS

The Town acquired vehicles and machinery and equipment valued at \$3,478,900 that was financed with lease purchase agreements. Amortization of assets acquired under capital leases is included in depreciation expense for the year ended June 30, 2012.

Obligation of governmental activities under capital leases at June 30, 2012 was as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Governmental Activities Lease Payment Requirements</u>	<u>Business-Type Activities Lease Payment Requirements</u>
2013	\$405,031	\$12,310
2014	202,067	11,982
2015	164,274	8,764
2016	135,703	8,521
Total minimum lease payments	907,075	41,577
Less: Amount representing interest cost	(43,088)	(2,911)
Less: Lease proceeds remaining to be drawn down	(3,587)	(14,826)
Present value of minimum lease payments	<u>\$860,400</u>	<u>\$23,840</u>

D. LOANS PAYABLE

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

TOWN OF WESTERLY, RHODE ISLAND
Notes to Financial Statements
June 30, 2012

Original Loan			
<u>Loan Date</u>	<u>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, 2012, loans payable of \$5,782,025 are reflected in the Sewer Fund. A due from the Rhode Island Clean Water Protection Finance Agency of \$42,153 is shown for that portion of the loans which have not been advanced as of June 30, 2012. The Town is responsible to drawdown and to repay the full amount of the loan.

The Town has also entered into four loan agreements with the Rhode Island Health and Educational Building Corporation as follows:

Original Loan			
<u>Loan Date</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Matures</u>
June 15, 2010	\$3,855,000	5.75%	April 1, 2010 - 2027
December 2, 2010	5,496,000	6.286%	April 1, 2012 - 2027
February 3, 2011	6,000,000	2-5.5%%	April 1, 2013 - 2031
July 14, 2011	14,645,000	2-5.0%	April 1, 2013 - 2031

The Town will receive interest subsidies totaling \$3,449,807 for the June 15, 2010 loan and \$5,027,600 for the December 2, 2010 loan from the Federal government over the life of the loans.

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

<u>Fiscal Year Ending June 30,</u>	Governmental Activities		Business-Type Activities	
	<u>Loans Payable</u>		<u>Loans Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2013	\$1,679,438	\$1,404,529	\$618,605	156,309
2014	1,679,438	1,382,629	633,091	138,664
2015	1,679,438	1,349,779	648,066	120,563
2016	1,669,438	1,316,929	663,545	101,973
2017	1,669,438	1,284,379	576,823	84,716
2018-2022	8,347,188	5,810,399	2,293,595	181,628
2023-2027	8,347,184	4,621,755	348,300	14,257
2028-2031	4,340,000	531,214	-	-
	<u><u>\$29,411,562</u></u>	<u><u>\$17,701,613</u></u>	<u><u>\$5,782,025</u></u>	<u><u>\$798,110</u></u>

TOWN OF WESTERLY, RHODE ISLAND
Notes to Financial Statements
June 30, 2012

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, 2011</u>	<u>Additions</u>	<u>Maturities During Year</u>	<u>Outstanding June 30, 2012</u>
Governmental Activities								
General Obligation Bonds Payable								
Senior citizens center bond	10/1/1996	4.8-6.75%	10/1/2016	\$ 515,000	\$ 150,000	\$ -	\$ (25,000)	\$ 125,000
General obligation school bond	7/15/1998	5.0-7.5%	7/15/2018	560,000	200,000	-	(25,000)	175,000
School refunding bond	8/1/2001	3.3-5.0%	9/15/2014	13,635,000	3,685,000	-	(940,000)	2,745,000
Middle school bond	8/15/2004	3.0-5.0%	8/15/2024	27,000,000	22,270,000	-	(1,185,000)	21,085,000
High school renovations bond	8/15/2005	4.0-5.0%	8/15/2025	13,000,000	10,200,000	-	(680,000)	9,520,000
Police station and public works garage bond	7/1/2006	4.0-5.0%	7/1/2026	16,575,000	14,400,000	-	(900,000)	13,500,000
Road improvements and land acquisition	9/15/2007	3.7-4.0%	9/15/2027	8,000,000	6,970,000	-	(410,000)	6,560,000
Total general obligation bonds payable				<u>79,285,000</u>	<u>57,875,000</u>	<u>-</u>	<u>(4,165,000)</u>	<u>53,710,000</u>
Loans Payable								
High school renovations loan	6/15/2010	5.75%	4/1/2027	3,855,000	3,855,000	-	(240,938)	3,614,062
High school renovations loan	12/2/2010	6.29%	4/1/2027	5,496,000	5,496,000	-	(343,500)	5,152,500
High school renovations loan	2/3/2011	2.0-5.5%	4/1/2031	6,000,000	6,000,000	-	-	6,000,000
High school renovations loan	7/14/2011	2.0-5.0%	4/1/2031	14,645,000	-	14,645,000	-	14,645,000
Total loans payable				<u>29,996,000</u>	<u>15,351,000</u>	<u>14,645,000</u>	<u>(584,438)</u>	<u>29,411,562</u>
Capital Leases Payable								
Master lease	8/3/2007	4.35%	8/3/2012	445,000	143,686	-	(94,757)	48,929
Master lease	9/18/2008	3.76%	9/1/2012	1,310,400	464,896	-	(364,801)	100,095
Master lease	6/5/2009	3.17%	6/1/2014	648,500	(20,450)	-	20,450	-
Master lease	6/23/2010	3.12%	6/1/2015	260,000	188,003	-	(70,000)	118,003
Master lease	6/16/2011	2.89%	7/20/2015	635,000	-	581,413	(130,333)	451,080
Master lease	12/1/2011	2.74%	8/1/2015	180,000	-	180,000	(37,707)	142,293
Total capital leases payable				<u>3,478,900</u>	<u>776,135</u>	<u>761,413</u>	<u>(677,148)</u>	<u>860,400</u>
Total bonds, loans and capital leases - governmental activities					<u>\$ 74,002,135</u>	<u>\$ 15,406,413</u>	<u>\$ (5,426,586)</u>	<u>\$ 83,981,962</u>

TOWN OF WESTERLY, RHODE ISLAND
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June 30, 2012

	<u>Date of Issuance</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Authorized and Issued</u>	<u>Outstanding June 30, 2011</u>	<u>Additions</u>	<u>Maturities During Year</u>	<u>Outstanding June 30, 2012</u>
Business-Type Activities								
WESTERLY SEWER FUND								
Loans Payable								
RICWFA SRF	12/15/1995	2.958%	9/1/2015	\$ 1,849,000	\$ 513,611	\$ -	\$ (102,722)	\$ 410,889
RICWFA 00 SRF	5/1/2000	3.037%	9/1/2020	255,000	149,542	-	(12,715)	136,827
RICWFA 01 SRF	12/19/2000	2.864%	9/1/2020	7,995,000	4,413,411	-	(387,402)	4,026,009
RICWFA 04 SRF	12/16/2004	.78-1.55%	9/1/2025	1,724,300	1,294,300	-	(86,000)	1,208,300
Total loans payable				<u>11,823,300</u>	<u>6,370,864</u>	<u>-</u>	<u>(588,839)</u>	<u>5,782,025</u>
WESTERLY WATER FUND								
Capital Leases Payable								
Master lease	12/1/2011	2.74%	8/1/2015	635,000	-	35,174	(11,334)	23,840
Total capital leases payable				<u>635,000</u>	<u>-</u>	<u>35,174</u>	<u>(11,334)</u>	<u>23,840</u>
WESTERLY BEACH FUND								
General Obligation Bonds Payable								
General obligation bond	10/15/2003	5.0-6.0%	10/15/2023	2,300,000	1,495,000	-	(115,000)	1,380,000
Beach bond	8/15/2004	3.0-5.0%	8/15/2024	200,000	140,000	-	(10,000)	130,000
Beach bond	8/15/2005	4.0-5.0%	8/15/2025	400,000	300,000	-	(20,000)	280,000
Total general obligation bonds payable				<u>2,900,000</u>	<u>1,935,000</u>	<u>-</u>	<u>(145,000)</u>	<u>1,790,000</u>
Total bonds, loans and lease payable - business-type activities				<u></u>	<u>\$ 8,305,864</u>	<u>\$ 35,174</u>	<u>\$ (745,173)</u>	<u>\$ 7,595,865</u>

TOWN OF WESTERLY, RHODE ISLAND
Notes to Financial Statements
June 30, 2012

F. OPERATING LEASES

As of June 30, 2012, the Town has several leases for copiers. These leases are considered to be operating leases. Lease expenditures for the year ended June 30, 2012 amounted to \$111,077.

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

<i>Fiscal Year Ending June 30,</i>	<i>Lease Payment Requirements</i>
2013	\$46,024
2014	2,473
	<u>\$48,497</u>

NOTE 8 – SHORT TERM DEBT

- A. The Town issued general obligation bond anticipation notes in advance of issuing debt on July 29, 2010, depositing the proceeds in its School Bond Fund. The notes matured on July 28, 2011.
- B. The Town issued general obligation bond anticipation notes in advance of issuing debt on December 1, 2011, depositing the proceeds to the \$6.5 Million Road Improvements Fund. The notes mature on August 1, 2012.

Short-term debt activity for the year ended June 30, 2012, was as follows:

	<i><u>Beginning Balance</u></i>	<i><u>Issued</u></i>	<i><u>Redeemed</u></i>	<i><u>Ending Balance</u></i>
Governmental Activities:				
General obligation bond				
anticipation notes	\$12,650,000	\$6,500,000	\$12,650,000	\$6,500,000

NOTE 9 – 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.

TOWN OF WESTERLY, RHODE ISLAND
Notes to Financial Statements
June 30, 2012

NOTE 10 – 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>Water Fund</i>	<i>Sewer Fund</i>	<i>Internal Service Funds</i>	<i>Pension Trust Fund</i>	
<i>Due To:</i>						
General Fund	\$ -	\$ -	\$ -	\$1,351,278	\$ 2,463	\$ 1,353,741
Other Governmental Funds	796	-	-	-	-	796
Internal Service Funds	421,646	135,352	52,710	-	179,767	789,475
<i>Total</i>	<u>\$ 422,442</u>	<u>\$ 135,352</u>	<u>\$ 52,710</u>	<u>\$1,351,278</u>	<u>\$ 182,230</u>	<u>\$ 2,144,012</u>

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.

NOTE 11 – INTERFUND TRANSFERS

	<i>Transfer From:</i>			<i>Total</i>
	<i>General Fund</i>	<i>\$6.5 Million Road Improvements</i>	<i>Other Governmental Funds</i>	
<i>Transfer To:</i>				
General Fund	\$ -	\$ -	\$ 45,763	\$ 45,763
Other Governmental Funds	318,631	60,172	-	378,803
Sewer Fund	389,044	-	-	389,044
Beach Fund	240,344	-	-	240,344
Internal Service Funds	15,000	-	-	15,000
<i>Total</i>	<u>\$ 963,019</u>	<u>\$ 60,172</u>	<u>\$ 45,763</u>	<u>\$1,068,954</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.

TOWN OF WESTERLY, RHODE ISLAND
Notes to Financial Statements
June 30, 2012

NOTE 12 – 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, governmental fund equity is classified as fund balance. Fund balance is reported in classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purpose for which amounts in those funds can be spent.

Nonspendable Fund Balance – This classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The “not in spendable form” criteria includes items that are not expected to be converted to cash (e.g. inventories and prepaid expenditures).

Restricted Fund Balance – This classification includes amounts that have constraints placed on the use of resources that are either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – This classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town’s highest level of decision- making authority.

Assigned Fund Balance – This classification includes amounts constrained by the Town’s intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned Fund Balance – This classification is the residual fund balance for the General Fund. This classification represents fund balance that has not been assigned to another fund and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

TOWN OF WESTERLY, RHODE ISLAND
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Committed fund balances are established, modified or rescinded by an ordinance or resolution adopted by the Town Council. Assigned fund balances are authorized by the Finance Director. The Town considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. The Town considers unrestricted fund balance classifications to be used in the following order when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used: 1) committed; 2) assigned; and 3) unassigned.

NOTE 13 – 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, 2012 were audited in connection with the accompanying financial statements under the Single Audit concept and the auditor's reports thereon are presented in a separate Single Audit report.

NOTE 14 – HEALTH FUND

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

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

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

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.

TOWN OF WESTERLY, RHODE ISLAND
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The claims liability of \$762,770 reported in the Health Fund at June 30, 2012 is based on the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

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

	<i>Beginning Fiscal Year Liability</i>	<i>Current Year Claims and Changes In Estimate</i>	<i>Claims Payments</i>	<i>Balance Fiscal Year End</i>
2009-2010	\$834,973	\$8,331,063	\$8,426,747	\$739,289
2010-2011	739,289	7,778,126	7,877,176	640,239
2011-2012	640,239	9,254,373	9,131,842	762,770

NOTE 15 – 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 16 – POST RETIREMENT 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 20. The plan provides medical, dental, and life insurance for eligible retirees and their dependents through the Town's group insurance plans, 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
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Funding Policy

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

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

For the year ended June 30, 2012, 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, 2012, the Town contributed \$685,328 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)	\$ 907,530
Interest on net OPEB obligation	85,328
Adjustment to annual required contribution	(87,714)
Annual OPEB cost	<u>905,144</u>
Contributions made	(685,328)
Increase in net OPEB obligation	<u>219,816</u>
Net OPEB obligation, beginning of year	1,066,598
Net OPEB obligation, end of year	<u><u>\$1,286,414</u></u>

TOWN OF WESTERLY, RHODE ISLAND
Notes to Financial Statements
June 30, 2012

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the past three fiscal years 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>
6/30/10	\$752,580	56.5%	\$689,570
6/30/11	\$802,028	53.0%	\$1,066,598
6/30/12	\$905,144	75.7%	\$1,286,414

Funded Status and Funding Progress

The funded status of the Town's plan as of July 1, 2012, the most recent actuarial valuation, is as follows:

Actuarial Accrued Liability (AAL)	\$14,382,821
Actuarial Value of Plan Assets	3,473,653
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$10,909,168</u>
Funded ratio (Actuarial Value of Plan Assets/AAL)	24.2%
Annual Covered Payroll (Active Plan Members)	\$3,039,511
UAAL as a Percentage of Covered Payroll	358.9%

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

Actuarial Methods and Assumptions

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

TOWN OF WESTERLY, RHODE ISLAND
Notes to Financial Statements
June 30, 2012

The Town's annual required OPEB contribution was determined as part of the July 1, 2010 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included: a) 8% investment rate of return, net of expenses, compounded annually; b) medical cost trend rate – 10% as of 2007 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, 2010 is being amortized using level dollar 30-year closed amortization. The actuarial value of assets is equal to fair market value with a 5-year phase-in of the difference between actual and expected investment return at 20% per year.

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 20. 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 (WTA). The Town is required to contribute the cost of medical and dental benefits for teachers who retire less the amount of any applicable employee share of premiums as follows:

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

TOWN OF WESTERLY, RHODE ISLAND
Notes to Financial Statements
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- Participants that retired in the 2006/2007 school year receive health insurance coverage for four (4) years under the School Department's self-insured plan. The retiree contributes 10% of the premium per year. In addition, retired members can exchange 35 sick days and the contribution of 10% of the premium for one (1) additional year of coverage.
- On May 18, 2011, there was an agreement between the Westerly School Department and the WTA to offer an Early Retirement Incentive (ERI). The ERI is applicable only to those members that agreed in writing to retire effective either: (a) at the end of the 2010/2011 school year, (b) at the end of the 2011/2012 first semester, or (c) at the end of the 2011/2012 school year. Members were required to notify the Superintendent's office by June 1, 2011 in order to be eligible to participate in the ERI.

Members that elected to participate in the ERI will receive either (a) individual coverage of \$7,000 per year, (b) two persons or more coverage of \$10,000 per year, or (c) for members that weren't covered by health insurance prior to retirement, a \$10,000 one-time payment, commencing after retirement. The duration of coverage under options (a) and (b) are limited to four (4) years for members who are not Medicare eligible. However, any retired WTA member who is age 65 on or before July 1st in any of the four (4) year period shall no longer be eligible for the payment. WTA members at or above Medicare eligible age at the time of retirement will receive a one-time payment of \$10,000.

For the year ended June 30, 2012, the Town contribution to the plan was on a pay-as-you-go basis. For the fiscal year ended June 30, 2012, the Town contributed \$422,908 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)	\$453,552
Interest on net OPEB obligation	6,720
Adjustment to annual required contribution	(131,727)
Annual OPEB cost	<u>328,545</u>
Contributions made	<u>(422,908)</u>
Increase (decrease) in net OPEB obligation	<u>(94,363)</u>
Net OPEB obligation, beginning of year	<u>168,002</u>
Net OPEB obligation, end of year	<u><u>\$73,639</u></u>

TOWN OF WESTERLY, RHODE ISLAND
Notes to Financial Statements
June 30, 2012

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the past three fiscal years 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>
6/30/10	\$486,535	92.6%	\$149,502
6/30/11	\$449,816	95.9%	\$168,002
6/30/12	\$328,545	128.7%	\$73,639

Funded Status and Funding Progress

The funded status of the Town's plan as of July 1, 2010, the most recent actuarial valuation, is as follows:

Actuarial Accrued Liability (AAL)	\$974,441
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$974,441</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.

TOWN OF WESTERLY, RHODE ISLAND
Notes to Financial Statements
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The Town's annual required OPEB contribution was determined as part of the July 1, 2010 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 – 8.5% in 2010 graded down by .50% per year until an ultimate rate of 5% in 2017. The unfunded actuarial accrued liability as of July 1, 2010 is being amortized using the level dollar amortization method over 1.9697 years on an open basis. There is no asset valuation method or investment rate of return assumption since the plan is currently unfunded.

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

NOTE 17 – DISAGGREGATION OF RECEIVABLE AND PAYABLE BALANCES

A. ACCOUNTS RECEIVABLE

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. The real estate and personal property tax receivable included an allowance for doubtful accounts of \$1,520,299.

B. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The accounts payable and accrued liabilities at June 30, 2012, were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Other</u>	<u>Total</u>
Governmental activities:				
General Fund	\$ 957,776	\$ 563,658	\$ 50,047	\$ 1,571,481
\$6.5 Million Road Improvements	177,348	-	-	177,348
Other Governmental Funds	254,861	1,429	-	256,290
Total	<u><u>\$ 1,389,985</u></u>	<u><u>\$ 565,087</u></u>	<u><u>\$ 50,047</u></u>	<u><u>\$ 2,005,119</u></u>
Business-type activities:				
Water Fund	\$ 261,667	\$ 54,568	\$ 900	\$ 317,135
Sewer Fund	133,281	16,995	-	150,276
Beach fund	2,431	9,655	-	12,086
Total	<u><u>\$ 397,379</u></u>	<u><u>\$ 81,218</u></u>	<u><u>\$ 900</u></u>	<u><u>\$ 479,497</u></u>

TOWN OF WESTERLY, RHODE ISLAND
Notes to Financial Statements
June 30, 2012

NOTE 18 – PRIOR PERIOD ADJUSTMENTS AND RESTATEMENTS

The following restatements were recorded to beginning fund balances in the Governmental Fund Financial Statements:

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Fiduciary Funds</u>
Fund balance - June 30, 2011, as previously reported	\$ 14,260,714	\$ (1,137,365)	\$ 181,228
Reclassification of funds due to	<u>125,039</u>	<u>(75,740)</u>	<u>(49,245)</u>
Fund balances - June 30, 2011, as restated	<u><u>\$ 14,385,753</u></u>	<u><u>\$ (1,213,105)</u></u>	<u><u>\$ 131,983</u></u>

NOTE 19 – SUBSEQUENT EVENTS

- A. On July 3, 2012, the Town issued \$6,500,000 in General Obligation Series A Bonds that refunded \$6,500,000 in General Obligation Bond Anticipation Notes that were due August 1, 2012.
- B. On July 3, 2012, the Town issued \$20,195,000 in General Obligation Series B Refunding Bonds that provided for the advance refunding of a portion of the Town's outstanding \$27,000,000 General Obligation Bonds dated August 15, 2004.
- C. On July 3, 2012, the Town issued \$1,290,000 in General Obligation Series C Bonds to provide for that advance refunding of a portion of the Town's outstanding \$2,300,000 Taxable General Obligation Bonds dated October 15, 2003.

