

TOWN OF WESTERLY, RHODE ISLAND
ANNUAL FINANCIAL STATEMENTS

**For the Fiscal Year Ended
June 30, 2008**

**Joseph T. Turo
Town Manager**

**Etsuko Zuczek
Finance Director**

Prepared by: Finance Department

THE TOWN OF WESTERLY, RHODE ISLAND
AUDITED FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2008

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Westerly, Rhode Island, as of and for the year ended June 30, 2008, which collectively comprise the Town's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Town of Westerly, Rhode Island's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Westerly, Rhode Island, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 6, 2009 on our consideration of the Town of Westerly, Rhode Island's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, budgetary comparison information and supplementary pension information on pages 3 through 12 and 56 through 66 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Baum & Company, CPAs, LLC

Warwick, Rhode Island
January 6, 2009

TOWN OF WESTERLY, RHODE ISLAND
Management's Discussion and Analysis
For the Year Ended June 30, 2008
(Unaudited)

As the management of the Town of Westerly, we offer readers of the Town's Financial Statements this narrative overview and analysis of the Town's financial activities for the fiscal year ended June 30, 2008. Included within our discussion will be a series of comparative tables, serving to more clearly illustrate changes in the Town's financial position. These tables will reflect governmental activities, business-type activities, and total activities for the 2007 and 2008 fiscal years.

Financial Highlights

- ❖ The assets of the Town of Westerly exceeded its liabilities at the close of the most recent fiscal year by \$114,937,893. Of the amount, \$20,711,363 may be used to meet the Town's ongoing obligations to citizens and creditors in accordance with the Town's fund designation and fiscal policies.
- ❖ The Town's total net assets increased by \$1,758,374.
- ❖ As of the close of the fiscal year, the Town's governmental funds reported combined ending fund balances of \$17,145,032. Over 99.9% of this amount, \$17,130,712, is unreserved and available for use within the Town's designation and fiscal policies.
- ❖ At the end of the current fiscal year, the general fund unreserved fund balance was \$8,980,861, or 12.3% of the total general fund budgeted expenditures for the fiscal year. The current fiscal year's expenditures exceeded revenues and transfers by \$ 1,541,208 on a GAAP basis and on a budgetary basis.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

TOWN OF WESTERLY, RHODE ISLAND
Management's Discussion and Analysis
For the Year Ended June 30, 2008
(Unaudited)

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

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

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

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

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

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

Notes to Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are presented on pages 25 through 55.

Other Information - In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information pertinent to the Town's operations. Required Supplementary information is presented on pages 56 through 66.

The combining statements referred to earlier in connection with non-major governmental funds, proprietary funds and internal service funds are presented on pages 67 through 86.

TOWN OF WESTERLY, RHODE ISLAND
Management's Discussion and Analysis
For the Year Ended June 30, 2008
(Unaudited)

Government-wide Financial Analysis

Analysis of the Town of Westerly's Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town of Westerly, assets exceeded liabilities by \$ 114,937,893 as of June 30, 2008.

The largest portion of the Town's net assets (81.3%) consists of its investments in capital assets such as land, buildings and improvements, motor vehicles, furniture and equipment and infrastructure, less any debt used to acquire these assets which is still outstanding. The Town uses these capital assets to provide services to its citizens. Consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves are highly unlikely to be used to liquidate these liabilities.

TOWN OF WESTERLY'S NET ASSETS
June 30, 2008

	Governmental Activities		Business-Type activities		Total	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Current and other assets	\$ 24,678,390	\$29,488,703	\$ 11,540,143	\$11,746,969	\$ 36,218,533	\$41,235,672
Capital asset	134,580,989	126,606,106	36,805,228	33,989,965	171,386,217	160,596,071
Total assets	<u>159,259,379</u>	<u>156,094,809</u>	<u>48,345,371</u>	<u>45,736,934</u>	<u>207,604,750</u>	<u>201,831,743</u>
Other liabilities	9,026,102	6,164,925	2,309,042	1,035,851	11,335,144	7,200,776
Long-term liabilities	<u>71,370,769</u>	<u>69,830,490</u>	<u>9,960,944</u>	<u>11,620,958</u>	<u>81,331,713</u>	<u>81,451,448</u>
Total liabilities	<u>80,396,871</u>	<u>75,995,415</u>	<u>12,269,986</u>	<u>12,656,809</u>	<u>92,666,857</u>	<u>88,652,224</u>
Net assets:						
Invested in capital assets						
net of related debt	66,693,303	67,509,666	26,692,977	22,571,593	93,386,280	90,081,259
Restricted	840,250	-	-	-	840,250	-
Unrestricted	<u>11,328,955</u>	<u>12,589,728</u>	<u>9,382,408</u>	<u>10,508,532</u>	<u>20,711,363</u>	<u>23,098,260</u>
Total net assets	<u>\$78,862,508</u>	<u>\$ 80,099,394</u>	<u>\$ 36,075,385</u>	<u>\$ 33,080,125</u>	<u>\$114,937,893</u>	<u>\$113,179,519</u>

An additional portion of the Town's net assets, \$840,250, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets, \$20,711,363, may be used to meet the government's ongoing obligations to its citizens and creditors. As of June 30, 2008, the Town of Westerly reports positive balances in all three categories of net assets for the government as a whole.

Analysis of the Town of Westerly's Operations

The following analysis provides a summary of the Town's operations for the year ended June 30, 2008.

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

Governmental activities decreased the Town's net assets by \$1,236,886, , while business-type activities increased the Town 's net assets by \$2,995,260, resulting in an increase of \$1,758,374 for the Town 's total growth in net assets.

	Governmental Activities		Business-Type Activities		Total	Total
	2008	2007	2008	2007	2008	2007
Revenues						
Program revenues						
Charges for services	\$6,212,353	\$6,425,427	\$7,827,693	\$10,105,290	\$14,040,046	\$16,530,717
Operating grants and contributions	13,448,568	12,902,401			13,448,568	12,902,401
Capital grants and contributions	301,712	1,394,603			301,712	\$1,394,603
General Revenues						
Property taxes	55,992,277	52,511,864			55,992,277	52,511,864
State aid and in lieu of taxes not restricted for specific purposes	4,838,487	5,092,939			4,838,487	5,092,939
Unrestricted investment earnings	1,055,249	1,463,137	130,235	143,792	1,185,484	1,737,164
Miscellaneous	62,343	542,700		198,262	62,343	740,962
Total revenues	81,910,989	80,333,071	7,957,928	10,447,344	89,868,917	\$90,780,415
Expenses						
Legislative, financial, judicial and general administrative	3,236,593	2,593,124			3,236,593	2,593,124
Public works	9,912,789	6,688,443			9,912,789	6,688,443
Public safety	7,814,959	6,915,177			7,814,959	6,915,177
Health and welfare	886,803	678,933			886,803	678,933
Conservation and development	57,013	56,642			57,013	56,642
Parks and recreation	670,797	658,644			670,797	658,644
Planning and zoning	300,666	265,203			300,666	265,203
Public Education	56,538,216	53,450,112			56,538,216	53,450,112
Other	-	434,573			-	434,573
Capital improvements/restricted programs	-	1,538,354			-	1,538,354
Interest	2,991,507	2,861,227			2,991,507	2,861,227
Water fund			3,519,078	3,631,349	3,519,078	3,631,349
Sewer fund			3,399,750	3,245,491	3,399,750	3,245,491
Beach fund			279,941	374,356	279,941	374,356
Total expenses	82,409,343	76,140,432	7,198,769	7,251,196	89,608,112	83,391,628
Increase in net assets before transfers	(498,354)	4,192,639	759,159	3,196,148	260,805	7,388,787
Transfers	(738,532)	(759,794)	738,532	759,794	0	0
Gain (loss) on disposal of capital assets		(581,020)	1,497,569	(137,038)	1,497,569	(718,058)
Increase (Decrease) in net assets	(1,236,886)	2,851,825	2,995,260	3,818,904	1,758,374	6,670,729
Net assets July 1, 2007 as restated	80,099,394	77,247,569	33,080,125	29,261,221	113,179,519	106,508,790
Net assets June 30, 2008	\$78,862,508	\$80,099,394	\$36,075,385	\$33,080,125	114,937,893	\$113,179,519

TOWN OF WESTERLY, RHODE ISLAND
Management's Discussion and Analysis
For the Year Ended June 30, 2008
(Unaudited)

Financial Analysis of the Town of Westerly's Funds

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

At the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$17,145,032. Approximately 99.9% of the total amount, or \$17,130,712 constituted unreserved fund balances. The remainder of the fund balances were reserved because of future commitments.

Reserved Fund Balances:

Prepays	14,320
Total Reserved Fund Balances:	<u>\$ 14,320</u>

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

Unrestricted net assets of the respective proprietary funds are \$7,135,121 for Water Fund, \$2,163,600 for Sewer Fund, and \$83,687 for the Beach Fund for the Enterprise Funds.

General Fund Budgetary Highlights

Revenues:

General Property Taxes – was over budget by \$610,026. The Town budgeted current property tax at 97.25% collection rate, while the actual collection was at over 98.8% for the fiscal year.

Licenses and Permits – was under budget by \$59,665. This resulted primarily from decreased revenues in building permits due to weaker residential and commercial construction than anticipated in Westerly.

Fines and Penalties – was over budget by \$29,550. This resulted primarily from parking tickets. Most revenues for parking tickets are generated during the summer by Community Service Officers.

Use of Property and Money – was over budget by \$293,810. The Town budgeted this line item, interest revenues, based on interest rate of 1.7-1.8%. During the fiscal year, the interest rates the Town earned increased. In addition, increased level of unreserved fund balance contributed to the increased amount of funds invested throughout the year.

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

State Aid – was under budget by \$372,464. The shortfalls were partly due to less than anticipated motor vehicle reimbursement from the State. The assessment value for motor vehicles was not as high as originally anticipated. In addition, meal tax revenues were under budget by \$108,373 due to the State over-payment of meal tax to the Town over last few years. The Town did not receive any meal tax during May and June 2008 due to the prior year overpayments from the State.

Revenues from Other Sources – was under budget by \$90,171. This was due to considerably decreased revenues of Real Estate Recording Fees, due to the weaker real estate market and transactions.

Solid Waste Receipts – were under budget \$180,174. According to the Superintendent of Public Works, solid waste revenues were not met due to less income in daily receipts as well as new closing hours during certain Monday holidays.

Expenses:

On May 9, 2008, the Town Manager placed a spending freeze for all departments for the remainder of the fiscal year, due to increasing costs of fuel and electricity, as well as declining economy. The Town Manager had to approve any spending and overtimes at this point. This resulted in under-spending for many of the Town departments.

Legislative, Financial, Judicial, and General Administrative – was under budget by \$401,149. Employee Group Insurance Department was under budget by \$228,348. The Town is self-insured and pays its own claims with administrative fees for its health and dental plans. Actual claim was lower than anticipated. Pension Benefits and Social Securities were under budget by 30,761 and by \$38,968 respectively. This resulted from open positions as well as unpaid leaves.

Public Safety – Uniform Police – was under budget by \$53,399. The patrol officer wage was under-budget by \$147,709 due to the vacant officer positions throughout the fiscal year. This was partly offset by the over-expenditures by the over-time line item.

Public Works Departments – was under budget by \$124,228. Town buildings and Street Lighting were over-budget due to higher-than-anticipated fuel costs. However, higher fuel/oil/energy costs than anticipated during the fiscal year were offset by under-expenditures from various open positions throughout the DPW departments as well as Town Manager's spending freeze for the last two months of operations.

Recreation and Leisure – was over budget by \$21,044. According to Recreation Director, the over-expenditures were directly attributed to the department running more programs. The department brought in more staff to run additional winter and spring programs. Also, seasonal wages tend to be under-funded historically.

TOWN OF WESTERLY, RHODE ISLAND
Management's Discussion and Analysis
For the Year Ended June 30, 2008
(Unaudited)

The Town of Westerly's Capital Assets

The Town of Westerly's investment in capital assets for its governmental and business-type activities amounts to \$171,386,217, net of accumulated depreciation at June 30, 2008. Included are land, building and improvements, construction in progress, motor vehicles, and furniture and equipment.

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

	Governmental Activities		Business-type Activities		Total	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Land	\$11,032,172	\$ 8,258,007	\$ 5,700,082	\$ 5,700,082	\$ 16,732,254	\$13,958,089
Buildings and Improvements	62,783,079	51,789,303	9,542,307	9,768,836	72,325,386	61,558,139
Construction in progress	6,912,673	12,030,800	6,132,855	3,568,807	13,045,528	15,599,607
Mains, well, pumps and hydrants	-	-	8,114,553	7,859,286	8,114,553	7,859,286
Tanks and structures	-	-	6,587,526	6,725,395	6,587,526	6,725,395
Other control plant	-	-	99,870	102,431	99,870	102,431
Motor vehicles	2,181,499	1,577,123	-	-	2,181,499	1,577,123
Furniture and equipment	2,435,463	2,934,635	628,035	603,505	3,063,498	3,538,140
Infrastructure	49,129,602	49,887,094	-	-	49,129,602	49,887,094
Software	106,501	129,143	-	-	106,501	129,143
Total	<u>\$134,580,989</u>	<u>\$126,606,105</u>	<u>\$36,805,228</u>	<u>34,328,342</u>	<u>\$171,386,217</u>	<u>\$160,934,447</u>

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

The Town of Westerly's Debt Administration

At the end of the current fiscal year, the Town of Westerly had a total debt of \$81,743,761. All bonded debt is backed by the full faith and credit of the government.

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

	Governmental Activities		Business-type Activities		Total	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
General Obligation Bonds Payable	\$69,315,350	64,328,875	\$ 2,479,650	\$ 2,801,265	\$ 71,795,000	\$ 67,130,140
Capital Leases Payable	1,877,460	1,641,615	-	-	1,877,460	1,641,615
Loans Payable	-	-	8,071,301	8,617,107	8,071,301	8,617,107
Totals	<u>\$71,192,810</u>	<u>\$65,970,490</u>	<u>\$10,550,951</u>	<u>\$11,418,372</u>	<u>\$81,743,761</u>	<u>\$ 77,388,862</u>

TOWN OF WESTERLY, RHODE ISLAND
Management's Discussion and Analysis
For the Year Ended June 30, 2008
(Unaudited)

During the fiscal year, the Town issued \$8,000,000 of General Obligation Bonds, \$ 5,000,000 of which was for the purpose of financing the construction, renovation, rehabilitation, repair and improvements to Town roads, sidewalks and drainage facilities, and \$3,000,000 of which was for the purpose of financing the acquisition of land and property for open space, and recreation. The Town's general obligation bond rating as assigned by Standard and Poor's in September 2007 is AA- and Moody's Investors Service upgraded the Town of Westerly from A1 to Aa3. The State of Rhode Island imposes a limit of 3 percent of the fair value of all taxable Town property on the general obligation debt that a municipality can issue. The Town of Westerly's limit is \$192,656,677 based on net assessed valuation at December 31, 2007 of \$6,421,889,237 at year-end. The Town's outstanding general obligation debt issued under Rhode Island General Laws Section 45-12-2 was \$33,759,396 at year-end, which was \$158,897,281 under the State imposed limitation.

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

Subsequent to the fiscal year ended June 30, 2008, the Town entered into a 3/5-year equipment lease agreement for the amount of \$1,310,400 in August 2008. This agreement is to finance school buses, police cruisers, public works trucks, etc.

On November 4, 2008, the Westerly Electorate authorized the Town to issue bonds and notes in the amount of \$ 30,000,000 in total for the purpose of financing the renovation, rehabilitation, repair, improvement, furnishing and equipping of the Westerly High School. The Town has not issue any debt as of December 4, 2008.

Additional information on the Town of Westerly's long-term debt can be found in footnote 7 of the financial statements and on pages 37 through 41.

Economic Factors and Next Year's Budgets and Rates

The Town of Westerly's total general fund budget for fiscal year 2009 amounts to \$77,175,876, which reflects an increase of \$2,729,006 over the fiscal 2008 budget of \$74,446,870. Of the Town's 2009 budget, \$27,924,885, or 36.2% is budgeted for the general government and \$49,251,021, or 63.8% is budgeted for Westerly Public Schools. The State of Rhode Island is budgeted to contribute \$6,843,078 to the Town's education department.

The Town's tax rate for fiscal 2009 was \$8.87, with 36.2% allocated for general government and 63.8% allocated for education. For fiscal 2008 the Town's tax rate was \$8.60 with 36.2% allocated for general government and 63.8% allocated for education.

TOWN OF WESTERLY, RHODE ISLAND
Management's Discussion and Analysis
For the Year Ended June 30, 2008
(Unaudited)

Request for Information

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



Etsuko Zuczek, MBA, CPA
Finance Director

TOWN OF WESTERLY, RHODE ISLAND

Statement of Net Assets

June 30, 2008

	<i>Governmental Activities</i>	<i>Business-Type Activities</i>	<i>Total</i>
Assets:			
Current assets:			
Cash and cash equivalents	\$ 17,586,027	\$ 8,665,730	\$ 26,251,757
Investments	1,252,758	-	1,252,758
Real estate, personal property and sewer tax receivable	3,181,246	4,125	3,185,371
Water and sewer use and assessments	-	2,217,276	2,217,276
Due from federal and state governments	1,340,418	308,123	1,648,541
Other receivables	565,195	30,302	595,497
Internal balances	18,767	(18,767)	-
Inventory	-	154,538	154,538
Other assets - net	449,264	-	449,264
Total current assets	24,393,675	11,361,327	35,755,002
Noncurrent assets:			
Capital assets:			
Land	11,032,172	5,700,082	16,732,254
Depreciable property, plant and equipment - net	116,636,144	24,972,291	141,608,435
Construction in progress	6,912,673	6,132,855	13,045,528
Other assets - net	284,715	178,816	463,531
Total noncurrent assets	134,865,704	36,984,044	171,849,748
Total assets	159,259,379	48,345,371	207,604,750
Liabilities:			
Current liabilities:			
Accounts payable and accrued liabilities	2,408,835	1,007,059	3,415,894
Accrued interest payable	1,329,624	114,705	1,444,329
Unearned revenue	29,784	373,745	403,529
Claims payable	525,524	-	525,524
Compensated absences payable	197,886	-	197,886
Long-term debt - due within one year	4,534,449	813,533	5,347,982
Total current liabilities	9,026,102	2,309,042	11,335,144
Noncurrent liabilities:			
Compensated absences payable	1,607,012	220,764	1,827,776
Net pension obligation	2,601,710	-	2,601,710
Long-term debt - due in more than one year	67,162,047	9,740,180	76,902,227
Total noncurrent liabilities	71,370,769	9,960,944	81,331,713
Total liabilities	80,396,871	12,269,986	92,666,857
Net Assets:			
Invested in capital assets, net of related debt	66,693,303	26,692,977	93,386,280
Restricted for:			
Special projects and programs	840,250	-	840,250
Unrestricted	11,328,955	9,382,408	20,711,363
Total net assets	\$ 78,862,508	\$ 36,075,385	\$ 114,937,893

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, 2008

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
Legislative, judicial and general administrative	\$ 3,236,593	\$ 1,206,498	\$ 4,182	\$ 41,212	\$ (1,984,701)	\$ -	\$ (1,984,701)
Public works	9,912,789	2,667,752	9,038	238,000	(6,997,999)	-	(6,997,999)
Public safety	7,814,959	317,389	87,902	22,500	(7,387,168)	-	(7,387,168)
Health and welfare	886,803	-	430,374	-	(456,429)	-	(456,429)
Conservation and development	57,013	-	-	-	(57,013)	-	(57,013)
Parks and recreation	670,797	136,770	-	-	(534,027)	-	(534,027)
Planning and zoning	300,666	674,096	-	-	373,430	-	373,430
Public education	56,538,216	1,209,848	11,459,230	-	(43,869,138)	-	(43,869,138)
Interest on long-term debt	2,991,507	-	1,457,842	-	(1,533,665)	-	(1,533,665)
Total governmental activities	82,409,343	6,212,353	13,448,568	301,712	(62,446,710)	-	(62,446,710)
Business-Type Activities:							
Water fund	3,519,078	4,245,768	-	-	-	726,690	726,690
Sewer fund	3,399,750	3,495,261	-	-	-	95,511	95,511
Beach fund	279,941	86,664	-	-	-	(193,277)	(193,277)
Total business-type activities	7,198,769	7,827,693	-	-	-	628,924	628,924
Total	\$ 89,608,112	\$ 14,040,046	\$ 13,448,568	\$ 301,712	(62,446,710)	628,924	(61,817,786)
General Revenues:							
Taxes:							
Property taxes levied for general purposes					55,992,277	-	55,992,277
State aid and in lieu of taxes not restricted for a specific purpose					4,838,487	-	4,838,487
Investment earnings					1,055,249	130,235	1,185,484
Miscellaneous					62,343	-	62,343
Gain on disposal of capital assets					-	1,497,569	1,497,569
Transfers					(738,532)	738,532	-
Total general revenues					61,209,824	2,366,336	63,576,160
Change in net assets					(1,236,886)	2,995,260	1,758,374
Net assets - beginning of year, as restated					80,099,394	33,080,125	113,179,519
Net assets - end of year					\$ 78,862,508	\$ 36,075,385	\$ 114,937,893

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

TOWN OF WESTERLY, RHODE ISLAND

Balance Sheet
Governmental Funds
June 30, 2008

	General Fund	School Unrestricted Fund	Capital Project Fund	Roads and Sidewalks	Other Governmental Funds	Total Governmental Funds
Assets						
Cash	\$ 8,543,563	\$ 12,341	\$ 3,907,767	\$ 2,665,733	\$ 2,386,617	\$ 17,516,021
Investments	772,797	-	-	-	479,961	1,252,758
Property tax receivable	3,181,246	-	-	-	-	3,181,246
Due from federal and state governments	432,390	109,821	-	-	798,207	1,340,418
Other receivables	338,622	92,734	-	-	6,451	437,807
Due from other funds	29,671	225,673	-	-	-	255,344
Prepaid expenditures	-	10,905	-	-	3,415	14,320
Total assets	\$ 13,298,289	\$ 451,474	\$ 3,907,767	\$ 2,665,733	\$ 3,674,651	\$ 23,997,914
Liabilities and Fund Balances						
Liabilities:						
Cash overdraft	\$ -	\$ -	\$ -	\$ -	\$ 642,400	\$ 642,400
Accounts payable and accrued expenditures	580,532	426,990	121,176	413,780	863,094	2,405,572
Due to other funds	103,768	-	-	-	-	103,768
Deferred revenues	3,500,256	-	-	-	3,000	3,503,256
Accrued compensated absences	132,872	65,014	-	-	-	197,886
Total liabilities	4,317,428	492,004	121,176	413,780	1,508,494	6,852,882
Fund Balances (Deficits):						
Reserved for:						
Prepaid items	-	10,905	-	-	3,415	14,320
Unreserved- undesignated	8,980,861	(51,435)	3,786,591	2,251,953	-	14,967,970
Unreserved, reported in:	-	-	-	-	-	-
Special revenue funds	-	-	-	-	890,600	890,600
Capital project funds	-	-	-	-	1,272,142	1,272,142
Total fund balances (deficits)	8,980,861	(40,530)	3,786,591	2,251,953	2,166,157	17,145,032
Total liabilities and fund balances	\$ 13,298,289	\$ 451,474	\$ 3,907,767	\$ 2,665,733	\$ 3,674,651	\$ 23,997,914