NOTE 20 – PENSION PLANS

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

All Westerly Public School 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, 2012 was \$23,849,258 which consisted of \$426,286 for employees charged to federal programs and \$23,422,972 for all other employees.

TOWN OF WESTERLY, RHODE ISLAND
Notes to Financial Statements
June 30, 2012

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, 50 Service Avenue, Warwick, Rhode Island 02886 or at www.ersri.org.

Plan Description

Eligibility and benefit provisions are established by Rhode Island General Laws, Title 16, Chapter 16-16, which are subject to amendment by the General Assembly. 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. The plan provides retirement and disability benefits, annual cost-of-living adjustments (COLAs), and death benefits to plan members and beneficiaries.

Funding Policy

The funding policy is established by Rhode Island General Laws, Title 16, Chapter 16-16. Covered employees were 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 the State and the School Department is specified by State Statute. The contribution requirement for the year ended June 30, 2012 was 22.32%. 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 .27% for the year ended June 30, 2012. This results in a contribution requirement for Schools of 13.23% and a contribution requirement for the State of 9.09%.

The State contribution for the cut off year ended June 30, 2012 was \$2,129,148, which represented 8.93% 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 contribution requirement for the cut off year ended June 30, 2012 was \$5,459,685, which consisted of \$3,194,006 from the School Department (\$95,147 for federal employees and \$3,098,859 for other employees), and \$2,265,679 from employees. These contributions represented 13.39% and 9.5% of covered payroll respectively. The annual required contribution was determined as part of the June 30, 2009 actuarial valuation.

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

TOWN OF WESTERLY, RHODE ISLAND
Notes to Financial Statements
June 30, 2012

Three-Year Trend Information

<i>Fiscal Year</i>	<i>Annual Required Contribution</i>	<i>Percentage Contributed</i>
2010	\$2,639,227	100%
2011	\$2,713,979	100%
2012	\$3,194,006	100%

Pension Reform Impacting Future Periods

In November 2011, the Rhode Island General Assembly enacted comprehensive pension reform legislation which included implementing a supplemental defined contribution plan and other benefit and eligibility changes including changes in the automatic COLA, including suspension/reduction of COLAs. The above changes and other provisions of the reform enacted are effective July 1, 2012.

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, 2012 was \$67,353.

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, 50 Service Avenue, Warwick, Rhode Island 02886 or at www.ersri.org.

Plan Description

The following eligibility and benefit provisions are established by Rhode Island General Laws, Title 45, Chapter 19, 19.1, 21, 21.1, 21.2 and 21.3 and may be amended by State Statute. The MERS generally provides retirement benefits equal to 2% of a member's final average compensation multiplied by the number years of total service up to 37.5 years, with a maximum benefit of 75% of final average compensation. Final average compensation is the average of the three highest consecutive years of annual earned compensation exclusive of overtime, bonuses or severance pay. Such benefits are available to general members at or after age 58 with 10 years of service or after 30 years regardless of age. 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. Westerly has not elected the optional COLA provisions.

TOWN OF WESTERLY, RHODE ISLAND
Notes to Financial Statements
June 30, 2012

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. 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 2011-2012 was 60.04% for general employees.

Annual Pension Cost

For 2011-2012, the Town's annual pension cost of \$40,439 for the MERS was equal to the Town's required and actual contributions.

Three-Year Trend Information
General Municipal Employees

<i>Fiscal Year</i>	<i>Annual Pension Cost</i>	<i>Percentage of APC Contributed</i>	<i>Net Pension Obligation</i>
2010	\$33,939	100%	-
2011	\$35,208	100%	-
2012	\$40,439	100%	-

The required contribution was determined as part of the June 30, 2009 actuarial valuation. The actuarial method used is the entry age actuarial cost method. Under this method, the employer contribution rate is the sum of (i) the employer normal cost rate, and (ii) a rate that will amortize the unfunded actuarial accrued liability. Significant actuarial assumptions used in the June 30, 2009 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 – not applicable

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, 2009 was 20 years.

TOWN OF WESTERLY, RHODE ISLAND
Notes to Financial Statements
June 30, 2012

Funded Status and Funding Progress

As of June 30, 2011, the most recent actuarial valuation date, the general employees plan was 26.6% funded. The actuarial accrued liability for benefits was \$993,166, and the actuarial value of assets was \$264,527, resulting in an unfunded actuarial accrued liability (UAAL) of \$728,639. The covered payroll (annual payroll of active employees covered by the plan) was \$65,976, and the ratio of the UAAL to the covered payroll was 1104.4%. The June 30, 2011 actuarial valuation used the same methods and assumptions described above under Annual Pension Cost, except the investment rate of return was reduced to 7.5%; projected salary increases for general employees were reduced to 4%; and the amortization period was changed to 25 years from June 30, 2010.

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.

Pension Reform Impacting Future Periods

In November 2011, the Rhode Island General Assembly enacted comprehensive pension reform legislation which included implementing a supplemental defined contribution plan and other benefit and eligibility changes including changes in the automatic COLA, including suspension/reduction of COLAs. The above changes and other provisions of the reform enacted are effective July 1, 2012.

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 20006-1765 or on the internet at www.lnipf.org.

TOWN OF WESTERLY, RHODE ISLAND
Notes to Financial Statements
June 30, 2012

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 2012: bus drivers and aides - \$1.39 (\$1.26 prior to 1/1/2012) per hour up to a maximum of 40 hours per week; School maintenance, secretarial and clerical employees - \$1.75 per hour; and Town public works and secretarial employees - \$1.86 (\$1.69 prior to 10/1/2011) per hour for employee's normal workweek. The Town was also required to contribute \$0.06 per hour to an annuity fund (maximum of \$4,000 annually for School employees). The total Town contribution for fiscal year 2012 was \$708,493.

Three-Year Trend Information

<i>Fiscal Year</i>	<i>Annual Required Contribution</i>	<i>Percentage Contributed</i>
2010	\$610,157	100%
2011	\$570,512	100%
2012	\$708,493	100%

D. POLICE PENSION PLAN

Plan Description

The Town of Westerly is the administrator of a single-employer defined benefit pension plan established and administered by the Town to provide pension benefits for its police officers. The Plan is considered to be a part of the Town of Westerly's financial reporting entity and is included in the Town's financial statements as a pension trust fund. The Town does not issue a separate report for the Police Plan that includes financial statements and required supplementary information (RSI). At July 1, 2012, employee membership related to the plan was as follows:

Retirees and beneficiaries currently receiving benefits	46
Terminated employees entitled to benefits but not yet receiving them	1
Active members	48
Total	<u>95</u>

The Police Pension Plan provides retirement, death and disability 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 for officers hired prior to July 1, 2010. Officers hired after July 1, 2010 may retire upon completion of 25 years of service. The retirement benefit for officers hired prior to July 1, 2010 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). For officers hired after July 1, 2010, the retirement benefit is calculated at 50% of annual pay for 25 years of service plus 2% times annual pay for each year of service over 25 years (maximum service equals 30 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

TOWN OF WESTERLY, RHODE ISLAND
Notes to Financial Statements
June 30, 2012

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 if hired prior to July 1, 2010 (2 1/2% if retired before July 1, 1998). Officers hired after July 1, 2010 are entitled to a 3% cost of living adjustment, not compounded, after 5 years on pension or age 52, whichever comes first. Disability retirement for occupational causes equals 50% of annual pay at time of disability. Non-occupational causes receive a lower percentage varying by years of service at time of disability. Members who retire with 25 or more years of service shall receive severance pay based on 1.5 days for each year of service at retirement.

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

Summary of Significant Accounting Policies

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

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

Funding Policy

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

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	\$1,225,170
Interest on net pension obligation	177,353
Adjustment to ARC	<u>(182,312)</u>
Annual pension cost	1,220,211
Contributions made	<u>(1,225,170)</u>
Increase (decrease) in net pension obligation	(4,959)
Net pension obligation – beginning of year	<u>2,216,911</u>
Net pension obligation – end of year	<u>\$2,211,952</u>

TOWN OF WESTERLY, RHODE ISLAND
Notes to Financial Statements
June 30, 2012

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>
2010	\$1,158,826	110.0%	\$2,335,626
2011	\$1,156,285	110.3%	\$2,216,911
2012	\$1,220,211	100.4%	\$2,211,952

The required contribution was determined as part of the July 1, 2010 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 8% investment rate of return, net of expenses, compounded annually; (b) projected salary increases of 3-16% based on years of service; and (c) cost of living adjustment of 3%, not compounded, for members retiring after July 1, 1998 and 2.5%, not compounded, for members retiring before July 1, 1998. The actuarial value of assets is the market value of assets with a 5-year phase-in at 20% per year of actual investment return in excess of (less than) expected investment return. 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, 2010 was 30 years.

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation, the Police Plan was 63.8% funded. The actuarial accrued liability for benefits was \$34,686,089, and the actuarial value of assets was \$22,140,150, resulting in an unfunded actuarial accrued liability (UAAL) of \$12,545,939. The covered payroll (annual payroll of active employees covered by the plan) was \$3,039,511, and the ratio of the UAAL to covered payroll was 412.76%. The July 1, 2012 actuarial valuation used the same assumptions and methods discussed above under Annual Pension Cost and Net Pension Obligation, except the investment rate of return was changed to 7.5%; projected salary increases were changed to 3.5 -14.5% based on years of service; and the 3% cost of living adjustment for officers hired after July 1, 2010 is not effective until 5 years on pension or age 52, whichever comes first.

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.

TOWN OF WESTERLY, RHODE ISLAND
Notes to Financial Statements
June 30, 2012

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. The Town's contribution for fiscal year 2012 amounted to \$255,779.

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 2012 amounted to \$102,814.

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

- Schedule of Funding Progress - Pension Plans and Other Postemployment Benefit Plans**
- Budgetary Comparison Schedule - General Fund**

In addition, the notes to the required supplementary information are included to provide information that is essential to a user's understanding of the 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>
Police Pension Plan (1) (2):	07/01/07	\$17,808,257	\$24,466,878	\$6,658,621	72.8%	\$2,624,354	253.7%
	07/01/08	\$17,712,494	\$26,013,800	\$8,301,306	68.1%	\$2,976,831	278.9%
	07/01/09	\$19,429,592	\$27,733,064	\$8,303,472	70.1%	\$2,854,292	290.9%
	07/01/10	\$20,159,824	\$29,257,507	\$9,097,683	68.9%	\$2,838,895	320.5%
	07/01/11	\$21,280,751	\$30,919,908	\$9,639,157	68.8%	\$2,847,036	338.6%
	07/01/12	\$22,140,150	\$34,686,089	\$12,545,939	63.8%	\$3,039,511	412.8%
General Municipal Employees Pension Plan:	06/30/09	\$439,397	\$962,696	\$523,299	45.6%	\$64,591	810.2%
	06/30/10	\$339,662	\$1,000,917	\$661,255	33.9%	\$64,658	1022.7%
	06/30/11	\$264,527	\$993,166	\$728,639	26.6%	\$65,976	1104.4%
Police Other Postemployment Benefit Plan (2):	07/01/07	\$4,000,000	\$11,364,770	\$7,364,770	35.2%	\$2,624,354	280.6%
	07/01/08	\$3,724,198	\$11,319,636	\$7,595,438	32.9%	\$2,976,831	255.2%
	07/01/09	\$3,858,330	\$12,379,627	\$8,521,297	31.2%	\$2,854,292	298.5%
	07/01/10	\$3,459,301	\$13,361,267	\$9,901,966	25.9%	\$2,838,895	348.8%
	07/01/11	\$3,336,594	\$13,390,915	\$10,054,321	24.9%	\$2,847,036	353.2%
	07/01/12	\$3,473,653	\$14,382,821	\$10,909,168	24.2%	\$3,039,511	358.9%
School Other Postemployment Benefit Plan:	07/01/08	\$0	\$1,576,553	\$1,576,553	0.0%	N/A	N/A
	07/01/10	\$0	\$974,441	\$974,441	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 (ARCs) under GASB 25/27 and GASB 43/45 will be calculated. The initial OPEB asset allocation as of July 1, 2007 was revised to reflect a correction in fiscal year 2012. As such, the schedule of funding progress has been restated.

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 (3):	2007	\$ 1,502,900	86%
	2008	\$ 1,651,100	79%
	2009	\$ 954,660	115%
	2010	\$ 1,164,310	110%
	2011	\$ 1,161,510	110%
	2012	\$ 1,225,170	100%
Police Other Postemployment Benefit Plan (2) (3):	2009	\$ 728,240	50%
	2010	\$ 753,390	56%
	2011	\$ 803,570	53%
	2012	\$ 907,530	76%

(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.

(3) ARC split between pension and OPEB revised to reflect correction to initial 7/01/2007 OPEB asset allocation in fiscal year 2012. As such , the Schedule of Annual Required Contributions has been restated.

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, 2012*

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
General property taxes	\$ 63,045,744	\$ 63,045,744	\$ 62,722,274	\$ (323,470)
Intergovernmental revenues	3,056,372	3,056,372	3,207,503	151,131
License and permits	487,500	487,500	433,773	(53,727)
Fines and penalties	196,045	196,045	165,168	(30,877)
Interest on investments	115,000	115,000	27,669	(87,331)
Other revenue	1,149,731	1,149,731	1,234,767	85,036
Recreation	192,000	192,000	176,045	(15,955)
Solid waste revenue	2,200,000	2,200,000	1,947,718	(252,282)
Capital reinvested fund balance	607,000	607,000	607,000	-
Prior year surplus	160,000	160,000	160,000	-
Total revenues	<u>71,209,392</u>	<u>71,209,392</u>	<u>70,681,917</u>	<u>(527,475)</u>
Expenditures				
Legislative, judicial and general administrative	6,900,733	6,900,733	6,483,143	417,590
Public works	4,914,912	4,918,512	4,777,372	141,140
Public safety	4,629,823	4,629,823	4,436,338	193,485
Health and welfare	737,900	737,900	738,290	(390)
Conservation and development	52,471	52,471	51,311	1,160
Parks and recreation	649,299	645,699	693,397	(47,698)
Planning and zoning	228,288	228,288	226,453	1,835
Education	43,100,729	43,100,729	43,100,729	-
Capital improvements/restricted programs	767,665	767,665	762,165	5,500
Debt service	8,262,956	8,262,956	8,514,080	(251,124)
Total expenditures	<u>70,244,776</u>	<u>70,244,776</u>	<u>69,783,278</u>	<u>461,498</u>
Excess of revenues over expenditures before other financing sources (uses)	<u>964,616</u>	<u>964,616</u>	<u>898,639</u>	<u>(65,977)</u>
Other financing sources (uses)				
Transfer from other funds	-	-	45,763	45,763
Transfers to other funds	(964,616)	(964,616)	(962,223)	2,393
Total other financing sources (uses)	<u>(964,616)</u>	<u>(964,616)</u>	<u>(916,460)</u>	<u>48,156</u>
Net change in fund balance - budgetary basis	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (17,821)</u>	<u>\$ (17,821)</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, 2012

	<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	\$ 57,077,987	\$ 57,077,987	\$ 56,812,451	\$ (265,536)
Motor vehicle - excise tax	4,546,757	4,546,757	4,336,271	(210,486)
Prior years property taxes	785,000	785,000	1,002,734	217,734
Pilot - RI Bowling Lane	26,000	26,000	26,026	26
Pilot - Housing authority	29,000	29,000	35,627	6,627
Pro-ration	125,000	125,000	46,245	(78,755)
Town tax interest, lien fees and other	456,000	456,000	462,920	6,920
Total general property taxes	<u>63,045,744</u>	<u>63,045,744</u>	<u>62,722,274</u>	<u>(323,470)</u>
Intergovernmental revenues				
State motor vehicle - excise tax phase out	229,600	229,600	224,286	(5,314)
State grants-in-aid - general	1,355,000	1,355,000	1,573,887	218,887
State grants-in-aid - school housing aid	1,471,772	1,471,772	1,409,330	(62,442)
Total intergovernmental revenues	<u>3,056,372</u>	<u>3,056,372</u>	<u>3,207,503</u>	<u>151,131</u>
Licenses and permits	487,500	487,500	433,773	(53,727)
Fines and penalties	196,045	196,045	165,168	(30,877)
Interest on investments	115,000	115,000	27,669	(87,331)
Other revenues	1,149,731	1,149,731	1,234,767	85,036
Recreation	192,000	192,000	176,045	(15,955)
Solid waste revenue	2,200,000	2,200,000	1,947,718	(252,282)
Capital reinvested fund balance	607,000	607,000	607,000	-
Prior year surplus	160,000	160,000	160,000	-
Total revenues	<u>71,209,392</u>	<u>71,209,392</u>	<u>70,681,917</u>	<u>(527,475)</u>
Other financing sources				
Transfer from Capital Project Fund	-	-	45,763	45,763
Total other financing sources	<u>-</u>	<u>-</u>	<u>45,763</u>	<u>45,763</u>
Total revenues and other financing sources	<u>71,209,392</u>	<u>71,209,392</u>	<u>70,727,680</u>	<u>(481,712)</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, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Legislative, judicial and general administrative				
Legislative:				
Town Council	\$ 82,746	\$ 82,746	\$ 49,251	\$ 33,495
Finance Board	850	850	613	237
Judicial:				
Legal services	201,310	201,310	193,819	7,491
Probate court	49,085	49,085	48,422	663
Municipal court	53,868	53,868	53,694	174
Administrative:				
Board of canvassers	102,235	102,235	101,310	925
Town clerk	227,270	227,270	219,294	7,976
Town manager	239,112	239,112	236,293	2,819
Finance department	316,695	316,695	339,126	(22,431)
Town audit	25,000	25,000	25,000	-
Assessment administration	226,697	226,697	220,723	5,974
Management information systems	229,984	229,984	213,531	16,453
Human resources	54,830	54,830	56,875	(2,045)
Insurance	403,100	403,100	357,148	45,952
Benefits:				
Pensions and retirement	2,418,199	2,418,199	2,338,322	79,877
Social security	399,703	399,703	349,152	50,551
Employee group insurance	1,850,000	1,850,000	1,632,019	217,981
Unemployment insurance	20,049	20,049	48,551	(28,502)
Total legislative, judicial and general administrative	<u>6,900,733</u>	<u>6,900,733</u>	<u>6,483,143</u>	<u>417,590</u>
Public Works				
Town buildings	611,890	611,890	555,922	55,968
Public works administration	28,166	28,166	31,096	(2,930)
Code enforcement office	168,671	168,671	130,600	38,071
Tree warden	8,000	8,000	4,212	3,788
Highway and drainage	1,193,390	1,196,990	1,204,410	(7,420)
Snow and ice control	210,000	210,000	105,773	104,227
Street lighting	346,000	346,000	438,026	(92,026)
Sanitation	2,135,174	2,135,174	2,093,885	41,289
Equipment maintenance	213,621	213,621	213,448	173
Total public works	<u>4,914,912</u>	<u>4,918,512</u>	<u>4,777,372</u>	<u>141,140</u>
Public Safety				
Police department	4,558,807	4,558,807	4,351,583	207,224
Animal control	55,016	55,016	72,182	(17,166)
Civil preparedness	13,000	13,000	10,000	3,000
Police reserve	3,000	3,000	2,573	427
Total public safety	<u>4,629,823</u>	<u>4,629,823</u>	<u>4,436,338</u>	<u>193,485</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, 2012

	<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	737,900	737,900	738,290	(390)
Total health and welfare	<u>737,900</u>	<u>737,900</u>	<u>738,290</u>	<u>(390)</u>
Conservation and development				
Conservation commission	4,775	4,775	3,845	930
Minimum housing	47,696	47,696	47,466	230
Total conservation and development	<u>52,471</u>	<u>52,471</u>	<u>51,311</u>	<u>1,160</u>
Parks and recreation				
Recreation and leisure	239,150	239,150	233,276	5,874
Town beach operation	138,686	138,686	174,034	(35,348)
Celebration of public events	2,700	2,700	631	2,069
Maintenance	268,763	265,163	285,456	(20,293)
Total parks and recreation	<u>649,299</u>	<u>645,699</u>	<u>693,397</u>	<u>(47,698)</u>
Planning and zoning				
Department of planning and zoning	228,288	228,288	226,453	1,835
Total planning and zoning	<u>228,288</u>	<u>228,288</u>	<u>226,453</u>	<u>1,835</u>
Capital improvements/restricted programs				
Restricted programs	509,083	509,083	500,146	8,937
Capital improvements	258,582	258,582	262,019	(3,437)
Total capital improvements and restricted programs	<u>767,665</u>	<u>767,665</u>	<u>762,165</u>	<u>5,500</u>
Debt service				
Town debt service	2,579,946	2,579,946	2,481,546	98,400
School debt service	5,683,010	5,683,010	6,032,534	(349,524)
Total debt service	<u>8,262,956</u>	<u>8,262,956</u>	<u>8,514,080</u>	<u>(251,124)</u>
Education	<u>43,100,729</u>	<u>43,100,729</u>	<u>43,100,729</u>	<u>-</u>
Total expenditures	<u>70,244,776</u>	<u>70,244,776</u>	<u>69,783,278</u>	<u>461,498</u>
Other financing uses				
Transfer to Capital Project Funds	317,835	317,835	317,835	-
Transfer to Beach Fund	242,737	242,737	240,344	2,393
Transfer to Sewer Fund	389,044	389,044	389,044	-
Transfer to Internal Service Fund	15,000	15,000	15,000	-
Total other financing uses	<u>964,616</u>	<u>964,616</u>	<u>962,223</u>	<u>2,393</u>
Total expenditures and other financing uses	<u>\$ 71,209,392</u>	<u>\$ 71,209,392</u>	<u>\$ 70,745,501</u>	<u>\$ 463,891</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

NOTE 1 - SCHEDULE OF FUNDING PROGRESS

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

	<i>General Municipal Employees Pension Plan</i>	<i>Police Pension Plan</i>
Valuation date	06/30/2011	07/01/2012
Actuarial cost method	Entry Age	Entry Age
Amortization method	Level percent of payroll - closed	Level dollar - closed
Amortization period	25 year period from June 30, 2010 or 24 years as of the valuation date	30 years
Asset valuation method	Market value of assets with a 5-year phase-in of actual investment return in excess of (less than) expected investment income	Market value of assets with a 5-year phase-in at 20% per year of actual investment return in excess of (less than) expected investment return
Actuarial assumptions:		
Investment rate of return	7.5% per year, compounded annually, composed of an assumed 2.75% inflation rate and a 4.75% net real rate of return	7.5%, net of expenses, compounded annually
Projected salary increases	An annual service related component, plus a 4% wage inflation assumption (composed of a 2.75% price inflation assumption and a 1.25% additional general increase)	3.5 - 14.5% based on years of service
Cost-of-living adjustments	Not applicable	2.5%, not compounded, for members retiring before 7/01/1998 3%, not compounded, for members retiring after 7/01/1998
Healthcare cost trend rates	Not applicable	Not applicable
Participant information	Active employees Retirees and beneficiaries	Active employees Retirees and beneficiaries Terminated vested
	1 8 <u>9</u>	48 46 1 <u>95</u>

(Continued)

TOWN OF WESTERLY, RHODE ISLAND
Notes to Required Supplementary Information (Continued)

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

	<i>Police Other Postemployment Benefit Plan</i>	<i>School Other Postemployment Benefit Plan</i>
Valuation date	07/01/2012	07/01/2010
Actuarial cost method	Entry Age	Projected unit credit funding method (with service proration)
Amortization method	Level dollar - closed	Level dollar - open
Amortization period	30 years	1.9697 years
Asset valuation method	Market value of assets with a 5-year phase-in at 20% per year of actual investment return in excess of (less than) expected investment return	N/A
Actuarial assumptions: Investment rate of return/discount rate	7.5%, net of expenses, compounded annually	4% discount rate
Projected salary increases	Not applicable	Not applicable
Cost-of-living adjustments	Not applicable	Not applicable
Healthcare cost trend rates	Medical - 10% increase as of 2007 decreasing 1% per year until 2012 to 5%; Dental - 4%	Medical - 8.5% increase in 2010, graded down .50% per year until an ultimate rate of 5% in 2017
Participant information	Active employees 48 Retirees and beneficiaries 46 Terminated vested 1 <u>95</u>	Active employees - Retirees and beneficiaries 64 Terminated vested - <u>64</u>

TOWN OF WESTERLY, RHODE ISLAND
Notes to Required Supplementary Information
June 30, 2012

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. 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 Department budget. The proposed School Department 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 Department 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 Department appropriation. 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 is 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 is 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 table below shows the amounts by which certain municipal department expenditures exceeded fiscal year 2012 appropriations:

<u>Department</u>	<u>Fund</u>	<u>Expenditures In Excess of Budget</u>
Finance Department	General	\$22,431
Human Resources	General	2,045
Unemployment Insurance	General	28,502
Public Works Administration	General	2,930
Highway and Drainage	General	7,420

TOWN OF WESTERLY, RHODE ISLAND
Notes to Required Supplementary Information
June 30, 2012

<u>Department</u>	<u>Fund</u>	Expenditures in Excess of Budget
Street Lighting	General	\$92,026
Animal Control	General	17,166
Town Beach Operation	General	35,348
Parks and Recreation Maintenance	General	20,293
Subsidies	General	390
Capital Improvements	General	3,437
School Debt Service	General	349,524

Explanation of Differences Between Budgetary Revenues, Expenditures, and Other Financing Sources and Uses and GAAP Revenues, Expenditures, and Other Financing Sources and Uses

<u>Revenues and Other Financing Sources</u>	<u>General Fund</u>
Actual amounts (budgetary basis)	\$70,727,680
Differences – budget to GAAP:	
Prior year budgeted surplus is a budgetary revenue, but is not a current year revenue for financial reporting purposes.	(767,000)
The pension contributions made to the Employees Retirement System by the State on behalf of the Town of Westerly is not reported as budgetary revenue, but is a current year revenue for financial reporting purposes.	2,129,148
Capital lease proceeds are not budgetary revenues but are current year revenues for financial reporting purposes.	581,413
Unbudgeted revenues not included for budgetary purposes, but included for financial reporting purposes.	8,677,659
<i>Total revenues and other financing sources as reported on the statement of revenues, expenditures and changes in fund balances – governmental funds</i>	<u>\$81,348,900</u>

TOWN OF WESTERLY, RHODE ISLAND
Notes to Required Supplementary Information
June 30, 2012

<u>Expenditures and Other Financing Uses</u>	<u>General Fund</u>
Actual amounts (budgetary basis)	\$70,745,501
Differences – budget to GAAP:	
Capital assets acquired with capital lease proceeds are not reported as budgetary expenditures, but are current year expenditures for financial reporting purposes.	581,413
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.	2,129,148
Unbudgeted expenditures not included for budgetary purposes, but included for financial reporting purposes.	<u>8,916,019</u>
<i>Total expenditures and other financing uses as reported in the statement of revenues, expenditures and changes in fund balances – governmental funds</i>	<u><u>\$82,372,081</u></u>

OTHER SUPPLEMENTARY INFORMATION

The information provided herein contains schedules which the Town deems necessary to provide additional disclosures.

THIS SECTION CONTAINS THE FOLLOWING:

- Combining Fund Financial Statements for Nonmajor Governmental Funds**
- Combining Fund Financial Statements for Internal Service Funds**
- Combining Fund Financial Statements for Private Purpose Trust Funds**
- Combining Statement of Net Assets for Agency Funds**
- Other Supplementary Information**

**COMBINING FUND FINANCIAL STATEMENTS -
NONMAJOR GOVERNMENTAL FUNDS**

**THE FOLLOWING FUNDS OF THE TOWN
ARE REPORTED IN THIS SECTION:**

Special Revenue Funds are used to account for resources allocated to specific purposes. A Special Revenue fund continues in existence as long as governmental resources are allocated to its specific purposes.

The Capital Projects Funds account for all resources used for the acquisition and/or construction of capital items by the Town and School except those financed by the Proprietary Fund Types or Trust Funds.

TOWN OF WESTERLY, RHODE ISLAND

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012

	Special Revenue Funds						
	School Restricted Fund	School Lunch Fund	Animal Shelter Fund	Town Clerks Fund	Civil Defense Fund	Riverwalk Greenways Grant	Recycling Program
ASSETS							
Cash	\$ 76,598	\$ 13,823	\$ 75,719	\$ 73,074	\$ 41,731	\$ -	\$ 46,600
Accounts receivable	-	5,517	166	-	-	-	-
Due from federal and state governments	619,030	44,806	-	-	-	143,850	-
Due from other funds	-	796	-	-	-	-	-
Total assets	\$ 695,628	\$ 64,942	\$ 75,885	\$ 73,074	\$ 41,731	\$ 143,850	\$ 46,600
LIABILITIES AND FUND BALANCES							
Liabilities							
Cash overdraft	\$ 583,358	\$ -	\$ -	\$ -	\$ -	\$ 150,401	\$ -
Accounts payable and accrued expenditures	52,150	64,942	625	4,295	1,905	-	12,333
Total liabilities	635,508	64,942	625	4,295	1,905	150,401	12,333
Fund balances (deficits)							
Restricted for:							
Education programs	60,120	-	-	-	-	-	-
Historical records preservation	-	-	-	68,779	-	-	-
Public safety programs	-	-	-	-	39,826	-	-
Health and welfare programs	-	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-	-
Other programs	-	-	-	-	-	-	-
Committed for:							
Town capital projects	-	-	-	-	-	-	-
Animal shelter	-	-	75,260	-	-	-	-
Other programs	-	-	-	-	-	-	34,267
Unassigned	-	-	-	-	-	(6,551)	-
Total fund balances (deficits)	60,120	-	75,260	68,779	39,826	(6,551)	34,267
Total liabilities and fund balances	\$ 695,628	\$ 64,942	\$ 75,885	\$ 73,074	\$ 41,731	143,850	46,600

(Continued)

TOWN OF WESTERLY, RHODE ISLAND

Combining Balance Sheet
Nonmajor Governmental Funds (Continued)
June 30, 2012

<i>Special Revenue Funds</i>						
	<i>CDBG 2006</i>	<i>CDBG 2010</i>	<i>CDBG 2011</i>	<i>CDBG 2008</i>	<i>CDBG 2009</i>	<i>Department of Community Development</i>
ASSETS						<i>GIS System</i>
Cash	\$ -	\$ 1,873	\$ -	\$ -	\$ -	\$ 27,934
Accounts receivable	-	-	-	-	-	-
Due from federal and state governments	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
Total assets	<u>\$ -</u>	<u>\$ 1,873</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,934</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Cash overdraft	\$ -	\$ -	\$ -	\$ -	\$ 1,096	\$ -
Accounts payable and accrued expenditures	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,096</u>	<u>-</u>
Fund balances (deficits)						
Restricted for:						
Education programs	-	-	-	-	-	-
Historical records preservation	-	-	-	-	-	-
Public safety programs	-	-	-	-	-	-
Health and welfare programs	-	1,873	-	-	-	-
Capital projects	-	-	-	-	-	-
Other programs	-	-	-	-	-	27,934
Committed for:						
Town capital projects	-	-	-	-	-	-
Animal shelter	-	-	-	-	-	-
Other programs	-	-	-	-	-	-
Unassigned	-	-	-	-	(1,096)	-
Total fund balances (deficits)	<u>-</u>	<u>1,873</u>	<u>-</u>	<u>-</u>	<u>(1,096)</u>	<u>27,934</u>
Total liabilities and fund balances	<u>-</u>	<u>1,873</u>	<u>-</u>	<u>-</u>	<u>\$ 3,580</u>	<u>\$ 27,934</u>

(Continued)

TOWN OF WESTERLY, RHODE ISLAND

Combining Balance Sheet

Nonmajor Governmental Funds (Continued)

June 30, 2012

	Special Revenue Funds						
	Substance Abuse	SOR Grant	BYRNE Grant	Federal Forfeiture	Homeland Security Reimbursable	Juvenile Justice	Energy Efficiency Grant
ASSETS							
Cash	\$ 1,635	\$ -	\$ -	\$ 243,665	\$ 1,378	\$ -	\$ -
Accounts receivable	-	-	-	-	-	-	-
Due from federal and state governments	2,349	280	32,876	-	-	-	-
Due from other funds	-	-	-	-	-	-	-
Total assets	\$ 3,984	\$ 280	\$ 32,876	\$ 243,665	\$ 1,378	\$ -	\$ -
LIABILITIES AND FUND BALANCES							
Liabilities							
Cash overdraft	\$ -	\$ 838	\$ 28,075	\$ -	\$ -	\$ 177	\$ -
Accounts payable and accrued expenditures	-	-	1,496	7,664	-	-	-
Total liabilities	-	838	29,571	7,664	-	177	-
Fund balances (deficits)							
Restricted for:							
Education programs	-	-	-	-	-	-	-
Historical records preservation	-	-	-	-	-	-	-
Public safety programs	-	-	3,305	236,001	1,378	-	-
Health and welfare programs	3,984	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-	-
Other programs	-	-	-	-	-	-	-
Committed for:							
Town capital projects	-	-	-	-	-	-	-
Animal shelter	-	-	-	-	-	-	-
Other programs	-	-	-	-	-	-	-
Unassigned	-	(558)	-	-	-	(177)	-
Total fund balances (deficits)	3,984	(558)	3,305	236,001	1,378	(177)	-
Total liabilities and fund balances	\$ 3,984	\$ 280	\$ 32,876	\$ 243,665	\$ 1,378	\$ -	\$ -

(Continued)

TOWN OF WESTERLY, RHODE ISLAND

Combining Balance Sheet
Nonmajor Governmental Funds (Continued)
June 30, 2012

	<i>Special Revenue Funds</i>					<i>Total Special Revenue Funds</i>
	<i>Seatbelt Grants</i>	<i>Underage Drinking</i>	<i>GOHS DWI Grant</i>	<i>Pumpout Boat</i>	<i>West Street Bridge</i>	
ASSETS						
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 607,610
Accounts receivable	-	-	-	-	-	5,683
Due from federal and state governments	4,759	-	-	-	603,647	1,451,597
Due from other funds	-	-	-	-	-	796
Total assets	<u>\$ 4,759</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 603,647</u>	<u>\$ 2,065,686</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Cash overdraft	\$ 4,713	\$ 269	\$ 6	\$ -	\$ 573,384	1,342,317
Accounts payable and accrued expenditures	-	-	-	-	-	145,410
Total liabilities	<u>4,713</u>	<u>269</u>	<u>6</u>	<u>-</u>	<u>573,384</u>	<u>1,487,727</u>
Fund balances (deficits)						
Restricted for:						
Education programs	-	-	-	-	-	60,120
Historical records preservation	-	-	-	-	-	68,779
Public safety programs	46	-	-	-	-	280,556
Health and welfare programs	-	-	-	-	-	9,437
Capital projects	-	-	-	-	30,263	30,263
Other programs	-	-	-	-	-	27,934
Committed for:						
Town capital projects	-	-	-	-	-	-
Animal shelter	-	-	-	-	-	75,260
Other programs	-	-	-	-	-	34,267
Unassigned	-	(269)	(6)	-	-	(8,657)
Total fund balances (deficits)	<u>46</u>	<u>(269)</u>	<u>(6)</u>	<u>-</u>	<u>30,263</u>	<u>577,959</u>
Total liabilities and fund balances	<u>\$ 4,759</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 603,647</u>	<u>\$ 2,065,686</u>

(Continued)

TOWN OF WESTERLY, RHODE ISLAND

Combining Balance Sheet

Nonmajor Governmental Funds (Continued)

June 30, 2012

	Capital Project Funds						<i>Total Capital Project Funds</i>	<i>Total All Nonmajor Governmental Funds</i>
	<i>Land Acquisition Fund</i>	<i>Public Works Garage</i>	<i>Police Station Fund</i>	<i>Roads and Sidewalks</i>	<i>School Bond Fund</i>	<i>Capital Project Fund</i>		
ASSETS								
Cash	\$ 24,398	\$ 138,827	\$ 492,169	\$ -	\$ 100,400	\$ 2,703,945	\$ 3,459,739	\$ 4,067,349
Accounts receivable	-	-	-	-	-	-	-	5,683
Due from federal and state governments	-	-	-	-	379,412	-	379,412	1,831,009
Due from other funds	-	-	-	-	-	-	-	796
Total assets	<u>\$ 24,398</u>	<u>\$ 138,827</u>	<u>\$ 492,169</u>	<u>\$ -</u>	<u>\$ 479,812</u>	<u>\$ 2,703,945</u>	<u>\$ 3,839,151</u>	<u>\$ 5,904,837</u>
LIABILITIES AND FUND BALANCES								
Liabilities								
Cash overdraft	-	-	-	-	-	-	-	1,342,317
Accounts payable and accrued expenditures	-	-	-	-	89,220	21,660	110,880	256,290
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>89,220</u>	<u>21,660</u>	<u>110,880</u>	<u>1,598,607</u>
Fund balances (deficits)								
Restricted for:								
Education programs	-	-	-	-	-	-	-	60,120
Historical records preservation	-	-	-	-	-	-	-	68,779
Public safety programs	-	-	-	-	-	-	-	280,556
Health and welfare programs	-	-	-	-	-	-	-	9,437
Capital projects	24,398	138,827	492,169	-	390,592	-	1,045,986	1,076,249
Other programs	-	-	-	-	-	-	-	27,934
Committed for:								
Town capital projects	-	-	-	-	-	2,682,285	2,682,285	2,682,285
Animal shelter	-	-	-	-	-	-	-	75,260
Other programs	-	-	-	-	-	-	-	34,267
Unassigned	-	-	-	-	-	-	-	(8,657)
Total fund balances (deficits)	<u>24,398</u>	<u>138,827</u>	<u>492,169</u>	<u>-</u>	<u>390,592</u>	<u>2,682,285</u>	<u>3,728,271</u>	<u>4,306,230</u>
Total liabilities and fund balances	<u>\$ 24,398</u>	<u>\$ 138,827</u>	<u>\$ 492,169</u>	<u>\$ -</u>	<u>\$ 479,812</u>	<u>\$ 2,703,945</u>	<u>\$ 3,839,151</u>	<u>\$ 5,904,837</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, 2012