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, 2008*

Total Fund Balances - Total Governmental Funds	\$ 17,145,032
 <i>Amounts reported for Governmental Activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet.	134,580,989
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.	292,226
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.	3,181,246
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.	(1,329,624)
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.	613,142
Long-term liabilities (including bonds payable, capital leases, compensated absences, and net pension obligation) are not due and payable in the current period and, therefore, are not reported in the Governmental Funds Balance Sheet.	(75,401,532)
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.	(503,686)
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>284,715</u>
 Net Assets of Governmental Activities	 <u>\$ 78,862,508</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, 2008

	General Fund	School Unrestricted Fund	Capital Project Fund	Roads and Sidewalks	Other Governmental Funds	Total Governmental Funds
Revenues:						
General property taxes	\$ 56,483,800	-	-	-	-	\$ 56,483,800
Intergovernmental and department revenues	13,821,234	3,134,295	-	-	5,134,700	22,090,229
License and permits	705,272	-	-	-	-	705,272
Fines and penalties	170,050	-	-	-	-	170,050
Interest on investments	793,810	-	-	106,267	146,423	1,046,500
Other revenues	1,331,099	656,432	-	-	146,811	2,134,342
Total revenues	<u>73,305,265</u>	<u>3,790,727</u>	<u>-</u>	<u>106,267</u>	<u>5,427,934</u>	<u>82,630,193</u>
Expenditures:						
Current:						
Legislative, judicial and general administrative	5,444,023	-	265,387	-	2,972,935	8,682,345
Public works	5,126,780	-	1,991,808	2,863,492	2,981,972	12,964,052
Public safety	4,365,834	-	-	-	2,428,107	6,793,941
Health and welfare	703,967	-	-	-	159,005	862,972
Conservations and development	44,068	-	-	-	-	44,068
Parks and recreation	550,498	-	49,533	-	-	600,031
Planning and zoning	189,256	-	66,382	-	-	255,638
Education	-	50,399,889	270,538	-	4,794,121	55,464,548
Capital improvements/restricted programs	2,332,971	-	-	-	-	2,332,971
Debt Service	6,321,441	-	-	-	-	6,321,441
Total expenditures	<u>25,078,838</u>	<u>50,399,889</u>	<u>2,643,648</u>	<u>2,863,492</u>	<u>13,336,140</u>	<u>94,322,007</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	<u>48,226,427</u>	<u>(46,609,162)</u>	<u>(2,643,648)</u>	<u>(2,757,225)</u>	<u>(7,908,206)</u>	<u>(11,691,814)</u>
Other financing sources (uses):						
Premium on bonds	-	-	-	9,178	5,507	14,685
Issuance of debt	1,104,712	-	-	5,000,000	3,000,000	9,104,712
Transfers from other funds	590,883	45,635,792	1,996,689	-	30,070	48,253,434
Transfers to other funds	(48,380,814)	(269)	(20,000)	-	(590,883)	(48,991,966)
Total other financing sources (uses)	<u>(46,685,219)</u>	<u>45,635,523</u>	<u>1,976,689</u>	<u>5,009,178</u>	<u>2,444,694</u>	<u>8,380,865</u>
Net change in fund balances	1,541,208	(973,639)	(666,959)	2,251,953	(5,463,512)	(3,310,949)
Fund balances, beginning of year	7,439,653	933,109	4,453,550	-	7,629,669	20,455,981
Fund balances (deficits), end of year	<u>\$ 8,980,861</u>	<u>\$ (40,530)</u>	<u>\$ 3,786,591</u>	<u>\$ 2,251,953</u>	<u>\$ 2,166,157</u>	<u>\$ 17,145,032</u>

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

TOWN OF WESTERLY, RHODE ISLAND
*Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and
Changes in the Fund Balances to Government-Wide Statement of Activities
For the Year Ended June 30, 2008*

Net Changes in Fund Balances - Total Governmental Funds \$ (3,310,949)

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.	11,700,668
This is the amount of current year depreciation on capital assets.	(3,963,784)

The contribution of capital assets does not represent a current financial resource and is not included in the Governmental Funds Financial Statements. Capital contributions are recognized in the Statement of Activities.	238,000
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Property taxes that are not collected in the current period do not represent current financial resources, however they are recognized as revenues in the Statement of Activities.	(491,523)
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The long-term net pension obligation is 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 is not reported as an expenditure in Governmental Funds Financial Statements.	(346,054)
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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.	(170,907)
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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.	(9,104,712)
This amount represents long-term debt payments.	3,882,392

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.	145,214
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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.	(135,718)
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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 bond premium received during the year.	(14,685)
This amount represents bond issuance costs during the year.	44,111
This amount represents the current year amortization of bond premium.	29,177
This amount represents current year amortization of bond issuance costs.	(30,341)

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.	292,225
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Change in Net Assets of Governmental Activities	<u><u>\$ (1,236,886)</u></u>
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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, 2008

	<i>Business-Type Activities</i>				<i>Governmental Activities Internal Service Funds</i>
	<i>Enterprise Funds</i>				
	<i>Water Fund</i>	<i>Sewer Fund</i>	<i>Beach Fund</i>	<i>Total</i>	
Assets					
Current assets:					
Cash and cash equivalents	\$ 6,878,376	\$ 1,663,988	\$ 123,366	\$ 8,665,730	\$ 712,406
Accounts receivable:					
Water and sewer use and assessments	1,159,576	1,057,700	-	2,217,276	-
Sewer taxes	-	4,125	-	4,125	-
Other receivables	26,252	4,050	-	30,302	-
Inventory	145,782	8,756	-	154,538	-
Due from federal and state government	-	308,123	-	308,123	-
Due from other funds	-	-	-	-	220,252
Total current assets	8,209,986	3,046,742	123,366	11,380,094	932,658
Noncurrent assets:					
Capital assets:					
Land	1,960,242	597,320	3,142,520	5,700,082	-
Buildings and improvements	778,670	18,075,234	481,072	19,334,976	-
Mains, wells, pumps and hydrants	9,470,324	4,116,694	-	13,587,018	-
Tanks and structures	1,874,535	8,714,929	-	10,589,464	-
Equipment and machinery	2,557,964	574,581	-	3,132,545	-
Odor control plant	-	1,024,302	-	1,024,302	-
Construction in progress	5,212,863	919,992	-	6,132,855	-
Total capital assets	21,854,598	34,023,052	3,623,592	59,501,242	-
Less accumulated depreciation	(7,302,597)	(15,310,678)	(82,739)	(22,696,014)	-
Net capital assets	14,552,001	18,712,374	3,540,853	36,805,228	-
Other assets	-	162,101	16,715	178,816	434,944
Total noncurrent assets	14,552,001	18,874,475	3,557,568	36,984,044	434,944
Total assets	22,761,987	21,921,217	3,680,934	48,364,138	1,367,602
Liabilities					
Current liabilities:					
Accounts payable and accrued expenses	882,127	114,708	10,224	1,007,059	3,263
Accrued interest payable	834	84,416	29,455	114,705	-
Unearned revenue	-	373,745	-	373,745	-
Due to other funds	13,203	5,564	-	18,767	225,673
Claims payable	-	-	-	-	525,524
Current portion of bonds and loans payable	39,378	628,619	145,536	813,533	-
Total current liabilities	935,542	1,207,052	185,215	2,327,809	754,460
Noncurrent liabilities:					
Compensated absences payable	178,701	42,063	-	220,764	-
Bonds and loans payable due in more than one year	-	7,506,070	2,234,110	9,740,180	-
Total noncurrent liabilities	178,701	7,548,133	2,234,110	9,960,944	-
Total liabilities	1,114,243	8,755,185	2,419,325	12,288,753	754,460
Net Assets					
Investment in capital assets, net of related debt	14,512,623	11,002,432	1,177,922	26,692,977	-
Unrestricted	7,135,121	2,163,600	83,687	9,382,408	613,142
Total net assets	\$ 21,647,744	\$ 13,166,032	\$ 1,261,609	\$ 36,075,385	\$ 613,142

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, 2008

	<i>Business-Type Activities</i>			<i>Total</i>	<i>Governmental</i>
	<i>Enterprise Funds</i>				<i>Internal</i>
	<i>Water</i>	<i>Sewer</i>	<i>Beach</i>		<i>Service Funds</i>
	<i>Fund</i>	<i>Fund</i>	<i>Fund</i>		
Operating revenues					
User fees and rental income	\$ 4,056,588	\$ 2,368,240	\$ 83,552	\$ 6,508,380	\$ -
Sewer assessments and taxes	-	985,872	-	985,872	-
Charges for insurance	-	-	-	-	7,701,321
Other revenues	189,180	141,149	3,112	333,441	4,262
Total operating revenues	<u>4,245,768</u>	<u>3,495,261</u>	<u>86,664</u>	<u>7,827,693</u>	<u>7,705,583</u>
Operating expenses					
Salaries and benefits	1,917,856	560,707	92,092	2,570,655	-
Materials and supplies	368,029	35,065	3,063	406,157	-
Repair and maintenance	256,091	179,847	19,155	455,093	-
Depreciation and amortization	279,055	454,572	25,098	758,725	-
Utilities	253,463	2,158	4,123	259,744	-
Administrative expense	23,806	14,526	1,426	39,758	-
Insurance	102,704	23,455	9,866	136,025	214,832
Claims	-	-	-	-	7,635,218
Contracted services	315,190	1,879,743	-	2,194,933	-
Total operating expenses	<u>3,516,194</u>	<u>3,150,073</u>	<u>154,823</u>	<u>6,821,090</u>	<u>7,850,050</u>
Operating income (loss)	<u>729,574</u>	<u>345,188</u>	<u>(68,159)</u>	<u>1,006,603</u>	<u>(144,467)</u>
Nonoperating revenues (expenses)					
Gain on disposal of capital assets	1,497,569	-	-	1,497,569	-
Interest income	72,951	56,571	713	130,235	8,749
Interest expense	(2,884)	(249,677)	(125,118)	(377,679)	-
Total nonoperating revenues (expenses)	<u>1,567,636</u>	<u>(193,106)</u>	<u>(124,405)</u>	<u>1,250,125</u>	<u>8,749</u>
Income (loss) before transfers	<u>2,297,210</u>	<u>152,082</u>	<u>(192,564)</u>	<u>2,256,728</u>	<u>(135,718)</u>
Transfers in	<u>-</u>	<u>466,752</u>	<u>271,780</u>	<u>738,532</u>	<u>-</u>
Change in net assets	<u>2,297,210</u>	<u>618,834</u>	<u>79,216</u>	<u>2,995,260</u>	<u>(135,718)</u>
Total net assets, beginning of year restated	<u>19,350,534</u>	<u>12,547,198</u>	<u>1,182,393</u>	<u>33,080,125</u>	<u>748,860</u>
Total net assets, end of year	<u>\$ 21,647,744</u>	<u>\$ 13,166,032</u>	<u>\$ 1,261,609</u>	<u>\$ 36,075,385</u>	<u>\$ 613,142</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, 2008