	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>Riverwalk Greenways Grant</i>	<i>Recycling Program</i>
Revenues							
State and federal aid and grants	\$ 1,979,801	\$ 551,239	\$ -	\$ -	\$ 1,500	\$ -	\$ 58,171
Charges for services	-	401,233	8,291	36,912	-	-	-
Investment and interest income	-	-	16	29	57	-	-
Contributions and private grants	143,961	-	39,104	-	-	-	-
Total revenues	<u>2,123,762</u>	<u>952,472</u>	<u>47,411</u>	<u>36,941</u>	<u>1,557</u>	<u>-</u>	<u>58,171</u>
Expenditures							
Current:							
Legislative, financial, judicial and general administrative	-	-	-	4,295	-	6,551	-
Public works	-	-	-	-	-	-	36,534
Public safety	-	-	-	-	2,151	-	-
Health and welfare	-	-	17,816	-	-	-	-
Education	2,147,901	959,333	-	-	-	-	-
Capital	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-
Total expenditures	<u>2,147,901</u>	<u>959,333</u>	<u>17,816</u>	<u>4,295</u>	<u>2,151</u>	<u>6,551</u>	<u>36,534</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	<u>(24,139)</u>	<u>(6,861)</u>	<u>29,595</u>	<u>32,646</u>	<u>(594)</u>	<u>(6,551)</u>	<u>21,637</u>
Other financing sources (uses)							
Loan proceeds	-	-	-	-	-	-	-
Lease proceeds	-	-	-	-	-	-	-
Premium on debt	-	-	-	-	-	-	-
Transfers from other funds	-	796	-	-	-	-	-
Transfers to other funds	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>796</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>(24,139)</u>	<u>(6,065)</u>	<u>29,595</u>	<u>32,646</u>	<u>(594)</u>	<u>(6,551)</u>	<u>21,637</u>
Fund balances (deficits) - as restated, beginning of year	<u>84,259</u>	<u>6,065</u>	<u>45,665</u>	<u>36,133</u>	<u>40,420</u>	<u>-</u>	<u>\$ 12,630</u>
Fund balances (deficits), end of year	<u>\$ 60,120</u>	<u>\$ -</u>	<u>\$ 75,260</u>	<u>\$ 68,779</u>	<u>\$ 39,826</u>	<u>\$ (6,551)</u>	<u>\$ 34,267</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, 2012

	Special Revenue Funds						
	CDBG 2006	CDBG 2010	CDBG 2011	CDBG 2008	CDBG 2009	Department of Community Development	GIS System
Revenues							
State and federal aid and grants	\$ 5,918	\$ 29,965	\$ 6,000	\$ 8,137	\$ 52,506	\$ -	\$ -
Charges for services	-	-	-	-	-	-	-
Investment and interest income	-	-	-	-	-	4	-
Contributions and private grants	-	-	-	-	-	-	-
Total revenues	<u>5,918</u>	<u>29,965</u>	<u>6,000</u>	<u>8,137</u>	<u>52,506</u>	<u>4</u>	<u>-</u>
Expenditures							
Current:							
Legislative, financial, judicial and general administrative	-	-	-	-	-	-	2,066
Public works	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Health and welfare	10,671	36,092	6,000	12,461	54,422	-	-
Education	-	-	-	-	-	-	-
Capital	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-
Total expenditures	<u>10,671</u>	<u>36,092</u>	<u>6,000</u>	<u>12,461</u>	<u>54,422</u>	<u>-</u>	<u>2,066</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	<u>(4,753)</u>	<u>(6,127)</u>	<u>-</u>	<u>(4,324)</u>	<u>(1,916)</u>	<u>4</u>	<u>(2,066)</u>
Other financing sources (uses)							
Loan proceeds	-	-	-	-	-	-	-
Lease proceeds	-	-	-	-	-	-	-
Premium on debt	-	-	-	-	-	-	-
Transfers from other funds	-	-	-	-	-	-	-
Transfers to other funds	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>(4,753)</u>	<u>(6,127)</u>	<u>-</u>	<u>(4,324)</u>	<u>(1,916)</u>	<u>4</u>	<u>(2,066)</u>
Fund balances (deficits) - as restated, beginning of year	<u>4,753</u>	<u>8,000</u>	<u>-</u>	<u>4,324</u>	<u>820</u>	<u>3,576</u>	<u>30,000</u>
Fund balances (deficits), end of year	<u>\$ (0)</u>	<u>\$ 1,873</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,096)</u>	<u>\$ 3,580</u>	<u>\$ 27,934</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, 2012

	Special Revenue Funds						
	<i>Substance Abuse</i>	<i>SOR Grant</i>	<i>BYRNE Grant</i>	<i>Federal Forfeiture</i>	<i>Homeland Security Reimbursable</i>	<i>Juvenile Justice</i>	<i>Energy Efficiency Grant</i>
Revenues							
State and federal aid and grants	\$ 28,191	\$ 8,148	\$ 35,117	\$ 1,284	\$ -	\$ -	\$ 26,461
Charges for services	-	-	-	-	-	-	-
Investment and interest income	-	-	-	438	-	-	-
Contributions and private grants	1,250	-	-	-	-	-	-
Total revenues	<u>29,441</u>	<u>8,148</u>	<u>35,117</u>	<u>1,722</u>	<u>-</u>	<u>-</u>	<u>26,461</u>
Expenditures							
Current:							
Legislative, financial, judicial and general administrative	-	-	-	-	-	-	26,461
Public works	-	-	-	-	-	-	-
Public safety	-	8,136	32,198	63,793	-	-	-
Health and welfare	30,318	-	-	-	-	-	-
Education	-	-	-	-	-	-	-
Capital	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-
Total expenditures	<u>30,318</u>	<u>8,136</u>	<u>32,198</u>	<u>63,793</u>	<u>-</u>	<u>-</u>	<u>26,461</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	<u>(877)</u>	<u>12</u>	<u>2,919</u>	<u>(62,071)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources (uses)							
Loan proceeds	-	-	-	-	-	-	-
Lease proceeds	-	-	-	-	-	-	-
Premium on debt	-	-	-	-	-	-	-
Transfers from other funds	-	-	-	-	-	-	-
Transfers to other funds	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>(877)</u>	<u>12</u>	<u>2,919</u>	<u>(62,071)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances (deficits) - as restated, beginning of year	<u>4,861</u>	<u>(570)</u>	<u>386</u>	<u>298,072</u>	<u>1,378</u>	<u>(177)</u>	<u>-</u>
Fund balances (deficits), end of year	<u>\$ 3,984</u>	<u>\$ (558)</u>	<u>\$ 3,305</u>	<u>\$ 236,001</u>	<u>\$ 1,378</u>	<u>\$ (177)</u>	<u>\$ -</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, 2012

	Special Revenue Funds					Total Special Revenue Funds
	Seatbelt Grants	Underage Drinking	GOHS DWI Grant	Pumpout Boat	West Street Bridge	
Revenues						
State and federal aid and grants	\$ 7,174	\$ -	\$ 644	\$ 19,000	\$ 603,647	\$ 3,422,903
Charges for services	-	-	-	-	-	446,436
Investment and interest income	-	-	-	-	-	544
Contributions and private grants	-	-	-	-	-	184,315
Total revenues	<u>7,174</u>	<u>-</u>	<u>644</u>	<u>19,000</u>	<u>603,647</u>	<u>4,054,198</u>
Expenditures						
Current:						
Legislative, financial, judicial and general administrative	-	-	-	-	-	39,373
Public works	-	-	-	-	-	36,534
Public safety	7,128	269	650	-	-	114,325
Health and welfare	-	-	-	-	-	167,780
Education	-	-	-	-	-	3,107,234
Capital	-	-	-	49,500	573,384	622,884
Debt Service	-	-	-	-	-	-
Total expenditures	<u>7,128</u>	<u>269</u>	<u>650</u>	<u>49,500</u>	<u>573,384</u>	<u>4,088,130</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	<u>46</u>	<u>(269)</u>	<u>(6)</u>	<u>(30,500)</u>	<u>30,263</u>	<u>(33,932)</u>
Other financing sources (uses)						
Loan proceeds	-	-	-	-	-	-
Lease proceeds	-	-	-	-	-	-
Premium on debt	-	-	-	-	-	-
Transfers from other funds	-	-	-	-	-	796
Transfers to other funds	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>796</u>
Net change in fund balance	46	(269)	(6)	(30,500)	30,263	(33,136)
Fund balances (deficits) - as restated, beginning of year	-	-	-	30,500	-	611,095
Fund balances (deficits), end of year	<u>\$ 46</u>	<u>\$ (269)</u>	<u>\$ (6)</u>	<u>\$ -</u>	<u>\$ 30,263</u>	<u>\$ 577,959</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, 2012

	Capital Project Funds						Total Capital Project Funds	Total All Nonmajor Governmental Funds
	<i>Land Acquisition Fund</i>	<i>Public Works Garage</i>	<i>Police Station Fund</i>	<i>Roads and Sidewalks</i>	<i>School Bond Fund</i>	<i>Capital Project Fund</i>		
Revenues								
State and federal aid and grants	\$ -	\$ 174,394	\$ -	\$ 38,932	\$ 384,350	\$ -	\$ 597,676	\$ 4,020,579
Charges for services	-	-	-	-	-	-	-	446,436
Investment and interest income	-	147	-	1,086	4,446	-	5,679	6,223
Contributions and private grants	-	-	-	-	3,985	-	3,985	188,300
Total revenues	<u>-</u>	<u>174,541</u>	<u>-</u>	<u>40,018</u>	<u>392,781</u>	<u>-</u>	<u>607,340</u>	<u>4,661,538</u>
Expenditures								
Current:								
Legislative, financial, judicial and general administrative	826	-	-	-	-	-	826	40,199
Public works	-	-	-	-	-	-	-	36,534
Public safety	-	-	-	-	-	-	-	114,325
Health and welfare	-	-	-	-	-	-	-	167,780
Education	-	-	-	-	-	-	-	3,107,234
Capital	-	182,599	-	1,493,089	7,466,910	912,003	10,054,601	10,677,485
Debt Service	-	-	-	-	357,081	-	357,081	357,081
Total expenditures	<u>826</u>	<u>182,599</u>	<u>-</u>	<u>1,493,089</u>	<u>7,823,991</u>	<u>912,003</u>	<u>10,412,508</u>	<u>14,500,638</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	<u>(826)</u>	<u>(8,058)</u>	<u>-</u>	<u>(1,453,071)</u>	<u>(7,431,210)</u>	<u>(912,003)</u>	<u>(9,805,168)</u>	<u>(9,839,100)</u>
Other financing sources (uses)								
Loan proceeds	-	-	-	-	14,645,000	-	14,645,000	14,645,000
Lease proceeds	-	-	-	-	-	180,000	180,000	180,000
Premium on debt	-	-	-	-	200,395	-	200,395	200,395
Transfers from other funds	-	-	-	60,172	-	317,835	378,007	378,803
Transfers to other funds	-	-	-	-	-	(45,763)	(45,763)	(45,763)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>60,172</u>	<u>14,845,395</u>	<u>452,072</u>	<u>15,357,639</u>	<u>15,358,435</u>
Net change in fund balance	(826)	(8,058)	-	(1,392,899)	7,414,185	(459,931)	5,552,471	5,519,335
Fund balances (deficits) - as restated, beginning of year	25,224	146,885	492,169	1,392,899	(7,023,593)	3,142,216	(1,824,200)	(1,213,105)
Fund balances (deficits), end of year	<u>\$ 24,398</u>	<u>\$ 138,827</u>	<u>\$ 492,169</u>	<u>\$ -</u>	<u>\$ 390,592</u>	<u>\$ 2,682,285</u>	<u>\$ 3,728,271</u>	<u>\$ 4,306,230</u>

TOWN OF WESTERLY, RHODE ISLAND

Combining Balance Sheet
Special Revenue Funds - School Restricted Fund
June 30, 2012

	<u>Title I</u>	<u>Title II</u>	<u>Title III</u>	<u>IDEA Part B</u>	<u>Section 619 Preschool</u>	<u>ARRA IDEA Part B</u>
ASSETS						
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from federal and state governments	153,053	96,314	4,314	246,722	8,478	-
Total assets	<u>\$ 153,053</u>	<u>\$ 96,314</u>	<u>\$ 4,314</u>	<u>\$ 246,722</u>	<u>\$ 8,478</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Cash overdraft	\$ 151,853	\$ 96,314	\$ 4,314	\$ 227,483	\$ 8,243	\$ -
Accounts payable and accrued expenditures	1,200	-	-	19,103	235	-
Total liabilities	<u>153,053</u>	<u>96,314</u>	<u>4,314</u>	<u>246,586</u>	<u>8,478</u>	<u>-</u>
Fund balances -restricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>136</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 153,053</u>	<u>\$ 96,314</u>	<u>\$ 4,314</u>	<u>\$ 246,722</u>	<u>\$ 8,478</u>	<u>\$ -</u>

(Continued)

TOWN OF WESTERLY, RHODE ISLAND
Combining Balance Sheet
Special Revenue Funds - School Restricted Fund (Continued)
June 30, 2012

	<u>ARRA Title I</u>	<u>ARRA Preschool</u>	<u>Title III Immigrant Assistance</u>	<u>Volunteers</u>	<u>Child Opportunity Zone</u>	<u>Even Start</u>
ASSETS						
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from federal and state governments	-	-	3,503	1,204	12,288	25,597
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,503</u>	<u>\$ 1,204</u>	<u>\$ 12,288</u>	<u>\$ 25,597</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Cash overdraft	\$ -	\$ -	\$ 3,503	\$ 1,166	\$ 10,605	\$ 24,493
Accounts payable and accrued expenditures	-	-	-	38	-	1,104
Total liabilities	<u>-</u>	<u>-</u>	<u>3,503</u>	<u>1,204</u>	<u>10,605</u>	<u>25,597</u>
Fund balances - restricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,683</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,503</u>	<u>\$ 1,204</u>	<u>\$ 12,288</u>	<u>\$ 25,597</u>

(Continued)

TOWN OF WESTERLY, RHODE ISLAND
Combining Balance Sheet
Special Revenue Funds - School Restricted Fund (Continued)
June 30, 2012

	<i>Fresh Fruit and Vegetable Program</i>	<i>Education JOBS</i>	<i>National Lunch Equipment Grant</i>	<i>Common Core Standards</i>	<i>Champlin Grant</i>	<i>Bryant University</i>
ASSETS						
Cash	\$ -	\$ -	\$ -	\$ -	\$ 33,044	\$ -
Due from federal and state governments	9,306	50,720	-	-	-	-
Total assets	<u>\$ 9,306</u>	<u>\$ 50,720</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,044</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Cash overdraft	\$ 4,664	\$ 50,720	\$ -	\$ -	\$ -	\$ -
Accounts payable and accrued expenditures	4,633	-	-	-	18,306	-
Total liabilities	<u>9,297</u>	<u>50,720</u>	<u>-</u>	<u>-</u>	<u>18,306</u>	<u>-</u>
Fund balances - restricted	<u>9</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,738</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 9,306</u>	<u>\$ 50,720</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,044</u>	<u>\$ -</u>

(Continued)

TOWN OF WESTERLY, RHODE ISLAND
Combining Balance Sheet
Special Revenue Funds - School Restricted Fund (Continued)
June 30, 2012

	<i>Federal Stabilization</i>	<i>RTT</i>	<i>RIAEC</i>	<i>UCOA</i>	<i>United Way</i>
ASSETS					
Cash	\$ -	\$ -	\$ 2,867	\$ -	\$ 8,935
Due from federal and state governments	-	7,531	-	-	-
Total assets	<u>\$ -</u>	<u>\$ 7,531</u>	<u>\$ 2,867</u>	<u>\$ -</u>	<u>\$ 8,935</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Cash overdraft	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable and accrued expenditures	-	7,531	-	-	-
Total liabilities	<u>-</u>	<u>7,531</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - restricted	<u>-</u>	<u>-</u>	<u>2,867</u>	<u>-</u>	<u>8,935</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 7,531</u>	<u>\$ 2,867</u>	<u>\$ -</u>	<u>\$ 8,935</u>

(Continued)

TOWN OF WESTERLY, RHODE ISLAND
Combining Balance Sheet
Special Revenue Funds - School Restricted Fund (Continued)
June 30, 2012

	<u>RI Foundation</u>	<u>Perkins Vocational Education</u>	<u>Wal-Mart</u>	<u>RIPIN PERC Funds</u>	<u>DOH Mini Grants</u>
ASSETS					
Cash	\$ 25,743	\$ 1,951	\$ 294	\$ 1,569	\$ 2,195
Due from federal and state governments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u><u>\$ 25,743</u></u>	<u><u>\$ 1,951</u></u>	<u><u>\$ 294</u></u>	<u><u>\$ 1,569</u></u>	<u><u>\$ 2,195</u></u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Cash overdraft	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable and accrued expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - restricted	<u>25,743</u>	<u>1,951</u>	<u>294</u>	<u>1,569</u>	<u>2,195</u>
Total liabilities and fund balances	<u><u>\$ 25,743</u></u>	<u><u>\$ 1,951</u></u>	<u><u>\$ 294</u></u>	<u><u>\$ 1,569</u></u>	<u><u>\$ 2,195</u></u>

(Continued)

TOWN OF WESTERLY, RHODE ISLAND
Combining Balance Sheet
Special Revenue Funds - School Restricted Fund (Continued)
June 30, 2012

	<u>WISSP Center</u>	<u>Citigroup Foundation</u>	<u>RICAPP</u>	<u>E2T2</u>	<u>Total</u>
ASSETS					
Cash	\$ -	\$ -	\$ -	\$ -	\$ 76,598
Due from federal and state governments	-	-	-	-	619,030
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 695,628</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Cash overdraft	\$ -	\$ -	\$ -	\$ -	583,358
Accounts payable and accrued expenditures	-	-	-	-	52,150
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>635,508</u>
Fund balances - restricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>60,120</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 695,628</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, 2012

	<u>Title I</u>	<u>Title II</u>	<u>Title III</u>	<u>IDEA Part B</u>	<u>Section 619 Preschool</u>	<u>ARRA IDEA Part B</u>
Revenues						
Federal and state aid and grants	\$ 408,542	\$ 204,811	\$ 15,288	\$ 959,679	\$ 26,384	\$ 77,948
Contributions and private grants	-	-	-	-	-	-
Total revenues	<u>408,542</u>	<u>204,811</u>	<u>15,288</u>	<u>959,679</u>	<u>26,384</u>	<u>77,948</u>
Expenditures						
Education	<u>408,542</u>	<u>204,811</u>	<u>15,288</u>	<u>959,679</u>	<u>26,384</u>	<u>77,948</u>
Total expenditures	<u>408,542</u>	<u>204,811</u>	<u>15,288</u>	<u>959,679</u>	<u>26,384</u>	<u>77,948</u>
 Net change in fund balance	 -	 -	 -	 -	 -	 -
 Fund balances beginning of year-restated	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>136</u>	 <u>-</u>	 <u>-</u>
Fund balances end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 136</u></u>	<u><u>\$ -</u></u>	<u><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, 2012

	ARRA Title I	ARRA Preschool	Title III Immigrant Assistance	Volunteers	Child Opportunity Zone	Even Start
Revenues						
Federal and state aid and grants	\$ 12,237	\$ 21,409	\$ 3,503	\$ 1,204	\$ 12,288	\$ 44,483
Contributions and private grants	-	-	-	-	-	-
Total revenues	<u>12,237</u>	<u>21,409</u>	<u>3,503</u>	<u>1,204</u>	<u>12,288</u>	<u>44,483</u>
Expenditures						
Education	<u>12,237</u>	<u>21,409</u>	<u>3,503</u>	<u>1,204</u>	<u>12,288</u>	<u>44,483</u>
Total expenditures	<u>12,237</u>	<u>21,409</u>	<u>3,503</u>	<u>1,204</u>	<u>12,288</u>	<u>44,483</u>
 Net change in fund balance	 -	 -	 -	 -	 -	 -
 Fund balances beginning of year-restated	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>1,683</u>	 <u>-</u>
 Fund balances end of year	 <u><u>\$ -</u></u>	 <u><u>\$ -</u></u>	 <u><u>\$ -</u></u>	 <u><u>\$ -</u></u>	 <u><u>\$ 1,683</u></u>	 <u><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, 2012

	<i>Fresh Fruit and Vegetable Program</i>	<i>Education JOBS</i>	<i>National Lunch Equipment Grant</i>	<i>Common Core Standards</i>	<i>Champlin Grant</i>	<i>Bryant University</i>
Revenues						
Federal and state aid and grants	\$ 42,681	\$ 50,720	\$ 3,488	\$ 5,204	\$ -	\$ -
Contributions and private grants	-	-	-	-	100,000	10,000
Total revenues	<u>42,681</u>	<u>50,720</u>	<u>3,488</u>	<u>5,204</u>	<u>100,000</u>	<u>10,000</u>
Expenditures						
Education	42,672	50,720	3,488	5,204	85,262	10,000
Total expenditures	<u>42,672</u>	<u>50,720</u>	<u>3,488</u>	<u>5,204</u>	<u>85,262</u>	<u>10,000</u>
 Net change in fund balance	 9	 -	 -	 -	 14,738	 -
 Fund balances beginning of year-restated	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>
Fund balances end of year	<u>\$ 9</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,738</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, 2012

	<i>Federal Stabilization</i>	<i>RTT</i>	<i>RIAEC</i>	<i>UCOA</i>	<i>United Way</i>
Revenues					
Federal and state aid and grants	\$ 60,022	\$ 19,910	\$ -	\$ -	\$ -
Contributions and private grants	-	-	3,750	-	10,020
Total revenues	<u>60,022</u>	<u>19,910</u>	<u>3,750</u>	<u>-</u>	<u>10,020</u>
Expenditures					
Education	60,022	19,910	883	1,030	1,985
Total expenditures	<u>60,022</u>	<u>19,910</u>	<u>883</u>	<u>1,030</u>	<u>1,985</u>
 Net change in fund balance	 -	 -	 2,867	 (1,030)	 8,035
 Fund balances beginning of year-restated	 -	 -	 -	 1,030	 900
 Fund balances end of year	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 2,867</u>	 <u>\$ -</u>	 <u>\$ 8,935</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, 2012

	<i>RI Foundation</i>	<i>Perkins Vocational Education</i>	<i>Wal-Mart</i>	<i>RIPIN PERC Funds</i>	<i>DOH Mini Grants</i>
Revenues					
Federal and state aid and grants	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions and private grants	19,428	-	-	763	-
Total revenues	19,428	-	-	763	-
Expenditures					
Education	46,780	-	-	3,817	-
Total expenditures	46,780	-	-	3,817	-
 Net change in fund balance	 (27,352)	 -	 -	 (3,054)	 -
 Fund balances beginning of year-restated	 53,095	 1,951	 294	 4,623	 2,195
 Fund balances end of year	 \$ 25,743	 \$ 1,951	 \$ 294	 \$ 1,569	 \$ 2,195

(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, 2012

	<u>WISSP Center</u>	<u>Citigroup Foundation</u>	<u>RICAPP</u>	<u>E2T2</u>	<u>Total</u>
Revenues					
Federal and state aid and grants	\$ -	\$ -	\$ -	\$ 10,000	\$ 1,979,801
Contributions and private grants	-	-	-	-	143,961
Total revenues	-	-	-	10,000	2,123,762
Expenditures					
Education	17,940	143	269	10,000	2,147,901
Total expenditures	17,940	143	269	10,000	2,147,901
 Net change in fund balance	 (17,940)	 (143)	 (269)	 -	 (24,139)
 Fund balances beginning of year-restated	 17,940	 143	 269	 -	 84,259
 Fund balances end of year	 \$ -	 \$ -	 \$ -	 \$ -	 \$ 60,120

COMBINING FUND FINANCIAL STATEMENTS - INTERNAL SERVICE FUNDS

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.

TOWN OF WESTERLY, RHODE ISLAND

Combining Statement of Net Assets

Internal Service Funds

June 30, 2012

	<i>Health Fund</i>	<i>Self Insurance Fund</i>	<i>Total</i>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,074,177	\$ 87,520	\$ 1,161,697
Accounts receivable	250,231	-	250,231
Due from other funds	789,475	-	789,475
Total current assets	<u>2,113,883</u>	<u>87,520</u>	<u>2,201,403</u>
Noncurrent assets			
Other assets	203,265	-	203,265
Total noncurrent assets	<u>203,265</u>	<u>-</u>	<u>203,265</u>
Total assets	<u>2,317,148</u>	<u>87,520</u>	<u>2,404,668</u>
 LIABILITIES			
Current liabilities:			
Due to other funds	1,351,278	-	1,351,278
Claims payable	762,770	-	762,770
Total current liabilities	<u>2,114,048</u>	<u>-</u>	<u>2,114,048</u>
 NET ASSETS			
Unrestricted	<u>203,100</u>	<u>87,520</u>	<u>290,620</u>
Total net assets	<u>\$ 203,100</u>	<u>\$ 87,520</u>	<u>\$ 290,620</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, 2012

	<i>Health Fund</i>	<i>Self Insurance Fund</i>	<i>Total</i>
Operating revenues			
Charges for insurance	\$ 8,749,859	\$ -	\$ 8,749,859
Other	673,481	33,467	706,948
Total operating revenues	<u>9,423,340</u>	<u>33,467</u>	<u>9,456,807</u>
Operating expenses			
Claims	9,254,373	45,041	9,299,414
Other	179,268	-	179,268
Total operating expenses	<u>9,433,641</u>	<u>45,041</u>	<u>9,478,682</u>
Loss before transfers	<u>(10,301)</u>	<u>(11,574)</u>	<u>(21,875)</u>
Transfers in	<u>-</u>	<u>15,000</u>	<u>15,000</u>
Change in net assets	(10,301)	3,426	(6,875)
Net assets - beginning of year	<u>213,401</u>	<u>84,094</u>	<u>297,495</u>
Net assets - end of year	<u><u>\$ 203,100</u></u>	<u><u>\$ 87,520</u></u>	<u><u>\$ 290,620</u></u>

TOWN OF WESTERLY, RHODE ISLAND

Combining Statement of Cash Flows

Internal Service Funds

For the Fiscal Year Ended June 30, 2012

	<i>Health Fund</i>	<i>Self Insurance Fund</i>	<i>Total</i>
<i>Cash flows from operating activities</i>			
Cash received from insurance charges	\$ 9,829,648	\$ -	\$ 9,829,648
Claims payments	(9,131,842)	(55,041)	(9,186,883)
Other operating cash receipts	433,551	35,676	469,227
Other operating cash disbursements	(179,268)	-	(179,268)
<i>Net cash provided by (used for) operating activities</i>	<u>952,089</u>	<u>(19,365)</u>	<u>932,724</u>
<i>Cash flows from non-capital financing activities</i>			
Transfers from other funds	-	15,000	15,000
<i>Net cash provided by non-capital related financing activities</i>	<u>-</u>	<u>15,000</u>	<u>15,000</u>
<i>Net increase(decrease) in cash and cash equivalents</i>	952,089	(4,365)	947,724
<i>Cash and cash equivalents - beginning of year</i>	<u>122,088</u>	<u>91,885</u>	<u>213,973</u>
<i>Cash and cash equivalents - end of year</i>	<u><u>\$ 1,074,177</u></u>	<u><u>\$ 87,520</u></u>	<u><u>\$ 1,161,697</u></u>
<i>Reconciliation of operating loss to net cash provided by (used for) operating activities</i>			
<i>Operating loss</i>	\$ (10,301)	\$ (11,574)	\$ (21,875)
<i>Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:</i>			
Decrease in other assets	10,300	-	10,300
(Increase) decrease in accounts receivable	(250,231)	2,209	(248,022)
Increase in due from/to other funds	1,079,790	-	1,079,790
Increase (decrease) in accounts payable and accrued expenses	122,531	(10,000)	112,531
<i>Total adjustments</i>	<u>962,390</u>	<u>(7,791)</u>	<u>954,599</u>
<i>Net cash provided by (used for) operating activities</i>	<u><u>\$ 952,089</u></u>	<u><u>\$ (19,365)</u></u>	<u><u>\$ 932,724</u></u>

**COMBINING FUND FINANCIAL STATEMENTS -
PRIVATE PURPOSE TRUST FUNDS**

Private Purpose Trust Funds were established to account for assets held by the Town in a fiduciary capacity for individuals, governmental entities and others. Trust funds are operated by carrying out specific requirements, or other governing regulations.

TOWN OF WESTERLY, RHODE ISLAND

Combining Statement of Net Assets

Private-Purpose Trust Funds

June 30, 2012

	<i>Permanent Neighbor Committee</i>	<i>Honor Roll Fund</i>	<i>Lois B. Stillmen Fund</i>	<i>Richmond Brewer Fund</i>	<i>Irene Vose Fund</i>
ASSETS					
Cash and cash equivalents	\$ 1,433	\$ 973	\$ 7,225	\$ 32,573	\$ 43,572
Total assets	<u>1,433</u>	<u>973</u>	<u>7,225</u>	<u>32,573</u>	<u>43,572</u>
 Net Assets					
Held in trust for other purposes	<u>\$ 1,433</u>	<u>\$ 973</u>	<u>\$ 7,225</u>	<u>\$ 32,573</u>	<u>\$ 43,572</u>

(Continued)

TOWN OF WESTERLY, RHODE ISLAND

*Combining Statement of Net Assets
Private-Purpose Trust Funds (Continued)
June 30, 2012*

	<i>Martha C. Babcock Memorial</i>	<i>Premio L. Russo Memorial</i>	<i>Class of 1886</i>	<i>Otis P. Chapman Fund</i>	<i>Municipal Court</i>
ASSETS					
Cash and cash equivalents	\$ 2,872	\$ 1,357	\$ 1,061	\$ 1,814	\$ 473
Total assets	<u>2,872</u>	<u>1,357</u>	<u>1,061</u>	<u>1,814</u>	<u>473</u>
 Net Assets					
Held in trust for other purposes	<u>\$ 2,872</u>	<u>\$ 1,357</u>	<u>\$ 1,061</u>	<u>\$ 1,814</u>	<u>\$ 473</u>

(Continued)

TOWN OF WESTERLY, RHODE ISLAND

Combining Statement of Net Assets

Private-Purpose Trust Funds (Continued)

June 30, 2012

	<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	\$ 988	\$ 1,060	\$ 18,067	\$ 11,786	\$ 1,685	\$ 126,939
Total assets	<u>988</u>	<u>1,060</u>	<u>18,067</u>	<u>11,786</u>	<u>1,685</u>	<u>126,939</u>
 Net Assets						
Held in trust for other purposes	<u>\$ 988</u>	<u>\$ 1,060</u>	<u>\$ 18,067</u>	<u>\$ 11,786</u>	<u>\$ 1,685</u>	<u>\$ 126,939</u>

TOWN OF WESTERLY, RHODE ISLAND*Combining Statement of Changes in Net Assets**Private-Purpose Trust Funds**For the Fiscal Year Ended June 30, 2012*

	<i>Permanent Neighbor Committee</i>	<i>Honor Roll Fund</i>	<i>Lois B. Stillmen Fund</i>	<i>Richmond Brewer Fund</i>	<i>Irene Vose Fund</i>
Additions					
<i>Investment earnings</i>					
Interest income	\$ 2	\$ 1	\$ 6	\$ 20	\$ 28
Total additions	<u>2</u>	<u>1</u>	<u>6</u>	<u>20</u>	<u>28</u>
Deductions					
Miscellaneous	<u>142</u>	<u>-</u>	<u>1,000</u>	<u>75</u>	<u>3,600</u>
Total deductions	<u>142</u>	<u>-</u>	<u>1,000</u>	<u>75</u>	<u>3,600</u>
Change in net assets	(140)	1	(994)	(55)	(3,572)
Nets assets - beginning of year - restated	<u>1,573</u>	<u>972</u>	<u>8,219</u>	<u>32,628</u>	<u>47,144</u>
Nets assets - end of year	<u>\$ 1,433</u>	<u>\$ 973</u>	<u>\$ 7,225</u>	<u>\$ 32,573</u>	<u>\$ 43,572</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, 2012*

	<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	\$ 2	\$ 1	\$ 1	\$ 1	\$ -
Total additions	<u>2</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>-</u>
Deductions					
Miscellaneous	-	35	-	50	-
Total deductions	<u>-</u>	<u>35</u>	<u>-</u>	<u>50</u>	<u>-</u>
Change in net assets	2	(34)	1	(49)	-
Nets assets - beginning of year - restated	<u>2,870</u>	<u>1,391</u>	<u>1,060</u>	<u>1,863</u>	<u>473</u>
Nets assets - end of year	<u>\$ 2,872</u>	<u>\$ 1,357</u>	<u>\$ 1,061</u>	<u>\$ 1,814</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, 2012

	<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	\$ 1	\$ 1	\$ 11	\$ 7	\$ 1	\$ 83
Total additions	<u>1</u>	<u>1</u>	<u>11</u>	<u>7</u>	<u>1</u>	<u>83</u>
Deductions						
Miscellaneous	-	100	-	125	-	5,127
Total deductions	<u>-</u>	<u>100</u>	<u>-</u>	<u>125</u>	<u>-</u>	<u>5,127</u>
Change in net assets	1	(99)	11	(118)	1	(5,044)
Nets assets - beginning of year - restated	<u>987</u>	<u>1,159</u>	<u>18,056</u>	<u>11,904</u>	<u>1,684</u>	<u>131,983</u>
Nets assets - end of year	<u>\$ 988</u>	<u>\$ 1,060</u>	<u>\$ 18,067</u>	<u>\$ 11,786</u>	<u>\$ 1,685</u>	<u>\$ 126,939</u>

A G E N C Y F U N D S

Agency Funds account for assets held by the Town as an agent for individuals, organizations or other governmental units.

TOWN OF WESTERLY, RHODE ISLAND

Combining Statement of Net Assets

Agency Funds

June 30, 2012

	<i>Title II P.W.E.A.</i>	<i>Babcock Middle School Student Activity Fund</i>	<i>Westerly High School Student Activity Fund</i>	<i>Construction Escrow Deposits</i>	<i>Probate Accounts</i>	<i>Total</i>
ASSETS						
Cash and cash equivalents	\$ 2,585	\$ 35,180	\$ 217,594	\$ 141,989	\$ 10,056	\$ 407,404
Total assets	<u>\$ 2,585</u>	<u>\$ 35,180</u>	<u>\$ 217,594</u>	<u>\$ 141,989</u>	<u>\$ 10,056</u>	<u>\$ 407,404</u>
LIABILITIES						
Deposits held in custody for others	\$ 2,585	\$ 35,180	\$ 217,594	\$ 141,989	\$ 10,056	\$ 407,404
Total liabilities	<u>\$ 2,585</u>	<u>\$ 35,180</u>	<u>\$ 217,594</u>	<u>\$ 141,989</u>	<u>\$ 10,056</u>	<u>\$ 407,404</u>

TOWN OF WESTERLY, RHODE ISLAND
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2012

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2012</u>
TITLE II - P.W.E.A				
Assets				
Cash	\$ 2,584	\$ 1	\$ -	\$ 2,585
Total assets	<u>\$ 2,584</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 2,585</u>
Liabilities				
Deposits held in custody for others	\$ 2,584	\$ 1	\$ -	\$ 2,585
Total liabilities	<u>\$ 2,584</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 2,585</u>
BABCOCK MIDDLE SCHOOL STUDENT ACTIVITY FUND				
Assets				
Cash	\$ 29,960	\$ 66,673	\$ 61,453	\$ 35,180
Total assets	<u>\$ 29,960</u>	<u>\$ 66,673</u>	<u>\$ 61,453</u>	<u>\$ 35,180</u>
Liabilities				
Deposits held in custody for others	29,960	66,673	61,453	35,180
Total liabilities	<u>\$ 29,960</u>	<u>\$ 66,673</u>	<u>\$ 61,453</u>	<u>\$ 35,180</u>
WESTERLY HIGH SCHOOL STUDENT ACTIVITY FUND				
Assets				
Cash	\$ 160,667	\$ 470,885	\$ 413,958	\$ 217,594
Total assets	<u>\$ 160,667</u>	<u>\$ 470,885</u>	<u>\$ 413,958</u>	<u>\$ 217,594</u>
Liabilities				
Deposits held in custody for others	160,667	470,885	413,958	217,594
Total liabilities	<u>\$ 160,667</u>	<u>\$ 470,885</u>	<u>\$ 413,958</u>	<u>\$ 217,594</u>
CONSTRUCTION ESCROW DEPOSITS				
Assets				
Cash	\$ 134,275	\$ 7,714	\$ -	\$ 141,989
Total assets	<u>\$ 134,275</u>	<u>\$ 7,714</u>	<u>\$ -</u>	<u>\$ 141,989</u>
Liabilities				
Deposits held in custody for others	134,275	7,714	-	141,989
Total liabilities	<u>\$ 134,275</u>	<u>\$ 7,714</u>	<u>\$ -</u>	<u>\$ 141,989</u>

TOWN OF WESTERLY, RHODE ISLAND
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2012

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2012</u>
PROBATE ESCROW				
Assets				
Cash	\$ 10,046	\$ 10	\$ -	\$ 10,056
Total assets	<u>\$ 10,046</u>	<u>\$ 10</u>	<u>\$ -</u>	<u>\$ 10,056</u>
Liabilities				
Deposits held in custody for others	\$ 10,046	\$ 10	\$ -	\$ 10,056
Total liabilities	<u>\$ 10,046</u>	<u>\$ 10</u>	<u>\$ -</u>	<u>\$ 10,056</u>
TOTAL AGENCY FUNDS				
Assets				
Cash	\$ 337,532	\$ 545,283	\$ 475,411	\$ 407,404
Total assets	<u>\$ 337,532</u>	<u>\$ 545,283</u>	<u>\$ 475,411</u>	<u>\$ 407,404</u>
Liabilities				
Deposits held in custody for others	337,532	545,283	475,411	\$ 407,404
Total liabilities	<u>\$ 337,532</u>	<u>\$ 545,283</u>	<u>\$ 475,411</u>	<u>\$ 407,404</u>