	<i>Business-Type Activities</i>			<i>Total</i>	<i>Governmental</i>
	<i>Enterprise Funds</i>				<i>Activities</i>
	<i>Water</i>	<i>Sewer</i>	<i>Beach</i>		<i>Internal</i>
<i>Fund</i>	<i>Fund</i>	<i>Fund</i>		<i>Service Funds</i>	
<i>Cash flows from operating activities</i>					
Cash received from insurance and service charges	\$ -	\$ -	\$ -	\$ -	\$ 8,411,628
Claim payments	-	-	-	-	(7,599,076)
Cash received from customers	4,093,906	3,289,447	87,496	7,470,849	-
Cash payments to suppliers for goods and services	(553,035)	(2,270,447)	(35,613)	(2,859,095)	(214,832)
Cash payments to employees for services	(1,903,863)	(550,109)	(89,962)	(2,543,934)	-
Other operating receipts	163,518	137,099	-	300,617	39,340
<i>Net cash provided by (used for) operating activities</i>	1,800,526	605,990	(38,079)	2,368,437	637,060
<i>Cash flows from non-capital financing activities</i>					
Operating transfers from other funds	-	466,752	271,780	738,532	-
<i>Net cash provided by noncapital related financing activities</i>	-	466,752	271,780	738,532	-
<i>Cash flows from capital and related financing activities</i>					
Principal paid on bonds and notes	(42,375)	(680,046)	(145,000)	(867,421)	-
Gain on sale of fixed assets	1,410,489	-	-	1,410,489	-
Additions to capital assets	(2,700,076)	(773,916)	-	(3,473,992)	-
Interest paid on long-term debt	(3,787)	(257,180)	(126,781)	(387,748)	-
<i>Net cash used for capital and related financing activities</i>	(1,335,749)	(1,711,142)	(271,781)	(3,318,672)	-
<i>Cash flows from investing activities</i>					
Interest income	72,951	56,571	177	129,699	8,749
<i>Net cash provided by investing activities</i>	72,951	56,571	177	129,699	8,749
<i>Net increase (decrease) in cash and cash equivalents</i>	537,728	(581,829)	(37,903)	(82,004)	645,809
<i>Cash and cash equivalents, beginning of year</i>	6,340,648	2,245,817	161,269	8,747,734	66,597
<i>Cash and cash equivalents, end of year</i>	\$ 6,878,376	\$ 1,663,988	\$ 123,366	\$ 8,665,730	\$ 712,406
<i>Non-cash capital and related financing activities</i>					
Decrease in due from state government	\$ -	\$ (70,200)	\$ -	\$ (70,200)	\$ -
Increase in capital assets	-	70,200	-	70,200	-

(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, 2008*

	<i>Business-Type Activities Enterprise Funds</i>			<i>Total</i>	<i>Governmental Activities</i>
	<i>Water Fund</i>	<i>Sewer Fund</i>	<i>Beach Fund</i>		<i>Internal Service Funds</i>
<i>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities</i>					
Operating income (loss)	\$ 729,574	\$ 345,188	\$ (68,159)	\$ 1,006,603	\$ (144,467)
<i>Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:</i>					
Depreciation	279,055	454,572	25,098	758,725	-
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable	11,656	(12,636)	832	(148)	-
(Increase) decrease in inventory	30,324	(264)	-	30,060	-
Increase (decrease) in due to other funds	(3,591)	1,444	-	(2,147)	710,307
Increase (decrease) in accounts payable and accrued expenses	743,721	(134,626)	4,150	613,245	36,142
Increase (decrease) in unearned revenue	-	(56,079)	-	(56,079)	-
Increase (decrease) in compensated absences	9,787	8,391	-	18,178	-
Increase in other assets	-	-	-	-	35,078
<i>Total adjustments</i>	<u>1,070,952</u>	<u>260,802</u>	<u>30,080</u>	<u>1,361,834</u>	<u>781,527</u>
<i>Net cash provided by (used for) operating activities</i>	<u>\$ 1,800,526</u>	<u>\$ 605,990</u>	<u>\$ (38,079)</u>	<u>\$ 2,368,437</u>	<u>\$ 637,060</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, 2008

	<i>Pension Trust</i>	<i>Private- purpose Trusts</i>	<i>Agency Funds</i>
<i>Assets</i>			
Cash and cash equivalents	\$ 1,091,767	\$ 184,634	\$ 524,400
Accrued interest receivable	208,988	-	-
Investments, at fair value:			
US Government Obligations	2,854,458	-	-
Corporate Bonds	7,614,048	-	-
Mutual funds - equity	3,146,881	-	-
Common stock	6,651,031	-	-
Mortgage backed securities	1,242	-	-
Total investments	<u>20,267,660</u>	<u>-</u>	<u>-</u>
<i>Total assets</i>	<u>21,568,415</u>	<u>184,634</u>	<u>524,400</u>
<i>Liabilities</i>			
Accounts payable	-	1,480	-
Due to other funds	127,388	-	-
Deposits held in custody for others	-	-	524,400
<i>Total liabilities</i>	<u>127,388</u>	<u>1,480</u>	<u>524,400</u>
<i>Net Assets</i>			
Held in trust for pension benefits and other purposes	<u>\$ 21,441,027</u>	<u>\$ 183,154</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, 2008

	<i>Pension Trust Fund</i>	<i>Private- purpose Trusts</i>
<i>Additions</i>		
<i>Contributions:</i>		
Employer	\$ 1,300,000	\$ -
Plan members	327,452	-
Private contributions	-	6,084
<i>Total contributions</i>	1,627,452	6,084
<i>Investment earnings:</i>		
Interest and dividends	926,404	5,795
Net decrease in fair value of investments	(1,057,386)	-
Total investment earnings	(130,982)	5,795
Less investment expense	(46,568)	-
<i>Net investment earnings</i>	(177,550)	5,795
<i>Total additions</i>	1,449,902	11,879
 <i>Deductions</i>		
Benefits	1,817,132	-
Miscellaneous	-	10,846
<i>Total deductions</i>	1,817,132	10,846
 <i>Change in net assets</i>	 (367,230)	 1,033
 <i>Net assets - beginning of year</i>	 21,808,257	 182,121
<i>Net assets - end of year</i>	\$ 21,441,027	\$ 183,154

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

TOWN OF WESTERLY, RHODE ISLAND
Notes to Financial Statements
June 30, 2008

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, 2008

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 as well as 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.

TOWN OF WESTERLY, RHODE ISLAND
Notes to Financial Statements
June 30, 2008

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.

Major Governmental Funds:

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

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

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

Roads and Sidewalks – The Roads and Sidewalks Fund is used to account for a bond issued to finance road and sidewalk improvements.

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.

TOWN OF WESTERLY, RHODE ISLAND
Notes to Financial Statements
June 30, 2008

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.

Fiduciary Fund Financial Statements

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

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

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

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

C. CASH EQUIVALENTS

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

D. INVESTMENTS

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

TOWN OF WESTERLY, RHODE ISLAND
Notes to Financial Statements
June 30, 2008

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.

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><i>Description</i></u>	<u><i>Useful Life</i></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	5 – 10 years
Vehicles	5 – 10 years

I. BOND PREMIUMS AND ISSUANCE COSTS

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

TOWN OF WESTERLY, RHODE ISLAND
Notes to Financial Statements
June 30, 2008

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

J. DEFERRED REVENUE

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

K. PROPERTY TAXES

The Town is permitted by state law to levy property taxes. Current tax collections for the Town were approximately 99.17% of the total 2007 levy.

The Town's fiscal 2007-2008 property taxes were levied on July 1, 2007 on assessed valuation as of December 31, 2006. Taxes are payable in full or quarterly, at the taxpayer's option. Installments dates are July 31, October 31, January 31 and April 30.

L. COMPENSATED ABSENCES

Under the terms of various contracts and agreements, Town employees are granted vacation and sick leave in varying amounts based on length of service. Vacation benefits are accrued as a liability based on the accumulated benefits earned at June 30. Sick leave benefits are based on the sick leave accumulated at June 30 by those employees who are currently eligible to receive termination payments and those employees for whom it is probable they will become eligible to receive termination benefits in the future. The liability is calculated at the rate of pay in effect at June 30, 2008.

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.

TOWN OF WESTERLY, RHODE ISLAND
Notes to Financial Statements
June 30, 2008

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, 2008

NOTE 2 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June, 30, 2008 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental Activities:				
Nondepreciable assets:				
Land	\$ 8,258,007	\$ 2,774,165	\$ -	\$ 11,032,172
Construction in progress	12,030,800	7,451,732	12,569,859	6,912,673
	<u>20,288,807</u>	<u>10,225,897</u>	<u>12,569,859</u>	<u>17,944,845</u>
Depreciable assets:				
Buildings and improvements	62,817,898	12,779,923	-	75,597,821
Motor vehicles	3,203,569	1,014,455	303,632	3,914,392
Machinery, equipment and furniture	6,868,111	138,839	-	7,006,950
Software	226,423	-	-	226,423
Infrastructure	70,836,358	349,413	-	71,185,771
	<u>143,952,359</u>	<u>14,282,630</u>	<u>303,632</u>	<u>157,931,357</u>
Total capital assets	<u>164,241,166</u>	<u>24,508,527</u>	<u>12,873,491</u>	<u>175,876,202</u>
Less accumulated depreciation for:				
Buildings and improvements	11,028,595	1,786,147	-	12,814,742
Motor vehicles	1,626,446	410,079	303,632	1,732,893
Machinery, equipment and furniture	3,933,476	638,011	-	4,571,487
Software	97,280	22,642	-	119,922
Infrastructure	20,949,264	1,106,905	-	22,056,169
Total accumulated depreciation	<u>37,635,061</u>	<u>3,963,784</u>	<u>303,632</u>	<u>41,295,213</u>
Governmental activities capital assets, net	<u>\$ 126,606,105</u>	<u>\$ 20,544,743</u>	<u>\$ 12,569,859</u>	<u>\$ 134,580,989</u>
Business-Type Activities:				
Nondepreciable assets:				
Land	\$ 5,700,082	\$ -	\$ -	\$ 5,700,082
Construction in progress	3,568,807	2,564,048	-	6,132,855
	<u>9,268,889</u>	<u>2,564,048</u>	<u>-</u>	<u>11,832,937</u>
Depreciable assets:				
Building and improvements	19,264,777	70,200	-	19,334,977
Mains, wells, pumps and hydrants	13,151,478	435,540	-	13,587,018
Tanks and structures	10,589,464	-	-	10,589,464
Machinery and equipment	3,033,592	151,028	52,075	3,132,545
Odor control plant	1,024,302	-	-	1,024,302
	<u>47,063,613</u>	<u>656,768</u>	<u>52,075</u>	<u>47,668,306</u>
Total capital assets	<u>56,332,502</u>	<u>3,220,816</u>	<u>52,075</u>	<u>59,501,243</u>
Less accumulated depreciation for:				
Building and improvements	9,495,941	296,729	-	9,792,670
Mains, wells, pumps and hydrants	5,292,192	180,273	-	5,472,465
Tanks and structures	3,864,069	137,869	-	4,001,938
Machinery and equipment	2,430,087	123,578	49,155	2,504,510
Odor control plant	921,871	2,561	-	924,432
Total accumulated depreciation	<u>22,004,160</u>	<u>741,010</u>	<u>49,155</u>	<u>22,696,015</u>
Business-Type activities capital assets, net	<u>\$ 34,328,342</u>	<u>\$ 2,479,806</u>	<u>\$ 2,920</u>	<u>\$ 36,805,228</u>

TOWN OF WESTERLY, RHODE ISLAND
Notes to Financial Statements
June 30, 2008

Depreciation expense was charged to governmental functions as follows:

Legislative, judicial and general administrative	\$ 75,758
Public works	1,440,407
Public safety	372,017
Health and welfare	21,243
Parks and recreation	12,654

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 \$189,961,555. As of June 30, 2008, the Town's debt subject to the legal debt margin is \$34,079,661 and the Town is under the debt limit by \$155,881,894. The debt subject to the debt limitation is based on the type of debt that is issued.

NOTE 4 – DEFECIT FUND BALANCE OF INDIVIDUAL FUNDS

As of June 30, 2008 the following funds had deficit fund balances:

School Unrestricted Fund	\$(40,530)
Drink Drive & Lose	\$(967)
Community Based Substance Abuse	\$(3,229)

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”.

	<i>Carrying Amount</i>
Total Deposits	<u>\$26,522,394</u>
Add: Petty Cash	2,945
Add: Investments classified as cash equivalents	<u>1,527,219</u>
Total Cash and Cash Equivalents Reported in the Financial Statements	<u><u>\$28,052,558</u></u>

TOWN OF WESTERLY, RHODE ISLAND
Notes to Financial Statements
June 30, 2008

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, 2008, \$27,338,742 of the Town’s bank balance of \$27,986,217 was exposed to custodial credit risk as follows:

	Bank Balance
Insured (Federal depository insurance funds)	\$ 647,475
Collateralized with securities held by pledging financial institution or its agent, in the Town’s name	25,275,887
Uninsured and uncollateralized	2,062,855
Total	\$27,986,217

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, 2008, the Town's uncollateralized deposits with institutions were \$2,062,855. 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 US 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, 2008

As of June 30, 2008 the Town had the following investments:

<u>Investments</u>	<u>Fair Value</u>	<u>Rating</u>
MBIA – RI Investment Pool	\$ 1,133,198	Not rated
U.S. Government Money Market Fund	568,979	Not rated
Certificate of Deposit	249,375	Not rated
Goldman Sachs Financial Square		
Prime Obligation Fund	828,425	Not rated
US Government Obligation	292,443	Aa2
Federal National Mortgage Association	1,394,900	Aaa
Federal Home Loan Mortgage Corp	472,950	Aaa
Federal Home Loan Bank	694,165	Aaa
Mortgage Backed Securities	1,243	Not rated
Corporate Bonds	1,218,617	A1
Corporate Bonds	1,789,438	A2
Corporate Bonds	799,086	A3
Corporate Bonds	914,154	Aa1
Corporate Bonds	101,103	Aa2
Corporate Bonds	1,093,752	Aa3
Corporate Bonds	504,808	Aaa
Corporate Bonds	148,003	B3
Corporate Bonds	485,632	Baa1
Corporate Bonds	318,913	Baa2
Corporate Bonds	76,763	Baa3
Corporate Bonds	163,778	WR
Common stock	6,651,031	Not rated
Mutual Funds - Equity	<u>3,146,881</u>	Not rated
	\$23,047,637	
Less Investments classified as cash and cash equivalents	(1,527,219)	
Total investments reported in the financial statements	<u>\$21,520,418</u>	

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

<u>Type of Investment</u>	<u>Investment Maturities (In Years)</u>				
	<u>Fair value</u>	<u>Less than 1 year</u>	<u>1-5 Year</u>	<u>6-10 years</u>	<u>Over 10 years</u>
U.S. Government Obligations	\$ 2,854,458	\$ 283,944	\$1,000,008	\$1,016,720	\$553,786
Corporate Bonds	7,614,047	2,310,711	2,897,384	2,405,952	-
Mortgage backed securities	1,243		221	1,022	-
Total	<u>\$10,469,748</u>	<u>\$2,594,655</u>	<u>\$3,897,613</u>	<u>\$3,423,694</u>	<u>\$553,786</u>

TOWN OF WESTERLY, RHODE ISLAND
Notes to Financial Statements
June 30, 2008

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. More than 5% of the Town’s investments are in the Federal National Mortgage Association. These investments are 6.05% of the total investments.

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 governing custodial credit risk. The Town’s investments held by the Town’s counterparty are held in the Town’s name.

TOWN OF WESTERLY, RHODE ISLAND
Notes to Financial Statements
June 30, 2008

NOTE 7 – LONG TERM LIABILITIES

A. LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2008 was as follows:

	<i>Beginning Balance</i>	<i>Additions</i>	<i>Retirements</i>	<i>Ending Balance</i>	<i>Amounts Due Within One Year</i>
Governmental Activities:					
Bonds and capital leases payable:					
General obligation bonds	\$ 64,328,875	\$ 8,000,000	\$ 3,013,525	\$ 69,315,350	\$ 3,500,350
Capital leases payable	1,641,615	1,104,712	868,867	1,877,460	1,004,922
	<u>65,970,490</u>	<u>9,104,712</u>	<u>3,882,392</u>	<u>71,192,810</u>	<u>4,505,272</u>
Plus amortized premium on bonds	518,178	14,685	29,177	503,686	29,177
Total bonds and capital leases	<u>66,488,668</u>	<u>9,119,397</u>	<u>3,911,569</u>	<u>71,696,496</u>	<u>4,534,449</u>
Other liabilities:					
Compensated absences	1,604,344	200,554	-	\$ 1,804,898	197,886
Net pension obligation	2,255,656	346,054	-	\$ 2,601,710	-
Total Governmental Activities Long-Term Liabilities	<u>\$ 70,348,668</u>	<u>\$ 9,666,005</u>	<u>\$ 3,911,569</u>	<u>\$ 76,103,104</u>	<u>\$ 4,732,335</u>
Business Type Activities:					
Bonds and loans payable:					
General obligation bonds	\$ 2,801,265	\$ -	\$ 321,615	\$ 2,479,650	\$ 254,650
Loans payable	8,617,107	-	545,806	8,071,301	565,232
	<u>11,418,372</u>	<u>-</u>	<u>867,421</u>	<u>10,550,951</u>	<u>819,882</u>
Less deferred amount of refundings	(13,770)	-	6,885	(6,885)	(6,885)
Plus amortized premium on bonds	10,183	-	536	9,647	536
Total bonds and loans	<u>11,414,785</u>	<u>-</u>	<u>861,072</u>	<u>10,553,713</u>	<u>813,533</u>
Other liabilities:					
Compensated absences	202,586	18,178	-	220,764	-
Business-Type Activities Long-Term Liabilities	<u>\$ 11,617,371</u>	<u>\$ 18,178</u>	<u>\$ 861,072</u>	<u>\$ 10,774,477</u>	<u>\$ 813,533</u>

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

TOWN OF WESTERLY, RHODE ISLAND
Notes to Financial Statements
June 30, 2008

B. GENERAL OBLIGATION BONDS DEBT SERVICE REQUIRMENTS

The debt service requirements at June 30, 2008, 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>
2009	\$3,500,350	\$3,051,357	\$254,650	\$124,935
2010	3,800,000	2,737,277	145,000	112,536
2011	4,140,000	2,579,734	145,000	105,186
2012	4,165,000	2,397,260	145,000	97,736
2013	4,195,000	2,201,916	145,000	90,199
2014-2018	18,965,000	8,406,060	725,000	339,721
2019-2023	18,700,000	4,634,783	725,000	150,736
2024-2028	11,850,000	847,808	195,000	8,225
	<u>\$69,315,350</u>	<u>\$26,856,195</u>	<u>\$2,479,650</u>	<u>\$1,029,274</u>

C. CAPITAL LEASE COMMITMENTS

The Town acquired vehicles and machinery and equipment valued at \$3,571,554 that were financed with lease purchase agreements.

Obligation of governmental activities under capital leases at June 30, 2008 were as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Lease Payment Requirements</u>
2009	\$1,072,578
2010	607,385
2011	230,089
2012	99,986
2013	49,993
Total minimum lease payments	2,060,031
Less: Amount representing interest cost	(117,283)
Less: Lease proceeds remaining to be drawn down	(65,288)
Present value of minimum lease payments	<u>\$1,877,460</u>

TOWN OF WESTERLY, RHODE ISLAND
Notes to Financial Statements
June 30, 2008

D. LOAN PAYABLE

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

<u>Loan Date</u>	<u>Original Loan Amount</u>	<u>Interest Rate</u>	<u>Matures</u>
December 15, 1995	\$1,849,000	2.958%	September 1, 1998-2015
May 1, 2000	255,000	3.0365%	September 1, 2001-2020
December 19, 2000	7,995,000	2.864%	September 1, 2001-2020
December 16, 2004	1,724,300	.68 – 1.57%	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, 2008 loans payable of \$8,071,301 are reflected in the Sewer Fund. A due from the Rhode Island Clean Water Protection Finance Agency of \$308,123 is shown for that portion of the loans which have not been advanced as of June 30, 2008. The Town is responsible to drawdown and to repay the full amount of the loan.

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

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 565,232	\$ 222,380
2010	577,919	206,534
2011	591,035	190,238
2012	604,591	173,497
2013	618,605	156,309
2014-2018	3,114,887	514,637
2019-2023	1,736,732	119,073
2024-2026	262,300	8,091
	<u>\$8,071,301</u>	<u>\$1,590,759</u>

TOWN OF WESTERLY, RHODE ISLAND
Notes to Financial Statements
June 30, 2008

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, 2007</u>	<u>Additions</u>	<u>Maturities During Year</u>	<u>Outstanding June 30, 2008</u>
Governmental Activities								
General Obligation Bonds Payable								
Senior citizens center bond	10/1/1996	4.8-6.75%	10/1/2016	\$ 515,000	\$ 250,000	\$ -	\$ (25,000)	\$ 225,000
Refunding bond	12/15/1997	3.7-4.75%	1/15/2009	5,667,700	843,875	-	(443,525)	400,350
General obligation school bond	7/15/1998	5.0-7.5%	7/15/2018	560,000	320,000	-	(30,000)	290,000
School refunding bond	8/1/2001	3.3-5.0%	9/15/2014	13,635,000	7,580,000	-	(995,000)	6,585,000
Middle school bond	8/15/2004	3.0-5.0%	8/15/2024	27,000,000	26,000,000	-	(750,000)	25,250,000
High school renovations bond	8/15/2005	4.0-5.0%	8/15/2025	13,000,000	12,760,000	-	(520,000)	12,240,000
Police station and public works garage bond	7/1/2006	4.0-5.0%	7/1/2026	16,575,000	16,575,000	-	(250,000)	16,325,000
Road improvements and land acquisition	9/15/2007	3.7-4.0%	9/15/2027	8,000,000	-	8,000,000	-	8,000,000
				<u>84,952,700</u>	<u>64,328,875</u>	<u>8,000,000</u>	<u>(3,013,525)</u>	<u>69,315,350</u>
Total general obligation bonds payable								
Capital Lease Payable								
Master lease	2/8/2005	3.09%	8/24/2008	1,240,000	634,274	-	(419,596)	214,678
Master lease	8/24/2005	4.00%	7/28/2009	1,384,637	1,007,341	-	(294,464)	712,877
Master lease	8/3/2007	4.30%	8/3/2010	725,000	-	725,000	(114,489)	610,511
Master lease	8/3/2007	4.35%	8/3/2012	445,000	-	379,712	(40,318)	339,394
				<u>3,794,637</u>	<u>1,641,615</u>	<u>1,104,712</u>	<u>(868,867)</u>	<u>1,877,460</u>
Total capital leases payable								
Total bonds and capital leases - governmental activities					<u>\$ 65,970,490</u>	<u>\$ 9,104,712</u>	<u>\$ (3,882,392)</u>	<u>\$ 71,192,810</u>