TOWN OF WESTERLY, RHODE ISLAND
Tax Collector's Annual Report
For the Fiscal Year Ended June 30, 2012

Real Estate and Personal Property Taxes

<u>Fiscal Year</u>	<u>Balance June 30, 2011</u>	<u>Current year Assessment</u>	<u>Additions</u>	<u>Adjustments & Abatements</u>	<u>Amount to be Collected</u>	<u>Current Year Collections</u>	<u>Balance June 30, 2012</u>
2012	\$ -	\$ 63,547,705	\$ 63,151	\$ 82,278	\$ 63,528,578	\$ 61,369,984	\$ 2,158,594
2011	1,181,198	-	-	7,125	1,174,073	672,234	501,839
2010	256,086	-	-	609	255,477	113,907	141,570
2009	94,389	-	-	369	94,020	19,861	74,159
2008	82,983	-	-	198	82,785	6,549	76,236
2007	73,124	-	-	114	73,010	5,826	67,184
2006	72,344	-	-	-	72,344	5,402	66,942
2005	57,614	-	-	-	57,614	2,214	55,400
2004	45,988	-	-	-	45,988	757	45,231
2003	42,986	-	-	-	42,986	1,123	41,863
2002	56,849	-	-	-	56,849	2,580	54,269
2001	74,763	-	-	-	74,763	1,950	72,813
2000	92,389	-	-	-	92,389	991	91,398
1999	85,951	-	-	-	85,951	3,342	82,609
1998	76,379	-	-	-	76,379	2,781	73,598
1997	72,132	-	-	-	72,132	1,206	70,926
1996	77,533	-	-	41	77,492	999	76,493
1995	93,246	-	-	-	93,246	1,036	92,210
Suspense	1,520,299	-	-	-	1,520,299	-	1,520,299
	<u>\$ 4,056,253</u>	<u>\$ 63,547,705</u>	<u>\$ 63,151</u>	<u>\$ 90,734</u>	<u>\$ 67,576,375</u>	<u>\$ 62,212,742</u>	<u>\$ 5,363,633</u>
Allowance for doubtful accounts							<u>(1,520,299)</u>
Net property tax receivable							<u>\$ 3,843,334</u>

Schedule of Most Recent Net Assessed Property Value by Category

<u>Description of Property</u>	<u>Valuation</u>	<u>Levy</u>
Real property	\$ 6,003,921,400	\$ 58,478,194
Motor vehicles	199,010,668	5,904,647
Tangible personal property	109,834,014	1,069,783
Total	<u>6,312,766,082</u>	<u>65,452,624</u>
Exemptions and tax freeze	<u>(125,761,643)</u>	<u>(1,904,919)</u>
Net assessed value	<u>\$ 6,187,004,439</u>	<u>\$ 63,547,705</u>

TOWN OF WESTERLY, RHODE ISLAND
Schedule of Assets, Liabilities and Fund Balance
School Department Operating Fund
June 30, 2012

ASSETS

Cash	\$ 3,028,801
Due from federal and state governments	169,096
Other receivables	136,267
Due from other funds	1,320,610
Prepaid expenditures	241,296
Total assets	<u><u>\$ 4,896,070</u></u>

LIABILITIES AND FUND BALANCES

Liabilities

Accounts payable and accrued expenditures	\$ 777,378
Due to other funds	796
Accrued compensated absences	63,727
Total liabilities	<u>841,901</u>

Fund balances

Nonspendable:	
Prepaid expenditures	241,296
Restricted for:	
Education	3,812,873
Total fund balances	<u>4,054,169</u>

Total liabilities and fund balances	<u><u>\$ 4,896,070</u></u>
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TOWN OF WESTERLY, RHODE ISLAND
Schedule of Revenues, Expenditures and Changes in Fund Balance
School Department Operating Fund
For the Fiscal year Ended June 30, 2012

REVENUES

Town appropriation	\$ 43,100,729
State aid	7,850,207
Departmental revenues	1,147,992
Other revenues	33,636
Total revenues	<u>52,132,564</u>

EXPENDITURES

Education	<u>53,342,060</u>
Total expenditures	<u>53,342,060</u>

**Deficiency of revenues under expenditures
before other financing uses**

(1,209,496)

Other financing uses:

Transfers to other funds	<u>(796)</u>
Total other financing uses	<u>(796)</u>

Net change in fund balances

(1,210,292)

Fund balances - beginning of year -restated

5,264,461

Fund balances - end of year

\$ 4,054,169

TOWN OF WESTERLY, RHODE ISLAND
Schedule of General Fund - Fund Balance - Restricted for Education Programs
June 30, 2012

Restricted for Education:

School Committee designation for staff development	\$ 105,000
School Committee designation for litigation	240,000
School Committee designation for 2013 budget	1,000,000
Encumbrances	91,750
Undesignated	<u>2,376,123</u>
<i>Total</i>	<u><u>\$ 3,812,873</u></u>

TOWN OF WESTERLY, RHODE ISLAND
Schedule of Revenues and Expenditures - Budget and Actual
School Department Operating Budget
For the Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Town Appropriation	\$ 43,100,729	\$ 43,100,729	\$ 43,100,729	-
State Aid	5,271,093	5,271,093	5,721,059	449,966
Medicaid Reimbursement	434,903	434,903	753,574	318,671
Tuitions: Preschool	75,000	75,000	50,753	(24,247)
Tuitions: Summer School	11,650	11,650	-	(11,650)
TSSCC Programming	95,082	95,082	147,301	52,219
Rental	75,015	75,015	146,014	70,999
Transportation Fees	-	-	21,334	21,334
Miscellaneous	27,000	27,000	62,651	35,651
Fund Balance	1,469,528	1,469,528	1,469,528	-
Fund Balance: Legal	-	-	60,000	60,000
Fund Balance: Building Renovation	-	-	105,000	105,000
Fund Balance: Def Maintenance	-	-	210,000	210,000
Total revenues	50,560,000	50,560,000	51,847,943	1,287,943
Expenditures				
Wages & Benefits				
Wages	31,320,647	31,320,647	31,058,292	262,355
Healthcare	6,296,855	6,296,855	5,720,408	576,447
Pension	3,541,220	3,541,220	3,753,534	(212,314)
Payroll Taxes	904,688	904,688	882,871	21,817
Unemployment	175,000	175,000	59,091	115,909
Workmen's' Compensation Insurance	384,025	384,025	174,497	209,528
Disability Insurance	33,793	33,793	30,472	3,321
Life Insurance	48,990	48,990	54,294	(5,304)
Other	40,603	40,603	52,417	(11,814)
Total wages & benefits	42,745,821	42,745,821	41,785,876	959,945
Contract Services				
Contracted Nursing	18,166	18,166	128,799	(110,633)
Physicians	4,872	4,872	4,770	102
Dentist	4,872	4,872	4,750	122
Evaluation	23,928	23,928	14,429	9,499
Psychologist Contract	32,500	32,500	19,229	13,271
Specialist	-	-	15,243	(15,243)
Speech Therapist	10,995	10,995	17,462	(6,467)
Interpreters	738	738	37,767	(37,029)
Physical Therapist	21,282	21,282	35,035	(13,753)
Occupational Therapist	140,425	140,425	293,784	(153,359)
Music Therapy	-	-	5,770	(5,770)
Tutoring	21,321	21,321	29,372	(8,051)
Student Asst	483	483	45,675	(45,192)

TOWN OF WESTERLY, RHODE ISLAND
Schedule of Revenues and Expenditures - Budget and Actual
School Department Operating Budget
For the Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget Positive (Negative)
	Original	Final		
Professional Development	160,824	160,824	10,187	150,637
Training Services	10,050	10,050	175	9,875
Other Tech Services	-	-	57,745	(57,745)
Other Services	549,095	549,095	414,090	135,005
Officials & Referees	28,425	28,425	42,640	(14,215)
Police Details	288	288	54,720	(54,432)
Temp Clerical Support	-	-	29,227	(29,227)
Transportation Contract	-	-	18,816	(18,816)
Total contract services	1,028,264	1,028,264	1,279,685	(251,421)
Tuition				
Charter Schools: Compass, Green, Kingston Hill	228,504	228,504	402,676	(174,172)
Chariho	182,999	182,999	716,029	(533,030)
Special Ed: Chariho	-	-	126,844	(126,844)
Special Ed: Bradley	896,636	896,636	1,091,388	(194,752)
Special Ed: Cranston Arc	-	-	58,650	(58,650)
Special Ed: Eleanor Griggs	161,667	161,667	4,876	156,791
Special Ed: Groden Center	398,600	398,600	158,705	239,895
Special Ed: Meeting Street	83,201	83,201	162,078	(78,877)
Special Ed: Mt Pleasant	110,850	110,850	61,163	49,687
Special Ed: Pathway/Kent Center/Arthur Trudeau	81,313	81,313	153,443	(72,130)
Special Ed: Sargent	-	-	77,276	(77,276)
Special Ed: West Bay Collaborative	-	-	15,037	(15,037)
Special Ed: St Mary's	270,959	270,959	-	270,959
Total tuition	2,414,729	2,414,729	3,028,165	(613,436)
Repair & Maintenance				
Building Improvements	101,315	101,315	127,491	(26,176)
Custodial Services	-	-	191,670	(191,670)
Custodian Supplies	-	-	12,587	(12,587)
Electric Supplies	-	-	51,384	(51,384)
Lumber & Hardware	-	-	9,258	(9,258)
Paint	-	-	17,344	(17,344)
Machinery	2,168	2,168	2,462	(294)
Equip Rental	-	-	2,406	(2,406)
R& M Furniture	170,114	170,114	342,694	(172,580)
R&M Building	253,029	253,029	223,587	29,442
R&M Buses	324,086	324,086	115,424	208,662
R&M Electrical	-	-	5,694	(5,694)
R&M HVAC	-	-	209,454	(209,454)
R&M Plumbing	-	-	122,700	(122,700)
R&M Vandal	-	-	19,995	(19,995)
Snow Plowing & Supplies	-	-	11,363	(11,363)
Grounds keeping	-	-	21,347	(21,347)
Pest Control	5,878	5,878	13,320	(7,442)
Total repair & maintenance	856,590	856,590	1,500,180	(643,590)

(Continued)

TOWN OF WESTERLY, RHODE ISLAND
Schedule of Revenues and Expenditures - Budget and Actual
School Department Operating Budget (Continued)
For the Fiscal Year Ended June 30, 2012

	<i>Budgeted Amounts</i>		<i>Actual Amounts (Budgetary Basis)</i>	<i>Variance With Final Budget Positive (Negative)</i>
	<i>Original</i>	<i>Final</i>		
<i>Utilities & Fuel</i>				
Electricity	639,397	639,397	616,960	22,437
Natural Gas	473,190	473,190	325,170	148,020
Telephone	157,467	157,467	123,436	34,031
Water/Sewer	51,010	51,010	59,558	(8,548)
Gas, Diesel & Fuel Oil	323,518	323,518	312,465	11,053
<i>Total utilities & fuel</i>	<i>1,644,582</i>	<i>1,644,582</i>	<i>1,437,589</i>	<i>206,993</i>
<i>Technology</i>				
Tech Repairs	29,432	29,432	18,749	10,683
Tech Supplies	-	-	17,126	(17,126)
Tech Hardware	2,801	2,801	101,018	(98,217)
Tech Software	302,085	302,085	188,302	113,783
<i>Total technology</i>	<i>334,318</i>	<i>334,318</i>	<i>325,195</i>	<i>9,123</i>
<i>Other Operations</i>				
Athletic Supplies	8,828	8,828	36,917	(28,089)
Training	3,075	3,075	2,032	1,043
Field Trips	-	-	22,523	(22,523)
Grad/Honor Supplies	8,566	8,566	11,668	(3,102)
Medical Supplies	7,882	7,882	7,758	124
Moving	-	-	15,622	(15,622)
Pool Rental	-	-	5,866	(5,866)
Testing Supplies	-	-	9,879	(9,879)
Uniform Supplies	6,766	6,766	7,516	(750)
Vehicle Registration	19,992	19,992	1,574	18,418
Virtual HS	-	-	6,860	(6,860)
Conferences & Dues	113,794	113,794	132,083	(18,289)
Auto & Mileage	19,028	19,028	32,819	(13,791)
Instruction Material	600,994	600,994	390,352	210,642
Periodicals & Textbooks	125,228	125,228	86,361	38,867
Furniture	9,322	9,322	66,238	(56,916)
Disposal	59,577	59,577	77,687	(18,110)
Alarm	43,278	43,278	176,612	(133,334)
Legal & Prof fees	103,760	103,760	178,639	(74,879)
Property Insurance	331,504	331,504	323,210	8,294
Office & Postage	32,878	32,878	60,761	(27,883)
Advertising	17,943	17,943	21,807	(3,864)
Other	23,281	23,281	8,795	14,486
<i>Total other operations</i>	<i>1,535,696</i>	<i>1,535,696</i>	<i>1,683,579</i>	<i>(147,883)</i>
<i>Total Expenditures</i>	<i>50,560,000</i>	<i>50,560,000</i>	<i>51,040,269</i>	<i>(480,269)</i>
<i>Excess of revenues over expenditures</i>	<i>-</i>	<i>-</i>	<i>807,674</i>	<i>807,674</i>

STATISTICAL SECTION

The Statistical Schedules differ from other financial statement presentations because they generally disclose more than one fiscal year and may present non-accounting data such as social and economic data and financial trends of the Town.

Statistical Section

This part of the Town of Westerly's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Town's overall financial health.

<u>Contents</u>	<u>Page(s)</u>
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Financial Trends	113-117
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These schedules contain trend information to help the reader understand how the Town's financial position has changed over time.

Revenue Capacity	118-121
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These schedules contain information to help the reader understand and assess the factors affecting the Town's ability to generate its most significant local revenue sources, the real and personal property tax .

Debt Capacity	122-124
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These schedules present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue additional debt in the future.

Economic and Demographic Information	125-127
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These schedules offer economic and demographic indicators to help the reader understand the environment within which the Town's financial activities take place and to provide information that facilitates comparisons of financial information over time and among governments.

Operating Information	128-129
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These schedules contain service and infrastructure data to help the reader understand how the information in the Town's financial report relates to the services the Town provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the annual financial statements for the relevant year. The Town implemented GASB Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.

TOWN OF WESTERLY, RHODE ISLAND

Net Assets by Component

Last Ten Fiscal Years

(accrual basis of accounting)

(Unaudited)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Governmental Activities:										
Invested in Capital Assets, Net of Related Debt	\$ 9,334,967	\$ 8,248,897	\$ 4,865,793	\$ 15,493,365	\$ 58,664,590	\$ 66,693,303	\$ 68,746,769	\$ 70,358,546	\$ 70,008,175	\$ 71,011,628
Restricted	-	-	-	-	-	840,250	609,887	4,271,819	5,596,748	4,289,962
Unrestricted	<u>3,746,894</u>	<u>8,739,837</u>	<u>16,629,831</u>	<u>10,956,556</u>	<u>19,014,340</u>	<u>11,328,955</u>	<u>10,806,705</u>	<u>9,195,972</u>	<u>9,272,111</u>	<u>10,051,174</u>
Total Governmental Activities Net Assets	<u>13,081,861</u>	<u>16,988,734</u>	<u>21,495,624</u>	<u>26,449,921</u>	<u>77,678,930</u>	<u>78,862,508</u>	<u>80,163,361</u>	<u>83,826,337</u>	<u>84,877,034</u>	<u>85,352,764</u>
Business-Type Activities:										
Invested in Capital Assets, Net of Related Debt	20,582,098	19,390,285	20,474,067	21,546,814	22,556,484	26,692,977	27,988,005	28,158,294	28,728,337	30,194,723
Unrestricted	<u>4,453,961</u>	<u>5,475,892</u>	<u>6,928,573</u>	<u>8,448,158</u>	<u>11,257,392</u>	<u>9,382,408</u>	<u>7,514,990</u>	<u>7,014,809</u>	<u>6,219,520</u>	<u>5,376,027</u>
Total Business-Type Activities Net Assets	<u>25,036,059</u>	<u>24,866,177</u>	<u>27,402,640</u>	<u>29,994,972</u>	<u>33,813,876</u>	<u>36,075,385</u>	<u>35,502,995</u>	<u>35,173,103</u>	<u>34,947,857</u>	<u>35,570,750</u>
Primary Government:										
Invested in Capital Assets, Net of Related Debt	29,917,065	27,639,182	25,339,860	37,040,179	81,221,074	93,386,280	96,734,774	98,516,840	98,736,512	101,206,351
Restricted	-	-	-	-	-	840,250	609,887	4,271,819	5,596,748	4,289,962
Unrestricted	<u>8,200,855</u>	<u>14,215,729</u>	<u>23,558,404</u>	<u>19,404,714</u>	<u>30,271,732</u>	<u>20,711,363</u>	<u>18,321,695</u>	<u>16,210,781</u>	<u>15,491,631</u>	<u>15,427,201</u>
Total Primary Government Net Assets	<u>\$38,117,920</u>	<u>\$ 41,854,911</u>	<u>\$ 48,898,264</u>	<u>\$ 56,444,893</u>	<u>\$ 111,492,806</u>	<u>\$ 114,937,893</u>	<u>\$ 115,666,356</u>	<u>\$ 118,999,440</u>	<u>\$ 119,824,891</u>	<u>\$ 120,923,514</u>