TOWN OF WESTERLY, RHODE ISLAND
Notes to Financial Statements
 June 30, 2008

	<u>Date of Issuance</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Authorized and Issued</u>	<u>Outstanding June 30, 2007</u>	<u>Additions</u>	<u>Maturities During Year</u>	<u>Outstanding June 30, 2008</u>
<i>Business-Type Activities</i>								
WESTERLY WATER FUND								
<i>General Obligation Bonds Payable</i>								
Refunding bond	12/15/1997	3.7-4.75%	1/15/2009	\$ 541,500	\$ 80,625	\$ -	\$ (42,375)	\$ 38,250
<i>Total general obligation bonds payable</i>								
				541,500	80,625	-	(42,375)	38,250
WESTERLY SEWER FUND								
<i>General Obligation Bonds Payable</i>								
Refunding bond	12/15/1997	3.7-4.75%	1/15/2009	1,010,800	150,500	-	(79,100)	71,400
Sewer improvements	5/16/2003	3.50%	1/15/2008	275,700	55,140	-	(55,140)	-
<i>Total general obligation bonds payable</i>								
				1,286,500	205,640	-	(134,240)	71,400
<i>Notes Payable</i>								
RICWFA SRF	12/15/1995	2.958%	9/1/2015	1,849,000	924,500	-	(102,722)	821,778
RICWFA 00 SRF	5/1/2000	3.037%	9/1/2020	255,000	196,185	-	(11,057)	185,128
RICWFA 01 SRF	12/19/2000	2.864%	3/2/2022	7,995,000	5,858,122	-	(346,027)	5,512,095
RICWFA 04 SRF	12/16/2004	.78-1.55%	9/1/2025	1,724,300	1,638,300	-	(86,000)	1,552,300
<i>Total loans payable</i>								
				11,823,300	8,617,107	-	(545,806)	8,071,301
WESTERLY BEACH FUND								
<i>General Obligation Bonds Payable</i>								
General obligation bond	10/22/2003	5.0-6.0%	10/15/2023	2,300,000	1,955,000	-	(115,000)	1,840,000
Beach bond	8/15/2004	3.0-5.0%	8/15/2024	200,000	180,000	-	(10,000)	170,000
Beach bond	8/15/2005	4.0-5.0%	8/15/2025	400,000	380,000	-	(20,000)	360,000
<i>Total general obligation bonds payable</i>								
				2,900,000	2,515,000	-	(145,000)	2,370,000
<i>Total bonds and loans payable - business-type activities</i>								
				\$ 11,418,372	\$ -	\$ -	\$ (867,421)	\$ 10,550,951

TOWN OF WESTERLY, RHODE ISLAND
Notes to Financial Statements
June 30, 2008

F. OPERATING LEASES

As of June 30, 2008, the Town is committed to several leases for copiers. These leases are considered to be operating leases. Lease expenditures for the year ended June 30, 2008 amounted to \$68,002.

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

<u><i>Fiscal Year</i></u> <u><i>Ending June 30,</i></u>	<u><i>Lease</i></u> <u><i>Payment</i></u> <u><i>Requirements</i></u>
2009	\$74,184
2010	74,184
2011	74,184
2012	6,182

NOTE 8 – PROPERTY TAXES

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

NOTE 9 – INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables are made during the normal course of business for the purpose of meeting the immediate cash demands of various funds. All interfund balances are expected to be returned in the current period.

Interfund receivable and payable balances at June 30, 2008 are as follows:

	<u><i>Due from</i></u> <u><i>Other Funds</i></u>	<u><i>Due to</i></u> <u><i>Other Funds</i></u>
General Fund	\$ 29,671	\$103,768
School Unrestricted Fund	225,673	-
Water Fund	-	13,203
Sewer Fund	-	5,564
Internal Service Funds	220,252	225,673
Police Pension Fund	-	127,388
Total	<u>\$475,596</u>	<u>\$475,596</u>

TOWN OF WESTERLY, RHODE ISLAND
Notes to Financial Statements
June 30, 2008

NOTE 10 – INTERFUND TRANSFERS

	<i>Transfer From:</i>				<i>Total</i>
	<i>General Fund</i>	<i>School Unrestricted Fund</i>	<i>Capital Project Fund</i>	<i>Nonmajor Governmental Funds</i>	
<i>Transfer To:</i>					
General Fund	\$ -	\$ -	\$ -	\$ 590,883	\$ 590,883
School Unrestricted Fund	45,635,792	-	-	-	45,635,792
Sewer Fund	466,752	-	-	-	466,752
Beach Fund	271,780	-	-	-	271,780
Nonmajor Governmental Funds	9,801	269	20,000	-	30,070
Capital Project Fund	1,996,689	-	-	-	1,996,689
<i>Total</i>	<u>\$48,380,814</u>	<u>\$ 269</u>	<u>\$ 20,000</u>	<u>\$ 590,883</u>	<u>\$48,991,966</u>

Transfers are used to move revenues from the fund that the budget requires to collect them, to the funds that the budget requires to expend them. For example, the \$45,635,792 transfer is the School appropriation that is budgeted in the General Fund as a revenue source to be transferred to the School Unrestricted Fund and expended.

NOTE 11 – NET ASSETS/FUND BALANCES

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

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

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

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

In the Fund Financial Statements, reserves and designations segregate portions of fund balance that are either not available or have been earmarked for specific purposes. At June 30, 2008, reservations and designations of fund balance are described below:

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

TOWN OF WESTERLY, RHODE ISLAND
Notes to Financial Statements
June 30, 2008

NOTE 12 – SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

A. LITIGATION

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

B. FEDERALLY ASSISTED PROGRAMS - COMPLIANCE AUDITS

The Town and School Department participate in a number of federally assisted programs. The audits of these programs through the year ended June 30, 2008 were audited in connection with the accompanying financial statements under the Single Audit concept and the auditor's reports thereon are presented in the Single Audit Section of this report. The amount, if any, of expenditures which may be disallowed will not be material to the financial position of the Town.

NOTE 13 – HEALTH FUND

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

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

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

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

The claims liability of \$525,524 reported in the Health Fund at June 30, 2008 is based on the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

TOWN OF WESTERLY, RHODE ISLAND
Notes to Financial Statements
June 30, 2008

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

	<i><u>Beginning Fiscal Year Liability</u></i>	<i><u>Current Year Claims and Changes In Estimate</u></i>	<i><u>Claims Payments</u></i>	<i><u>Balance Fiscal Year End</u></i>
2005-2006	\$819,749	\$6,784,366	\$7,293,994	\$310,121
2006-2007	310,121	7,418,156	7,235,632	492,645
2007-2008	492,645	7,496,489	7,463,610	525,524

NOTE 14 – RISK MANAGEMENT

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

NOTE 15 – POST RETIRMENT BENEFITS

The Westerly School Department offers health benefits for all bargaining unit members who retire to the Rhode Island State Retirement System in accordance with the terms of its contract with the Westerly Teachers' Association. During the fiscal year ended June 30, 2008, approximately 50 retirees were eligible for these benefits. The School Department pays a portion of the cost of continuing health care insurance coverage. The benefits are paid on a "pay as you go" basis. The cost of these benefits for the year ended June 30, 2008 was \$414,853.

The Town of Westerly offers health and life insurance benefits for all police pensioners who retire with at least twenty (20) years of service. The widow and/or dependents of a deceased police pensioner continue to receive those health benefits that the retiree was receiving for such time as they are eligible to receive benefits by reason of their status as a widow/dependent. The Police Pension Fund pays 100% of the cost of continuing health and life insurance coverage. As of June 30, 2008, 40 retirees were eligible for these benefits. The benefits are paid on a "pay as you go" basis. The cost of these benefits for the year ended June 30, 2008 was \$565,437.

The Town of Westerly is also paying health and life insurance benefits for certain retirees based on existing contracts or agreements. The number of retirees covered by these contacts and agreements at June 30, 2008 was 1. The benefits are paid on a "pay as you go" basis. The cost of these benefits for the year ended June 30, 2008 was \$19,279.

TOWN OF WESTERLY, RHODE ISLAND
Notes to Financial Statements
June 30, 2008

NOTE 16 – SUBSEQUENT EVENTS

- A.** On September 18, 2008, the Town entered into a 3/5-year Municipal Lease Agreement for the amount of \$1,310,400, pursuant to a resolution 08/09-30 passed by the Town Council on August 18, 2008 for the purpose of financing certain School, Police and Public Work department vehicles.
- B.** On November 4, 2008, the Westerly Electorate authorized the Town to issue bonds and notes in the amount of \$30,000,000 in total for the purpose of financing the renovation, rehabilitation, repair, improvement, furnishing and equipping of the Westerly High School. The Town has not issued any debt to date.

NOTE 17 – RESTATEMENTS AND RECLASSIFICATIONS

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

	<u><i>Governmental Activities</i></u>	<u><i>Business-Type Activities</i></u>
Net assets, June 30, 2007	\$77,678,930	\$33,813,876
To reclassify internal service fund net assets to Governmental Activities.	748,860	(748,860)
To correct prior year compensated absences.	(299,422)	-
To correct prior year capital assets.	1,971,026	15,109
<i>Restated net assets, June 30, 2007</i>	<u><u>\$80,099,394</u></u>	<u><u>\$33,080,125</u></u>

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

	<u><i>Enterprise Funds</i></u>	
	<u><i>Water Fund</i></u>	<u><i>Sewer Fund</i></u>
Net assets, June 30, 2007	\$19,212,653	\$12,669,970
To correct prior year capital assets.	137,881	(122,772)
<i>Restated net assets, June 30, 2007</i>	<u><u>\$19,350,534</u></u>	<u><u>\$12,547,198</u></u>

TOWN OF WESTERLY, RHODE ISLAND
Notes to Financial Statements
June 30, 2008

NOTE 18 – PENSION PLANS

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

All Town of Westerly certified school personnel participate in the Employees' Retirement System of the State of Rhode Island ("ERS"), a cost-sharing multiple-employer defined benefit plan administered by the State of Rhode Island. The payroll for employees covered by the ERS for the year ended June 30, 2008 was \$24,722,183, which consisted of \$361,143 for employees charged to federal programs and \$24,361,040 for all other employees.

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

Plan Description

The following eligibility and benefit provisions are established by Rhode Island General Laws, Title 16, Chapters 15-17. All Town of Westerly certified school personnel are eligible to participate in the ERS if they are certified by the Board of Regents, engaged in teaching as principal occupation and are regularly employed on at least a half time basis. Superintendents, principals, business agents and other administrators participate as teachers. Employees are vested in their retirement benefits upon the completion of 10 years of service.

The following benefit provisions apply to current retirees or members who had at least 10 years of contributory service as of June 30, 2005. Employees who retire at or after age 60 with 10 years of credited service, or after 28 years of credited service regardless of age are entitled to a retirement benefit. The retirement benefit is equal to 1.7% of final average salary for each year of credited service up to 10 years, plus 1.9% of final average salary in excess of 10 years through 20 years, plus 3.0% of final average salary in excess of 20 years up to the 34th year of service, plus 2.0% of final average salary for the 35th year, up to a maximum benefit of 80% of final average salary. Final average salary is the average of the three highest consecutive years of earned salary exclusive of overtime, bonuses, or severance pay. Members receive a 3% compounded increase in their retirement benefit each year, beginning in January of the year in which the member reaches the third anniversary of retirement.

The following benefits provisions apply to members hired in the future and for current members who had less than 10 years of contributory service as of June 30, 2005. Employees who retire on or after age 65 with 10 years of credited service, or on or after age 59 with 29 years of credited service are entitled to a retirement benefit. In addition, a member may retire with a reduced benefit after attaining age 55 with at least 20 years of service credit. The reduced benefit is calculated in the same manner as the normal benefit, but is reduced on an actuarial basis for each year the member's age at retirement is less than 65. The normal retirement benefit is equal to 1.6% of final average salary for each year of credited service up to 10 years, plus 1.8% of final average salary in excess of

TOWN OF WESTERLY, RHODE ISLAND
Notes to Financial Statements
June 30, 2008

10 years through 20 years, plus 2.0% of final average salary in excess of 20 years through 25 years, plus 2.25% of final average salary in excess of 25 years through 30 years, plus 2.5% of final average salary in excess of 30 years through 37 years of service, plus 2.25% of final average salary for the 38th year, up to a maximum benefit of 75% of final average salary. Final average salary is the average of the three highest consecutive years of earned salary exclusive of overtime, bonuses, or severance pay. Members receive a cost of living adjustment that depends on the change in the CPI for all Urban Consumers, as published by the Bureau of Labor Statistics. The increase is equal to the year-to-year change in the CPI – U as of the prior September. The increase is limited to 3.0% in any year. The first cost of living adjustment is delayed until the third anniversary of the member's retirement.