Source: Town of Westerly Annual Financial Statements

TOWN OF WESTERLY, RHODE ISLAND
Changes in Net Assets
Last Ten Fiscal Years
(accrual basis of accounting)
(Unaudited)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Expenses										
Governmental Activities:										
Legislative , judicial & general administrative	\$ 4,596,794	\$ 4,898,122	\$ 5,087,026	\$ 5,478,223	\$ 6,873,513	\$ 3,236,593	\$ 3,129,637	\$ 3,466,233	\$ 2,781,707	\$ 3,112,646
Public works	4,253,178	4,515,948	4,883,892	4,903,462	5,062,292	9,912,789	7,424,188	7,507,487	9,985,135	7,954,858
Public safety	3,360,844	3,853,057	3,743,339	4,073,352	4,427,133	7,814,959	7,761,483	7,799,497	8,240,563	8,214,392
Health and welfare	635,011	665,059	655,110	666,425	678,933	886,803	1,647,960	1,237,875	802,416	944,618
Conservation and development	4,916	3,549	41,802	41,923	43,976	57,013	83,398	63,593	61,603	66,841
Parks and recreation	355,997	384,887	407,522	515,258	559,495	670,797	671,243	715,016	851,085	855,819
Planning and zoning	189,764	187,898	194,530	211,016	210,824	300,666	315,979	311,526	317,731	328,874
Public education	40,577,447	43,346,028	46,426,481	48,708,393	51,584,096	56,538,216	55,623,925	53,346,773	56,373,765	59,863,127
Other	482,115	931,695	782,610	90,061	434,573	-	-	-	-	-
Capital improvements/restricted programs	1,338,692	539,613	570,434	659,008	1,538,354	-	-	-	-	-
Interest	733,503	682,169	1,973,585	2,168,881	2,861,227	2,991,507	2,921,665	2,834,606	3,001,369	4,161,148
Total Governmental Activities Expenses	<u>56,528,261</u>	<u>60,008,025</u>	<u>64,766,331</u>	<u>67,516,002</u>	<u>74,274,416</u>	<u>82,409,343</u>	<u>79,579,478</u>	<u>77,282,606</u>	<u>82,415,374</u>	<u>85,502,323</u>
Business-Type Activities:										
Water	2,971,872	3,167,368	2,930,748	3,165,920	3,631,349	3,519,078	4,427,003	4,999,866	5,107,553	4,126,250
Sewer	2,522,323	3,391,749	2,943,612	3,050,394	3,245,491	3,399,750	3,524,297	3,224,296	3,390,936	3,549,839
Beach	189,311	240,861	242,907	303,394	374,356	279,941	271,973	255,673	263,071	275,930
Total Business-Type Activities Expenses	<u>5,683,506</u>	<u>6,799,978</u>	<u>6,117,267</u>	<u>6,519,708</u>	<u>7,251,196</u>	<u>7,198,769</u>	<u>8,223,273</u>	<u>8,479,835</u>	<u>8,761,560</u>	<u>7,952,019</u>
Total Primary Government Expenses	<u>\$ 62,211,767</u>	<u>\$ 66,808,003</u>	<u>\$ 70,883,598</u>	<u>\$ 74,035,710</u>	<u>\$ 81,525,612</u>	<u>\$ 89,608,112</u>	<u>\$ 87,802,751</u>	<u>\$ 85,762,441</u>	<u>\$ 91,176,934</u>	<u>\$ 93,454,342</u>
Program Revenues										
Governmental Activities:										
Charges for services:										
Legislative , judicial & general administrative	\$ 1,342,420	\$ 807,190	\$ 480,209	\$ 1,902,781	\$ 644,390	\$ 1,206,498	\$ 940,220	\$ 986,339	\$ 1,088,315	\$ 1,072,310
Public works	2,036,651	2,576,508	3,304,537	2,558,277	2,377,169	2,667,752	2,554,611	2,040,910	2,107,314	2,230,461
Public safety	156,020	166,822	349,865	258,348	296,686	317,389	338,429	360,359	409,070	236,944
Health and welfare	-	-	-	-	-	-	-	-	-	-
Conservation and development	-	-	-	-	-	-	-	5,250	23,451	22,512
Parks and recreation	94,670	111,724	123,010	118,030	141,985	136,770	143,383	163,233	163,476	176,045
Planning and zoning	-	-	614,966	62,784	783,768	674,096	63,457	76,959	74,779	62,967
Public education	982,678	298,706	1,063,868	1,572,384	1,865,487	1,209,848	1,424,345	1,266,433	1,499,327	1,561,476
Other	95,487	-	-	60,171	315,942	-	-	-	-	-
Capital improvements/restricted programs	-	-	-	179,064	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-
Operating grants and contributions	9,555,800	5,802,033	10,113,918	10,944,457	13,122,333	13,448,568	11,992,674	12,546,972	12,570,266	14,632,146
Capital grants and contributions	-	-	-	411,677	1,394,603	301,712	498,774	-	735,857	577,744
Total Governmental Activities Program Revenues	<u>14,263,726</u>	<u>9,762,983</u>	<u>16,050,373</u>	<u>18,067,973</u>	<u>20,942,363</u>	<u>19,962,633</u>	<u>17,955,893</u>	<u>17,446,455</u>	<u>18,671,855</u>	<u>20,572,605</u>

(continued)

TOWN OF WESTERLY, RHODE ISLAND
Changes in Net Assets (continued)
Last Ten Fiscal Years
(accrual basis of accounting)
(Unaudited)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Business-Type Activities:										
Charges for Services:										
Water	2,766,035	3,183,629	3,669,897	4,480,849	6,144,478	4,245,768	3,950,767	3,814,045	4,383,473	4,151,082
Sewer	1,767,667	2,569,121	3,561,988	3,766,637	3,864,384	3,495,261	3,152,629	3,483,850	3,398,737	3,283,137
Beach	88,339	278,179	507,251	105,217	96,428	86,664	84,533	118,388	104,898	124,256
Operating grants and contributions	-	-	-	-	-	-	25,000	75,133	1,568	-
Capital grants and contributions	-	-	-	-	-	-	-	-	-	385,000
Total Business-Type Activities Program Revenues	4,622,041	6,030,929	7,739,136	8,352,703	10,105,290	7,827,693	7,212,929	7,491,416	7,888,676	7,943,475
Total Primary Government Program Revenues	\$ 18,885,767	\$ 15,793,912	\$ 23,789,509	\$ 26,420,676	\$ 31,047,653	\$ 27,790,326	\$ 25,168,822	\$ 24,937,871	\$ 26,560,531	\$ 28,516,080
Net (Expense)/Revenue										
Governmental Activities	\$(42,264,535)	\$(50,245,042)	\$(48,715,958)	\$(49,448,029)	\$(53,332,053)	\$(62,446,710)	\$(61,623,585)	\$(59,836,151)	\$(63,743,519)	\$(64,929,718)
Business-Type Activities	(1,061,465)	(769,049)	1,621,869	1,832,995	2,854,094	628,924	(1,010,344)	(988,419)	(872,884)	(8,544)
Total Primary Government Net (Expense)/Revenue	\$(43,326,000)	\$(51,014,091)	\$(47,094,089)	\$(47,615,034)	\$(50,477,959)	\$(61,817,786)	\$(62,633,929)	\$(60,824,570)	\$(64,616,403)	\$(64,938,262)
General Revenues and Other Changes in Net Assets										
Governmental Activities:										
Property Taxes	\$ 37,505,693	\$ 44,110,152	\$ 47,768,204	\$ 50,057,187	\$ 52,511,864	\$ 55,992,277	\$ 59,323,341	\$ 59,555,979	\$ 63,296,907	\$ 64,031,797
State aid and in lieu of taxes not restricted	-	-	-	-	-	4,838,487	4,614,007	3,965,697	1,801,556	1,841,526
Unrestricted investment earnings	157,579	295,071	733,053	849,315	1,463,137	1,055,249	510,798	212,778	157,636	33,906
Miscellaneous	3,630,348	10,232,200	5,194,788	4,461,337	3,549,691	62,343	277,017	414,437	129,642	127,607
Transfers	(372,601)	(474,723)	(330,423)	(676,965)	(759,794)	(738,532)	(695,931)	(649,764)	(640,824)	(629,388)
Loss on disposal of capital assets	-	(45,672)	(261,182)	(288,548)	(581,020)	-	-	-	-	-
Total Governmental Activities	40,921,019	54,117,028	53,104,440	54,402,326	56,183,878	61,209,824	64,029,232	63,499,127	64,744,917	65,405,448
Business-Type Activities:										
Unrestricted investment earnings	82,892	59,966	87,889	99,982	143,792	130,235	62,955	8,763	6,814	2,049
Miscellaneous	38,253	51,578	46,554	12,247	198,262	-	-	-	-	-
Transfers	381,770	487,623	330,423	676,965	759,794	738,532	695,931	649,764	640,824	629,388
Loss/gain on disposal of capital assets	-	-	-	(29,857)	(137,038)	1,497,569	-	-	-	-
Total Business-Type Activities	502,915	599,167	464,866	759,337	964,810	2,366,336	758,886	658,527	647,638	631,437
Total Primary Government	41,423,934	54,716,195	53,569,306	55,161,663	57,148,688	63,576,160	64,788,118	64,157,654	65,392,555	66,036,885
Governmental Activities	(1,343,516)	3,871,986	4,388,482	4,954,297	2,851,825	(1,236,886)	2,405,647	3,662,976	1,001,398	475,730
Business-Type Activities	(558,550)	(169,882)	2,086,735	2,592,332	3,818,904	2,995,260	(251,458)	(329,892)	(225,246)	622,893
Total Primary Government Changes in Net Assets	\$ (1,902,066)	\$ 3,702,104	\$ 6,475,217	\$ 7,546,629	\$ 6,670,729	\$ 1,758,374	\$ 2,154,189	\$ 3,333,084	\$ 776,152	\$ 1,098,623

TOWN OF WESTERLY, RHODE ISLAND
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(Unaudited)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General Fund										
Reserved	\$ 13,000	\$ 10,913	\$ 35,607	\$ 729,809	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	3,042,937	3,503,080	4,976,795	6,210,739	7,439,653	8,980,861	9,020,357	9,157,164	-	-
Nonspendable	-	-	-	-	-	-	-	-	203,645	1,424,796
Restricted	-	-	-	-	-	-	-	-	5,073,701	3,812,873
Committed	-	-	-	-	-	-	-	-	53,184	222,802
Assigned	-	-	-	-	-	-	-	-	160,000	785,000
Unassigned	-	-	-	-	-	-	-	-	8,895,223	7,117,101
Total General Fund	<u>3,055,937</u>	<u>3,513,993</u>	<u>5,012,402</u>	<u>6,940,548</u>	<u>7,439,653</u>	<u>8,980,861</u>	<u>9,020,357</u>	<u>9,157,164</u>	<u>14,385,753</u>	<u>13,362,572</u>
All Other Governmental Funds										
Reserved	12,935	80,982	13,569	50	11,719	14,320	30,703	358,515	-	-
Unreserved, Undesignated, Reported in:										
Special Revenue Funds	618,258	1,304,646	964,599	1,636,802	1,727,363	839,165	1,104,125	3,827,266	-	-
Capital Projects Funds	1,559,436	4,784,600	11,479,682	3,483,872	11,277,246	7,310,686	6,972,328	7,446,534	-	-
Nonspendable	-	-	-	-	-	-	-	-	30,500	-
Restricted	-	-	-	-	-	-	-	-	2,580,224	1,523,075
Committed	-	-	-	-	-	-	-	-	3,200,511	2,791,812
Unassigned	-	-	-	-	-	-	-	-	(7,024,340)	(2,293,898)
Total All Other Governmental Funds	<u>2,190,629</u>	<u>6,170,228</u>	<u>12,457,850</u>	<u>5,120,724</u>	<u>13,016,328</u>	<u>8,164,171</u>	<u>8,107,156</u>	<u>11,632,315</u>	<u>(1,213,105)</u>	<u>2,020,989</u>
Total Governmental Funds	<u>\$ 5,246,566</u>	<u>\$ 9,684,221</u>	<u>\$ 17,470,252</u>	<u>\$ 12,061,272</u>	<u>\$ 20,455,981</u>	<u>\$ 17,145,032</u>	<u>\$ 17,127,513</u>	<u>\$ 20,789,479</u>	<u>\$ 13,172,648</u>	<u>\$15,383,561</u>

Notes:

1.) In 2011 the Town implemented GASB No. 54, reserved and unreserved fund balances are no longer used.

Fund balances are now reported as nonspendable, restricted, committed, assigned and unassigned.

Source: Town of Westerly Annual Financial Statements

TOWN OF WESTERLY, RHODE ISLAND
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(Unaudited)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues										
General property taxes	\$ 39,270,222	\$ 43,540,071	\$ 46,181,886	\$ 50,076,395	\$ 52,469,223	\$ 56,483,800	\$ 58,903,866	\$ 59,229,983	\$ 63,167,374	\$ 62,722,274
Intergovernmental revenues	13,186,148	13,913,014	15,172,917	16,227,115	16,621,209	22,090,229	20,896,628	19,659,330	17,990,858	20,545,204
Recreation	-	-	-	-	-	-	-	-	-	-
License and permits	431,518	460,721	480,209	597,521	802,650	705,272	520,627	470,593	405,455	433,773
Fines and penalties	156,020	166,822	172,222	156,807	152,349	170,050	190,165	174,040	199,297	165,168
Interest on investments	157,579	295,071	733,053	849,315	1,463,137	1,046,500	509,652	212,743	157,553	33,906
Other revenues	4,120,388	5,454,626	5,408,697	5,536,166	6,887,987	2,134,342	2,042,198	1,666,900	1,416,235	1,482,937
Total Revenues	57,321,875	63,830,325	68,148,984	73,443,319	78,396,555	82,630,193	83,063,136	81,413,589	83,336,772	85,383,262
Expenditures										
Current:										
Legislative, judicial & general administrative	4,585,284	4,847,143	5,001,042	5,233,953	5,570,881	8,682,345	6,236,470	7,007,720	6,352,555	6,525,866
Public works	4,327,565	4,429,143	4,732,271	4,692,128	4,806,646	12,964,052	6,762,533	6,049,632	7,065,978	4,911,750
Public safety	3,493,828	3,713,288	3,587,213	3,876,252	4,192,612	6,793,941	4,539,777	4,533,085	4,611,459	4,550,663
Health and welfare	635,011	652,144	642,195	650,033	664,999	862,972	1,603,577	1,198,722	757,683	906,923
Conservation and development	4,916	3,549	41,802	41,923	43,976	44,068	44,213	46,096	45,776	51,311
Parks and recreation	355,997	370,933	393,344	498,563	540,505	600,031	593,784	549,637	680,016	722,607
Planning and zoning	189,764	187,898	194,530	211,016	210,824	255,638	236,329	237,589	236,902	226,453
Education	39,669,769	42,221,079	46,201,201	47,648,202	50,014,112	55,464,548	54,605,925	53,152,473	53,275,364	56,474,037
Other	482,115	978,762	1,161,177	701,643	1,467,117	-	-	-	-	-
Capital improvements/restricted programs	1,338,692	4,779,437	23,510,945	16,320,264	12,771,572	2,332,971	2,049,818	1,154,114	21,401,103	14,246,132
Debt service:										
Principal	1,974,755	2,057,884	8,119,601	9,242,650	3,059,281	3,882,392	4,505,271	4,940,981	5,010,180	5,426,586
Interest	718,545	676,687	669,527	2,405,242	2,474,527	2,439,049	2,466,811	2,423,780	2,843,101	4,092,441
Total Expenditures	57,776,241	64,917,947	94,254,848	91,521,869	85,817,052	94,322,007	83,644,508	81,293,829	102,280,117	98,134,769
Excess of Revenues Over (Under) Expenditures Before Other Financing Sources (Uses)	(454,366)	(1,087,622)	(26,105,864)	(18,078,550)	(7,420,497)	(11,691,814)	(581,372)	119,760	(18,943,345)	(12,751,507)
Other Financing Sources (Uses)										
Bond and loan proceeds	-	6,012,900	34,222,318	13,346,535	16,575,000	-	-	3,855,000	11,496,000	14,645,000
Lease proceeds	-	-	-	-	-	-	1,259,784	396,970	258,003	761,413
Premium on debt	-	-	-	-	-	14,685	-	-	179,036	200,395
Issuance of debt	-	-	-	-	-	9,104,712	-	-	-	-
Payment to refunding bond escrow agent	-	-	-	-	-	-	-	-	-	-
Operating transfers from other funds	35,491,940	38,771,447	40,720,379	43,148,612	45,842,591	48,253,434	48,349,039	47,183,318	818,987	424,566
Operating transfers to other funds	(35,864,541)	(39,259,070)	(41,050,802)	(43,825,577)	(46,602,385)	(48,991,966)	(49,044,970)	(47,893,082)	(1,474,811)	(1,068,954)
Total Other Financing Sources (Uses)	(372,601)	5,525,277	33,891,895	12,669,570	15,815,206	8,380,865	563,853	3,542,206	11,277,215	14,962,420
Net Change in Fund Balances	\$ (826,967)	\$ 4,437,655	\$ 7,786,031	\$ (5,408,980)	\$ 8,394,709	\$ (3,310,949)	\$ (17,519)	\$ 3,661,966	\$ (7,666,130)	\$ 2,210,913
Debt Service as a percentage of noncapital expenditures	4.72%	4.41%	12.27%	15.16%	7.20%	7.65%	8.63%	9.49%	9.60%	11.04%

Source: Town of Westerly Annual Financial Statements

TOWN OF WESTERLY, RHODE ISLAND
Assessed Value and Actual Values of Taxable Property
Last Ten Years
(Unaudited)

<i>Levy Year</i>	<i>Real Property</i>	<i>Tangible Property</i>	<i>Inventory</i>	<i>Motor Vehicles</i>	<i>Less Exemptions</i>	<i>Total Taxable Assessed Value</i>	<i>Tax Rate Real</i>	<i>Tax Rate MV</i>
2012	\$ 6,029,044,940	\$ 111,092,881	\$ -	\$207,200,816	\$123,833,594	\$ 6,223,505,043	\$9.74	\$29.67
2011	6,003,921,400	109,834,014	-	199,010,668	125,761,643	6,187,004,439	9.74	29.67
2010	5,968,175,200	103,394,190	-	196,704,453	123,264,095	6,145,009,748	9.62	29.67
2009	6,409,080,500	103,052,933	-	165,920,358	187,658,148	6,490,395,643	8.87	29.67
2008	6,328,033,730	96,273,051	-	182,725,179	185,143,059	6,421,888,901	8.87	29.67
2007	6,224,102,400	94,064,493	31,563,795	175,020,389	192,699,255	6,332,051,822	8.60	29.67
2006	4,601,087,750	87,707,322	31,945,246	174,601,784	167,505,669	4,727,836,433	10.71	29.67
2005	4,540,847,900	80,535,101	32,244,011	158,160,264	136,454,285	4,675,332,991	10.30	29.67
2004	4,477,987,000	76,606,495	32,751,784	142,400,951	130,107,792	4,599,638,438	9.64	29.67
2003	2,607,031,700	70,495,224	33,533,291	144,252,276	101,261,416	2,754,051,075	15.25	29.67

TOWN OF WESTERLY, RHODE ISLAND

*Property Tax Rates
(per \$1,000 of assessed value)*

Last Ten Fiscal Years

(Unaudited)

<i>Levy Year</i>	<i>Real Estate & Personal Property</i>	<i>Motor Vehicle</i>
2003	\$15.25	\$29.67
2004	9.64	29.67
2005	10.30	29.67
2006	10.71	29.67
2007	8.60	29.67
2008	8.87	29.67
2009	8.87	29.67
2010	9.62	29.67
2011	9.74	29.67
2012	9.74	29.67

Source: Finance Department, Westerly, Rhode Island

TOWN OF WESTERLY, RHODE ISLAND
Property Tax Levies and Collections
Last Ten Fiscal Years
(Unaudited)

<i>Fiscal Year</i>	<i>Taxes Levied (net abatements)</i>	<i>Collected within the Fiscal Year Amount</i>	<i>% of Levy</i>	<i>Collected in Subsequent Years</i>	<i>Total Collections Amount</i>	<i>Balance Remaining</i>	<i>% of Levy</i>
2003	\$ 38,750,651	\$ 38,020,051	98.11%	\$ 688,737	\$ 38,708,788	\$ 41,863	99.89%
2004	43,307,885	42,546,293	98.24%	716,361	43,262,654	45,231	99.90%
2005	45,819,871	45,107,888	98.45%	656,583	45,764,471	55,400	99.88%
2006	49,558,714	48,875,918	98.62%	615,854	49,491,772	66,942	99.86%
2007	52,055,765	51,428,447	98.79%	560,134	51,988,581	67,184	99.87%
2008	56,226,442	55,596,246	98.88%	553,960	56,150,206	76,236	99.86%
2009	58,934,410	57,978,492	98.38%	881,759	58,860,251	74,159	99.87%
2010	59,188,131	58,104,182	98.17%	942,379	59,046,561	141,570	99.76%
2011	62,941,885	61,760,687	98.12%	679,359	62,440,046	501,839	99.20%
2012	63,528,578	61,369,984	96.60%	n/a	61,369,984	2,158,594	96.60%

TOWN OF WESTERLY, RHODE ISLAND
Principal Property Taxpayers
Current Year and Ten Years Ago
(Unaudited)

2012				2003			
<i>Name</i>	<i>Assessed Value</i>	<i>Rank</i>	<i>% Net Taxable Grand List</i>	<i>Name</i>	<i>Assessed Value</i>	<i>Rank</i>	<i>% Net Taxable Grand List</i>
Ocean House Hotel Partners, LLC	\$ 25,688,700	1	0.413%	Franklin Plaza, LLC	\$ 12,482,500	1	0.453%
Washington Trust Company	24,182,753	2	0.389%	Narragansett Electric	10,963,225	2	0.398%
National Grid	22,536,780	3	0.362%	Home Depot USA	10,426,800	3	0.379%
Franklin Plaza LLC	19,877,780	4	0.319%	Miller, Louis & Co	5,856,200	4	0.213%
Westerly Ventures, LLC	19,076,200	5	0.307%	New Babson Assoc	6,852,200	5	0.249%
Misquamicut Club	16,803,170	6	0.270%	Wilmington Trust Company	6,705,800	6	0.243%
Charles Royce	17,837,900	7	0.287%	Washington Trust Company	6,549,400	7	0.238%
Kahuna RI, LLC	17,744,400	8	0.285%	Misquamicut Club	6,184,400	8	0.225%
Bluff Ave LLC	15,306,100	9	0.246%	Westerly E&A LLC	5,607,500	9	0.204%
Home Depot USA	15,275,200	10	0.245%	Moore Company	5,305,600	10	0.193%

TOWN OF WESTERLY, RHODE ISLAND
Ratios of Outstanding Debt By Type
Last Ten Fiscal Years
(Unaudited)

<i>Year</i>	<i>Governmental Activities</i>			<i>Business-Type Activities</i>			<i>Total Primary Government</i>	<i>Percentage of Personal Income</i>	<i>Per Capita</i>
	<i>General Obligation Bonds</i>	<i>Notes & Loan Payable</i>	<i>Capital Leases</i>	<i>General Obligation Bonds</i>	<i>Loans Payable</i>	<i>Capital Leases</i>			
2003	\$ 15,264,325	\$ 825,000	\$ 307,356	\$1,486,375	\$ 7,712,546	\$ -	\$ 25,595,602	4.28%	\$ 1,079
2004	13,655,475	6,550,000	213,209	3,390,085	9,999,262	-	33,808,031	5.43%	1,424
2005	39,069,475	7,137,500	92,108	3,110,945	8,550,488	-	57,960,516	8.98%	2,452
2006	50,255,250	-	972,679	3,125,030	8,801,179	-	63,154,138	9.51%	2,708
2007	64,328,875	-	1,641,615	2,801,265	8,617,107	-	77,388,862	11.08%	3,306
2008	69,315,350	-	1,877,460	2,479,650	8,071,301	-	81,743,761	11.50%	3,497
2009	65,815,000	-	2,132,323	2,225,000	7,515,192	-	77,687,515	10.74%	3,306
2010	62,015,000	3,855,000	1,388,312	2,080,000	6,948,482	-	76,286,794	10.87%	3,348
2011	57,875,000	15,351,000	776,135	1,935,000	6,370,864	-	82,307,999	11.73%	3,614
2012	53,710,000	29,411,562	860,400	1,790,000	5,782,025	23,840	91,577,827	12.96%	3,988

Source: Finance Department, Westerly, Rhode Island

TOWN OF WESTERLY, RHODE ISLAND
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years
(Unaudited)

<i>Fiscal Year</i>	<i>General Obligation Bonds</i>	<i>Notes & Loans Payable</i>	<i>Total</i>	<i>(a) Percentage of Estimated Actual Taxable Value of Property</i>	<i>Per Capita</i>
2003	\$ 15,264,325	\$ 825,000	\$ 16,089,325	0.58%	\$ 678
2004	13,655,475	6,550,000	20,205,475	0.44%	851
2005	39,069,475	7,137,500	46,206,975	0.99%	1,955
2006	50,255,250	-	50,255,250	1.06%	2,155
2007	64,328,875	-	64,328,875	1.02%	2,748
2008	69,315,350	-	69,315,350	1.08%	2,965
2009	65,815,000	-	65,815,000	1.01%	2,801
2010	62,015,000	3,855,000	65,870,000	1.07%	2,891
2011	57,875,000	15,351,000	73,226,000	1.18%	3,215
2012	53,710,000	29,411,562	83,121,562	1.34%	3,619

Source: Finance Department, Westerly, Rhode Island
(a) - Total taxable assessed value

TOWN OF WESTERLY, RHODE ISLAND

Computation of Legal Debt Margin

Last Ten Fiscal Years

(Unaudited)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<i>Taxable Assessed Valuation</i>	<u>\$2,695,015,652</u>	<u>\$2,754,051,075</u>	<u>\$4,599,638,438</u>	<u>\$4,675,332,990</u>	<u>\$4,727,836,433</u>	<u>\$ 6,332,051,822</u>	<u>\$6,421,889,238</u>	<u>\$ 6,490,395,643</u>	<u>\$6,145,009,748</u>	<u>\$ 6,187,004,439</u>
<i>Debt Limit (1)</i>	<u>\$ 80,850,470</u>	<u>\$ 82,621,532</u>	<u>\$ 137,989,153</u>	<u>\$ 140,259,990</u>	<u>\$ 141,835,093</u>	<u>\$ 189,961,555</u>	<u>\$ 192,656,677</u>	<u>\$ 194,711,869</u>	<u>\$ 184,350,292</u>	<u>\$ 185,610,133</u>
<i>Amount of Debt Subject to Limit</i>	<u>15,264,325</u>	<u>13,655,475</u>	<u>39,069,475</u>	<u>50,255,250</u>	<u>64,328,875</u>	<u>34,079,661</u>	<u>32,537,459</u>	<u>34,785,328</u>	<u>57,013,711</u>	<u>34,592,621</u>
<i>Legal Debt Margin</i>	<u>\$ 65,586,145</u>	<u>\$ 68,966,057</u>	<u>\$ 98,919,678</u>	<u>\$ 90,004,740</u>	<u>\$ 77,506,218</u>	<u>\$ 155,881,894</u>	<u>\$ 160,119,218</u>	<u>\$ 159,926,541</u>	<u>\$ 127,336,581</u>	<u>\$ 151,017,512</u>
Legal Debt Margin as a Percentage of the Debt Limit	81.12%	83.47%	71.69%	64.17%	54.65%	82.06%	83.11%	82.13%	69.07%	81.36%

Source: Finance Department, Westerly, Rhode Island

(1) The Town's legal debt margin as set forth by Rhode Island State Statute is limited to three percent of total taxable assessed value.

TOWN OF WESTERLY, RHODE ISLAND
Demographic and Economic Statistics
Last Ten Years
(Unaudited)

<i><u>Fiscal Year</u></i>	<i><u>Population</u></i>	<i><u>Per Capita Personal Income</u></i>	<i><u>Median Age</u></i>	<i><u>Education Level in Years of Schooling</u></i>	<i><u>School Enrollment</u></i>	<i><u>Unemployment</u></i>
2012	22,966	\$ 30,777	39	12	3021	10.8%
2011	22,774	30,807	39	12	3079	9.2
2010	22,787	30,807	39	12	3021	8.9
2009	23,500	30,777	38	12	3180	9.1
2008	23,377	30,415	38	12	3301	7
2007	23,408	29,850	37	12	3408	4.3
2006	23,318	28,466	37	12	3489	4.6
2005	23,635	27,299	37	12	3590	4.1
2004	23,739	26,242	37	12	3623	4
2003	23,715	25,232	36	12	3710	3.8

TOWN OF WESTERLY, RHODE ISLAND
Principal Employers
Current Year and Ten Years Ago
(Unaudited)

<i>2012</i>			<i>2003</i>		
<i>Employer</i>	<i>Employees</i>	<i>Rank</i>	<i>Employer</i>	<i>Employees</i>	<i>Rank</i>
Washington Trust Company	475	1	Westerly Hospital	500	1
Westerly Hospital	400	2	Washington Trust Company	427	2
Home Depot	250	3	George C Moore Company	280	3
Darlington Fabrics	238	4	Bradford Dyeing	220	4
Stop & Shop	225	5	Stop & Shop	215	5
Wal-Mart	225	6	Home Front Health Care	210	6
AGFA Healthcare	200	7	McQuades Market	200	7
Ocean House	200	8	Paragon Gifts	200	8
McQuades Market	170	9	YMCA of Westerly	150	9
Weekapaug Inn	100	10	Westerly Health Center	130	10

TOWN OF WESTERLY, RHODE ISLAND
Full Time Equivalent Town Government Employees by Function/Program
Last Ten Fiscal Years
(Unaudited)

	<i><u>2012</u></i>	<i><u>2011</u></i>	<i><u>2010</u></i>	<i><u>2009</u></i>	<i><u>2008</u></i>	<i><u>2007</u></i>	<i><u>2006</u></i>	<i><u>2005</u></i>	<i><u>2004</u></i>	<i><u>2003</u></i>
General Government										
Town Council	7	7	7	7	7	7	7	7	7	7
Town Manager	1	1	1	1	1	1	1	1	1	1
Town Solicitor	4	4	4	4	4	4	4	4	4	4
Canvassing	2	2	2	2	2	2	2	2	1	1
Finance	9	9	10	10	10	10	10	11	11	11
City Clerk	5	5	5	5	5	6	6	6	6	6
Planning	4	4	4	4	4	4	4	4	4	4
Assessment	5	5	5	6	6	6	6	6	6	6
Other	16	16	16	16	16	15	15	12	12	12
Public Safety										
Sworn Officers	50	50	50	50	51	51	51	50	50	50
Support	12	12	12	12	12	12	12	12	12	12
Public Health										
Public Works	43	43	44	44	44	44	44	44	44	44
Water & Sewer	29	29	30	30	30	30	30	30	30	30
Public Welfare										
Recreation	1	1	1	1	2	2	2	2	0	0
Public Education										
Teachers	304	302	300	312	340	336	334	n/a	n/a	n/a
Pupil Support	208	208	191	207	251	255	259	n/a	n/a	n/a
Administration	37	37	37	37	41	37	37	n/a	n/a	n/a

TOWN OF WESTERLY, RHODE ISLAND
Operating Indicators by Function/Program
Last Ten Fiscal Years
(Unaudited)

	<i>2012</i>	<i>2011</i>	<i>2010</i>	<i>2009</i>	<i>2008</i>	<i>2007</i>	<i>2006</i>	<i>2005</i>	<i>2004</i>	<i>2003</i>
General Government										
Marriage Licenses Issued	178	185	196	183	202	182	203	241	n/a	n/a
Death Certificates Recorded	310	304	334	341	376	340	363	329	n/a	n/a
Land Records Recorded	6,559	5,237	6,670	6,959	6,271	6,516	8,322	9,916	9,711	13,206
Registered Voters	16,724	16,528	16,381	16,440	16,475	14,544	15,681	15,714	16,564	15,794
Elections & Referenda's	1	1	1	1	1	1	1	1	1	3
Planning & Development										
Building Permits Issued	1,674	779	762	750	838	1,021	1,103	937	928	830
Value of Building Permits	\$ 44,633,952	\$ 41,182,654	\$ 42,232,171	\$ 40,464,863	\$ 91,828,233	\$ 80,837,894	\$ 72,498,608	\$ 66,841,722	\$ 46,560,661	\$ 40,454,962
Police										
Arrest	997	1,015	1,037	1,236	1,008	1,038	1,121	1,151	1,191	1,318
Parking Violations	1,232	1500+/-	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Calls for Service	27,335	28,000+/1	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Public Works										
Street Resurfacing(miles)	7	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Transfer station refuse (tons)	18,251	16,324	18,182	17,581	25,353	26,497	28,148	31,588	33,663	31,672
Transfer station recyclables(tons)	3,528	3,200	3,632	3,590	3,829	3,996	3,954	n/a	n/a	n/a
Parks & Recreation										
Programs Offered	63	59	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Beach Passes Issued	2,206	2,042	1,941	1,849	1,865	1,875	2,066	1,989	n/a	n/a
Education										
Number of Students	3,021	3,079	3,021	3,180	3,301	3,408	3,489	3,590	3,623	3,710
Water										
New Connections	49	53	64	60	110	237	144	158	138	115
Water Main Breaks	25	22	17	28	23	34	17	23	29	21
Avg daily consumption (thousands of gallons)	3,297	3,427	3,298	3,867	3,418	3,350	3,434	3,313	3,257	3,461
Sewer										
Average daily treatment (thousands of gallons)	2,020	2,250	2,520	2,670	2,390	2,410	2,850	2,750	2,410	2,540
Sewer treatment capacity (thousands of gallons)	3,300	3,300	3,300	3,300	3,300	3,300	3,300	3,300	3,300	3,300

TOWN OF WESTERLY, RHODE ISLAND
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years
(Unaudited)

Function/Program	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	46	43	43	41	41	41	42	40	38	38
Fire	Fire Prevention is covered by five separate self tax Fire Districts									
Public Works										
Streets (miles)	145	145	143	143	141	141	141	141	141	141
Street Lights	3,150	3,150	3,150	3,148	3,146	3,144	3,143	3,142	3,140	3,140
Register Vehicles	103	99	95	93	93	93	93	93	93	93
Parks & Recreation										
Acreage	85	85	85	85	85	85	85	85	85	82
Parks & Playing Fields	6	6	6	6	6	6	6	6	6	6
Beaches	2	2	2	2	2	2	2	2	2	1
Community Centers	1	1	1	-	-	-	-	-	-	-
Senior Centers	1	1	1	1	1	1	1	1	1	1
Marina	1	1	1	1	1	1	1	1	1	1
Town Forest 54 Acres	1	1	1	1	1	1	1	1	1	1
Public Libraries										
Libraries	1	1	1	1	1	1	1	1	1	1
Schools										
Elementary Schools	4	4	4	4	5	5	5	5	5	5
Middle Schools	1	1	1	1	1	1	1	1	1	1
High Schools	1	1	1	1	1	1	1	1	1	1
School Buses	49	49	49	46	38	30	22	15	15	10
Water										
Water Mains (miles)	207	207	206	206	206	202	202	201	200	199
Fire Hydrants	1,085	1,085	1,064	1,047	1,037	1,023	1,004	991	984	975
Capacity (thousands of gallons)	164	164	147	136	135	124	113	107	107	104
Sewer										
Sanitary Sewers (miles)	61	61	61	61	n/a	n/a	n/a	n/a	n/a	n/a
Storm sewers(miles)	65	65	65	65	65	65	65	65	65	65
Treatment capacity (thousand gallons)	3,300	3,300	3,300	3,300	3,300	3,300	3,300	3,300	3,300	3,300

Source: Town capital asset records and various Town Departments

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Westerly, Rhode Island, as of and for the year ended June 30, 2012, which collectively comprise the Town of Westerly, Rhode Island's basic financial statements and have issued our report thereon dated March 1, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as items 12-01, 12-02 and 12-03 to be material weaknesses.

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, 2013.

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

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



Warwick, Rhode Island
March 1, 2013

TOWN OF WESTERLY, RHODE ISLAND
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2012

Financial Reporting

12-01 Material Weakness – An entity’s system of internal control should be designed and operate to allow the entity to prepare financial statements in conformance with generally accepted accounting principles and be designed to prevent, detect and correct misstatements in the financial statements in a timely manner.

The financial reports prepared by the Town of Westerly for the year ended June 30, 2012 had material misstatements that resulted in the proposal of several audit adjustments. The misstatements resulted from the inadequate review and reconciliation of the financial statements through-out the year and at year-end. It also appears that there is a lack of communication regarding the accounting procedures that contributed to the financial reporting problems. The Town of Westerly’s internal controls over financial reporting are not operating as intended and did not prevent and detect material misstatements in the financial statements.

The Town was unaware of theses misstatements and errors, which were identified during our audit. The significant misstatements included the following:

1. The financial transactions for the Police Pension Trust were not recorded to the general ledger for the entire fiscal year.
2. The charges for Health insurance were not recorded to the General Fund and the Enterprise Funds for period July 1, 2011 through December 31, 2011.
3. Budgeted appropriations from the General Fund to the Sewer and Beach Funds were not recorded.
4. The transactions for several of the funds were either not recorded or were not recorded properly, which resulted in a significant amount of audit adjustments. Some of the entries included the reversal of prior year accruals and year end accrual entries that were not recorded.
5. The adjustments necessary to record the Enterprise Funds on an accrual basis of accounting in conformance with generally accepted accounting principles, were not recorded.

Recommendation – We recommend that the Town implement internal control procedures surrounding financial reporting to ensure the proper reporting of all transactions for all funds. The procedures should also include the monthly review of the financial reports of all funds by the Finance Director.

TOWN OF WESTERLY, RHODE ISLAND
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2012

Management's Response – The Town and School Finance departments merged during the fiscal year, resulting in the elimination of staff from each finance department. A new organizational chart, chain of command and responsibilities were created to address issues around proper reporting and review. In addition a new position was created, a deputy director of finance, to assist in this area.

Reconciliation Procedures

12-02 Material Weakness – The Town's general cash account was not reconciled to the general ledger at year-end. In addition, the Finance Director does not review the monthly cash reconciliation. The variance between the general ledger and the cash reconciliation was significant. We determined that the account had not reconciled to the general ledger since December 2011. The cash account as of June 30, 2012 was not corrected until December 2012. The reconciliation issues started when the Town opened two other accounts and continued to account for all the transactions for all three cash accounts in the same general ledger account. The Town did not modify its financial reporting system to account for the two new cash accounts and as a result the cash accounts could not be reconciled to the general ledger. The lack of appropriate reconciliation procedures is a weakness in internal control that could result in the material misstatement to the financial statements.

Recommendation – We recommend that the Town implement the appropriate internal control procedures for cash reconciliations to ensure the financial statements provided to management are materially accurate and complete. The procedures should include the Finance Director's review and approval of the monthly reconciliations.

Management's Response – The absence of the Tax Collector resulted in significant time of reduced staff to address issues. The combination of the appointment of an interim tax collector, replacing a missing staff accountant and creation of deputy finance director is addressing this issue.

A new procedure for bank reconciliation was developed in that all accounts for each month are reconciled concurrently. The past practice of reconciling one account for several months, lead to issues around transfers between accounts. This new policy will address this issue.

Capital Assets

12-03 Material Weakness – The Town does not have formal policies and procedures in place to properly account for the Town's construction in progress, capital assets, accumulated depreciation and depreciation expense on a perpetual basis and only updates the detail schedule of capital assets after year-end. The Town also does not have procedures in place to account for the disposal of capital assets. As a result of the Town's lack of policies and procedures, we had to propose several material audit adjustments to add capital assets and construction in progress omitted from the Town's capital asset schedules.

TOWN OF WESTERLY, RHODE ISLAND
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2012

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 formal policies and procedures to account for the addition, deletion and adjustments to capital assets, construction in progress and depreciation expense on a perpetual basis. The Town did complete a physical inventory of the Public Works Department capital assets and we recommend that the Town perform for all departments, at least a bi-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 fiscal year 2012, half of the finance department was located at the school administration office and half located in the town hall. This separation lead to a lack of communication related to this issue. As part of the continued development of a merged finance department all accounting and purchasing personnel are being located in a single location. The development and implementation of new organizational chart and lines of communication, along with centralizing operations, will address this issue. The Finance Department has been charged with the responsibility of developing policies and procedures which will include an annual review and reconciliation of capital assets by each department and with establishing a process for a biannual physical inventory of all capital assets.