Funding Policy

Covered employees are required by State Statute to contribute 9.5% of their salary to the plan. The State and the School Department are required to contribute an amount determined annually by the actuary and as provided by State Statute. The split between State and the School Department is specified by State Statute. The contribution requirement for the year ended June 30, 2008 was 22.01%. The Teachers' Plan cost is paid 60% by the School Department and 40% by the State. However, the State will pay the total cost of the contribution deferrals which were .27%. This results in a contribution requirement for the School of 13.04% and a contribution requirement for the State of 8.97%.

The State contribution for the cut off year ended June 30, 2008 was \$2,185,185 which represented 8.8% of covered payroll. The payments made by the State to the Employees' Retirement System are considered on behalf of payments and are reported as a revenue and as an expenditure in the financial statements. The School's contribution requirement for the cut off year ended June 30, 2008 was \$5,535,386, which consisted of \$3,188,824 from the School Department (\$12,144 for federal employees and \$3,176,680 for other employees), and \$2,346,562 from employees. These contributions represented 12.9% and 9.5% of covered payroll respectively. The annual required contribution was determined as part of the June 30, 2005 actuarial valuation.

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

Three-Year Trend Information

<i>Fiscal Year</i>	<i>Annual Required Contribution</i>	<i>Percentage Contributed</i>
2006	\$2,183,822	100%
2007	\$2,703,630	100%
2008	\$3,188,824	100%

TOWN OF WESTERLY, RHODE ISLAND
Notes to Financial Statements
June 30, 2008

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 nine retirees participate in the MERS. The payroll for the employee covered by the MERS for the year ended June 30, 2008 was \$62,581.

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

Plan Description

The following eligibility and benefit provisions are established by Rhode Island General Laws, Title 45, Chapter 19, 19.1, 21, 21.1, 21.2 and 21.3 and may be amended by State Statute. The MERS generally provides retirement benefits equal to 2% of a member's final average salary multiplied by the number years of total service up to 37.5 years, with a maximum benefit of 75% of final average salary. Final average salary is the three highest consecutive years of earned salary exclusive of overtime, bonuses or severance pay. Such benefits are available to members at least age 58 with 10 years of service or after 30 years regardless of age. Under the 25-year service pension normal plan, police and firefighters may retire with unreduced accrued benefits at age 55 with 10 years of service or after 25 years regardless of age. The benefit accrual rate is 2% of final average salary per year of service. If the municipality elects the 20-year retirement provisions, police and firefighters may retire at any age after 20 years of service. This optional plan provides a benefit equal to 2.5% of final average salary per year of service up to 30 years. The maximum benefit is 75% of final average salary under both the normal plan and the optional plan. Early retirement is only available to police and firefighters under the normal plan. The plan also provides non-service connected disability benefits after 5 years of service, service connected disability benefits with no minimum service requirement, survivors' benefits, and certain lump sum death benefits. Employees are vested in their retirement benefits upon the completion of 10 years of service. Members employed by municipalities who elect one of the optional COLA provisions receive an increase equal to 3% of the original retirement benefit each year beginning January 1 following the member's retirement.

Funding Policy

General employees are required by State Statute to contribute 6% of their annual earnings. The contribution rate is increased to 7% with the optional cost-of-living provision. Police and firefighters are required by State Statute to contribute 7%. The contribution rate is increased to 8% with the optional cost-of-living provision. The contribution rate is increased by an additional 1% for the 20-year service plan. The Town is required to contribute based on an actuarially determined amount and as provided by State Statute for each participating municipality. The Town's rate for fiscal year 2007-2008 was 62.48% for general employees.

TOWN OF WESTERLY, RHODE ISLAND
Notes to Financial Statements
June 30, 2008

Annual Pension Cost

For 2007-2008, the Town's annual pension cost of \$39,101 for the MERS was equal to the Town's required and actual contributions.

Three-Year Trend Information

General Municipal Employees

<u>Fiscal Year</u>	<u>Annual Pension Cost</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2006	\$30,159	100%	\$ -
2007	\$34,861	100%	-
2008	\$39,101	100%	-

The required contribution was determined as part of the June 30, 2005 actuarial valuation. The actuarial method used is the entry age normal actuarial cost method. Under this method, the employer contribution rate is the sum of (i) the employer normal cost rate, and (ii) a rate that will amortize the unfunded actuarial accrued liability. Significant actuarial assumptions used in the June 30, 2005 valuation include the following:

- 1) Investment return – 8.25%, compounded annually, composed of an assumed 3.0% inflation rate and a 5.25% net real rate of return
- 2) Projected salary increases – a service related component, plus a 3.0% inflation component, plus a general increase
- 3) Cost of living adjustment – 3%, not compounded

The actuarial value of assets is based on market value of assets with a five year phase-in of actual investment return in excess of (less than) expected investment income. The MERS' unfunded actuarial accrued liability is being amortized over 30 years as a level percentage of payroll on a closed basis. The remaining amortization period at June 30, 2005 was 24 years.

Funded Status and Funding Progress

As of June 30, 2006, the most recent actuarial valuation date, the general employees plan was 49.2% funded. The actuarial accrued liability for benefits was \$1,071,729, and the actuarial value of assets was \$527,722, resulting in an unfunded actuarial accrued liability (UAAL) of \$544,007. The covered payroll (annual payroll of active employees covered by the plan) was \$57,494, and the ratio of the UAAL to the covered payroll was 946.2%. The June 30, 2006 actuarial valuation used the same methods and assumptions described above under funding policy, except for changes in the salary increases – service related component assumption.

TOWN OF WESTERLY, RHODE ISLAND
Notes to Financial Statements
June 30, 2008

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

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

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

Plan Description

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

Funding Policy – The contribution requirements of the Town and employees are established by contract and may be amended by union negotiation. Employees are not required to contribute to the plan. The Town was required to contribute the following amounts for fiscal year 2008: bus drivers and aides - \$1.14 per hour up to a maximum of 40 hours per week; School maintenance, secretarial and clerical employees - \$1.59 per hour; and Town public works and secretarial employees - \$1.59 per hour for employee's normal workweek. The total Town contribution for fiscal year 2008 was \$674,496.

Three-Year Trend Information

<i>Fiscal Year</i>	<i>Annual Required Contribution</i>	<i>Percentage Contributed</i>
2006	\$624,703	100%
2007	\$686,429	100%
2008	\$674,496	100%

TOWN OF WESTERLY, RHODE ISLAND
Notes to Financial Statements
June 30, 2008

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, 2007, employee membership related to the plan was as follows:

Retirees and beneficiaries currently receiving benefits	40
Terminated employees entitled to benefits but not yet receiving them	1
Active members	46
Total	<u>87</u>

The Police Pension Plan provides retirement, death and disabilities benefits. All regular police officers are eligible to participate. Members are 100% vested after 10 years of service. Normal retirement is after the completion of 20 years of service. The retirement benefit is calculated at 50% of annual pay for 20 years of service plus 2% times annual pay for each year of service over 20 years (maximum service equals 25 years). If a member leaves covered employment or dies before vesting, accumulated member contributions are refunded with interest. If a member dies in the line of duty, the member's heirs shall receive the same benefits as though they had been members of the bargaining unit for 20 years. The normal form of benefit is 67-1/2% Joint and Survivor. Retired members are entitled to a 3% cost of living adjustment, not compounded, each year (2 1/2% if retired before July 1, 1998). Disability retirement for occupational causes equals 50% of annual pay at time of disability. Non-occupational causes receive a lower percentage varying by years of service at time of disability. The Town pays Blue Cross/Blue Shield health benefits for all members who retire with at least 20 years of service. Employees hired prior to July 1, 1993 contribute the same percentage of medical coverage as they contribute at the time of retirement. Employees hired after July 1, 1993 pay 15% of the cost of health care coverage (Plan 65 after employee reaches age 65) and the Town pays the balance up to a maximum of \$6,000 per year. Any amounts in excess of \$6,000 are borne by the employee. 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.

TOWN OF WESTERLY, RHODE ISLAND
Notes to Financial Statements
June 30, 2008

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	\$1,651,100
Interest on net pension obligation	180,452
Adjustment to ARC	<u>(185,498)</u>
Annual pension cost	1,646,054
Contributions made	<u>1,300,000</u>
Increase in net pension obligation	346,054
Net pension obligation – beginning of year	<u>2,255,656</u>
Net pension obligation – end of year	<u>\$2,601,710</u>

Three-Year Trend Information

<i>Fiscal Year</i>	<i>Annual Pension Cost (APC)</i>	<i>Percentage of APC Contributed</i>	<i>Net Pension Obligation</i>
2006	\$1,296,067	100.3%	\$2,112,378
2007	\$1,443,278	90.1%	\$2,255,656
2008	\$1,646,054	79.0%	\$2,601,710

TOWN OF WESTERLY, RHODE ISLAND
Notes to Financial Statements
June 30, 2008

The required contribution was determined as part of the July 1, 2006 actuarial valuation using the Frozen Initial Liability modification of 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 5% compounded annually to retirement; and (c) cost of living adjustment of 3% for members retiring after July 1, 1998 and 2.5% for members retiring before July 1, 1998. The actuarial value of assets is determined using the 4-year smoothed market value. The unfunded actuarial accrued liability is being amortized using the level dollar method on a closed basis. The amortization period remaining as of July 1, 2006 was 15 years.

Funded Status and Funding Progress – As of July 1, 2007, the most recent actuarial valuation, the Police Plan was 60.9% funded. The actuarial accrued liability for benefits was \$35,831,648, and the actuarial value of assets was \$21,808,257, resulting in an unfunded actuarial accrued liability (UAAL) of \$14,023,391. The covered payroll (annual payroll of active employees covered by the plan) was \$2,624,354, and the ratio of the UAAL to covered payroll was 534.4%.

The actuarial cost method was changed in the July 1, 2007 actuarial valuation to the Entry Age actuarial cost method. The actuarial value of assets has been changed to market value. The amortization period for the UAAL has been changed to 30 years. The other assumptions and amortization methods discussed above under annual pension cost and net pension obligation have remained unchanged.

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 on 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, 2008

F. INTERNATIONAL CITY MANAGEMENT ASSOCIATION (ICMA) PENSION PLAN

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

G. SCHOOL DEPARTMENT PENSION PROGRAM

All School Department unaffiliated, classified, appointed employees participate in an agreed-upon pension program, which is funded by the School Department. The School Department's contribution is 10% of the qualified employee's salary per year. The employees do not contribute to the plan. The contributions are made to an eligible plan of the employee's choice. All School employees are eligible by federal law to participate in a payroll deduction tax deferred plan, which must be arranged by a broker or private insurance carrier. Contributions for fiscal year 2008 amounted to \$111,005.

TOWN OF WESTERLY, RHODE ISLAND
Required Supplementary Information - Pension Plans
Schedule of Funding Progress
"Unaudited"

<i>Actuarial Valuation Date</i>	<i>Actuarial Value of Assets</i>	<i>Actuarial Accrued Liability (AAL) -Entry Age</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>
07/01/02	\$15,407,484	\$20,474,974	\$5,067,490	75.3%	\$2,138,618	237.0%
07/01/03	\$16,318,265	\$21,485,770	\$5,167,505	75.9%	\$2,249,157	229.8%
07/01/04	\$17,387,600	\$22,611,917	\$5,224,317	76.9%	\$2,068,366	252.6%
07/01/05	\$18,221,293	\$23,358,221	\$5,136,928	78.0%	\$2,397,868	214.2%
07/01/06	\$19,301,326	\$24,323,095	\$5,021,769	79.4%	\$2,606,387	192.7%
07/01/07	\$21,808,257	\$35,831,648	\$14,023,391	60.9%	\$2,624,354	534.4%

Police Pension Plan:

General Municipal Employees Pension Plan:

06/30/04	\$656,996	\$1,101,875	\$444,879	59.6%	\$51,257	867.9%
06/30/05	\$578,799	\$1,089,287	\$510,488	53.1%	\$55,291	923.3%
06/30/06	\$527,722	\$1,071,729	\$544,007	49.2%	\$57,494	946.2%

TOWN OF WESTERLY, RHODE ISLAND

Required Supplementary Information

Police Pension Plan

Schedule of Annual Required Contributions

"Unaudited"

<u><i>Year Ended June 30</i></u>	<u><i>Annual Required Contribution</i></u>	<u><i>Percentage Contributed</i></u>
2003	\$ 1,180,900	85%
2004	\$ 1,214,900	93%
2005	\$ 1,301,600	96%
2006	\$ 1,355,800	96%
2007	\$ 1,502,900	86%
2008	\$ 1,651,100	79%

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

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, 2008

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance With</i>
	<i>Original</i>	<i>Final</i>	<i>Amounts</i> <i>(Budgetary</i> <i>Basis)</i>	<i>Final Budget</i> <i>Positive</i> <i>(Negative)</i>
Revenues				
General property taxes	\$ 55,523,774	\$ 55,873,774	\$ 56,483,800	\$ 610,026
Intergovernmental revenues	11,565,625	11,662,102	11,289,638	(372,464)
License and permits	764,937	764,937	705,272	(59,665)
Fines and penalties	140,500	140,500	170,050	29,550
Interest on investments	500,000	500,000	793,810	293,810
Other revenue	1,421,271	1,421,271	1,331,100	(90,171)
Recreation	145,675	145,675	136,770	(8,905)
Solid waste revenue	2,575,000	2,575,000	2,394,826	(180,174)
Total revenues	<u>72,636,782</u>	<u>73,083,259</u>	<u>73,305,266</u>	<u>222,007</u>
Expenditures				
Legislative, judicial and general administrative	5,876,055	5,845,172	5,444,023	401,149
Public works	5,307,558	5,251,008	5,126,780	124,228
Public safety	4,419,233	4,419,233	4,365,834	53,399
Health and welfare	710,250	710,250	703,967	6,283
Conservation and development	46,676	46,676	44,068	2,608
Parks and recreation	529,454	529,454	550,498	(21,044)
Planning and zoning	216,568	216,568	189,256	27,312
Capital improvements/restricted programs	1,228,265	1,228,265	1,228,259	6
Debt service	6,465,620	6,465,620	6,321,441	144,179
Total expenditures	<u>24,799,679</u>	<u>24,712,246</u>	<u>23,974,126</u>	<u>738,120</u>
Excess of revenues over expenditures before other financing sources (uses)	<u>47,837,103</u>	<u>48,371,013</u>	<u>49,331,140</u>	<u>960,127</u>
Other financing sources (uses)				
Transfers from other funds	-	-	590,882	590,882
Transfers to other funds	(47,837,103)	(48,371,013)	(48,380,814)	(9,801)
Total other financing sources (uses)	<u>(47,837,103)</u>	<u>(48,371,013)</u>	<u>(47,789,932)</u>	<u>581,081</u>
Excess of revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,541,208</u>	<u>\$ 1,541,208</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, 2008

	<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	\$52,084,974	\$52,434,974	\$52,875,541	\$ 440,567
Motor vehicle - excise tax	2,392,000	2,392,000	2,394,868	2,868
Prior years property taxes	750,000	750,000	636,386	(113,614)
Pilot - RI Bowling Lane	15,000	15,000	23,712	8,712
Pilot - Housing authority	25,000	25,000	28,977	3,977
Retail inventory tax	36,800	36,800	-	(36,800)
Pro-ration	70,000	70,000	175,262	105,262
Town tax interest, lien fees and other	150,000	150,000	349,054	199,054
Total general property taxes	<u>55,523,774</u>	<u>55,873,774</u>	<u>56,483,800</u>	<u>610,026</u>
Intergovernmental revenues				
State motor vehicle - excise tax phase out	3,100,000	3,100,000	2,987,737	(112,263)
State grants-in-aid - general	1,894,344	1,894,344	1,811,070	(83,274)
State grants-in-aid - school	6,571,281	6,667,758	6,490,831	(176,927)
Total intergovernmental revenues	<u>11,565,625</u>	<u>11,662,102</u>	<u>11,289,638</u>	<u>(372,464)</u>
Licenses and permits	764,937	764,937	705,272	(59,665)
Fines and penalties	140,500	140,500	170,050	29,550
Interest on investments	500,000	500,000	793,810	293,810
Other revenues	1,421,271	1,421,271	1,331,100	(90,171)
Recreation	145,675	145,675	136,770	(8,905)
Solid waste revenue	2,575,000	2,575,000	2,394,826	(180,174)
Total revenues	<u>72,636,782</u>	<u>73,083,259</u>	<u>73,305,266</u>	<u>222,007</u>
Other financing sources				
Transfer from other funds	-	-	590,882	590,882
Total other financing sources	<u>-</u>	<u>-</u>	<u>590,882</u>	<u>590,882</u>
Total revenues and other financing sources	<u>\$72,636,782</u>	<u>\$73,083,259</u>	<u>\$73,896,148</u>	<u>\$ 812,889</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, 2008

	<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	\$ 62,600	\$ 62,800	\$ 74,479	\$ (11,679)
Finance Board	1,100	1,100	577	523
Judicial:				
Legal services	210,770	210,770	209,130	1,640
Probate court	45,770	45,770	44,147	1,623
Municipal court	50,781	50,781	50,566	215
Administrative:				
Board of canvassers	112,884	112,884	95,606	17,278
Town clerk	245,588	245,588	241,586	4,002
Town manager	254,508	254,508	229,980	24,528
Finance department	337,270	337,270	297,891	39,379
Town audit	20,000	20,000	16,869	3,131
Assessment administration	246,735	246,960	237,545	9,415
Data processing	202,030	170,722	146,353	24,369
Human resources	52,178	52,178	55,064	(2,886)
Benefits:				
Insurance	360,000	360,000	371,824	(11,824)
Pensions and retirement	1,689,620	1,689,620	1,658,859	30,761
Social security	389,221	389,221	350,253	38,968
Employee group insurance	1,585,000	1,585,000	1,356,652	228,348
Unemployment insurance	10,000	10,000	6,642	3,358
Total legislative, judicial and general administrative	<u>5,876,055</u>	<u>5,845,172</u>	<u>5,444,023</u>	<u>401,149</u>
Public Works				
Town buildings	502,380	502,380	533,269	(30,889)
Public works administration	26,584	26,584	26,018	566
Code enforcement office	173,822	173,822	171,280	2,542
Tree warden	18,144	18,144	10,394	7,750
Highway and drainage	1,087,061	1,087,061	1,029,140	57,921
Snow and ice control	190,000	133,450	133,450	-
Street lighting	350,000	350,000	365,200	(15,200)
Sanitation	2,708,852	2,708,852	2,641,494	67,358
Equipment maintenance	250,715	250,715	216,535	34,180
Total public works	<u>5,307,558</u>	<u>5,251,008</u>	<u>5,126,780</u>	<u>124,228</u>
Public Safety				
Police department	4,311,398	4,311,398	4,265,267	46,131
Animal control	96,387	96,387	94,251	2,136
Civil preparedness	4,163	4,163	4,163	-
Police reserve	7,285	7,285	2,153	5,132
Total public safety	<u>4,419,233</u>	<u>4,419,233</u>	<u>4,365,834</u>	<u>53,399</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, 2008

	<i>Budgeted Amounts</i>		<i>Actual Amounts (Budgetary Basis)</i>	<i>Variance With Final Budget Positive (Negative)</i>
	<i>Original</i>	<i>Final</i>		
Health and welfare				
Subsidies	710,250	710,250	703,967	6,283
Total health and welfare	<u>710,250</u>	<u>710,250</u>	<u>703,967</u>	<u>6,283</u>
Conservation and development				
Conservation commission	4,775	4,775	2,359	2,416
Minimum housing	41,901	41,901	41,709	192
Total conservation and development	<u>46,676</u>	<u>46,676</u>	<u>44,068</u>	<u>2,608</u>
Parks and recreation				
Recreation and leisure	232,785	232,785	251,790	(19,005)
Town beach operation	93,975	93,975	105,387	(11,412)
Celebration of public events	1,500	1,500	1,039	461
Maintenance	201,194	201,194	192,282	8,912
Total parks and recreation	<u>529,454</u>	<u>529,454</u>	<u>550,498</u>	<u>(21,044)</u>
Planning and zoning				
Department of planning and zoning	216,568	216,568	189,256	27,312
Total planning and zoning	<u>216,568</u>	<u>216,568</u>	<u>189,256</u>	<u>27,312</u>
Capital improvements/restricted programs				
Restricted programs	643,797	643,797	643,796	1
Capital improvements - school	451,086	451,086	451,084	2
Capital improvements	133,382	133,382	133,379	3
Total capital improvements and restricted programs	<u>1,228,265</u>	<u>1,228,265</u>	<u>1,228,259</u>	<u>6</u>
Debt service				
Town debt service	1,929,619	1,929,619	1,870,725	58,894
School debt service	4,536,001	4,536,001	4,450,716	85,285
Total debt service	<u>6,465,620</u>	<u>6,465,620</u>	<u>6,321,441</u>	<u>144,179</u>
Total expenditures	<u>24,799,679</u>	<u>24,712,246</u>	<u>23,974,126</u>	<u>738,120</u>
Other financing uses				
Transfer to Capital Project Funds	(1,462,779)	(1,996,689)	(1,996,689)	-
Transfer to School Unrestricted Fund	(45,635,792)	(45,635,792)	(45,635,792)	-
Transfer to Special Revenue Fund	-	-	(9,801)	(9,801)
Transfer to Beach Fund	(271,780)	(271,780)	(271,780)	-
Transfer to Sewer Fund	(466,752)	(466,752)	(466,752)	-
Total other financing uses	<u>(47,837,103)</u>	<u>(48,371,013)</u>	<u>(48,380,814)</u>	<u>(9,801)</u>
Total expenditures and other financing uses	<u>\$72,636,782</u>	<u>\$73,083,259</u>	<u>\$72,354,940</u>	<u>\$ 728,319</u>

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

TOWN OF WESTERLY, RHODE ISLAND

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

School Unrestricted Fund

For the Fiscal Year Ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u> <u>(Budgetary</u> <u>Basis)</u>	<u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
Revenues				
Medicaid revenue	\$ 482,243	\$ 482,243	\$ 383,121	\$ (99,122)
Other revenues	1,711,844	1,711,844	1,222,421	(489,423)
Total revenues	<u>2,194,087</u>	<u>2,194,087</u>	<u>1,605,542</u>	<u>(588,545)</u>
Expenditures				
Instructional				
Salaries	20,681,566	20,681,566	20,824,179	(142,613)
Employee benefits	6,085,643	6,085,643	7,191,326	(1,105,683)
Purchased services	289,288	289,288	311,544	(22,256)
Supplies and materials	709,767	709,767	524,183	185,584
Capital outlay	7,659	7,659	31,799	(24,140)
Other costs	-	-	890	(890)
Total instructional	<u>27,773,923</u>	<u>27,773,923</u>	<u>28,883,921</u>	<u>(1,109,998)</u>
Instructional support				
Salaries	4,318,916	4,318,916	3,891,378	427,538
Employee benefits	1,345,493	1,345,493	930,535	414,958
Purchased services	508,882	508,882	603,979	(95,097)
Supplies and materials	41,014	41,014	45,703	(4,689)
Capital outlay	26,282	26,282	19,716	6,566
Other costs	27,074	27,074	21,453	5,621
Total instructional support	<u>6,267,661</u>	<u>6,267,661</u>	<u>5,512,764</u>	<u>754,897</u>
Operations				
Salaries	3,442,635	3,442,635	3,316,234	126,401
Employee benefits	2,001,014	2,001,014	1,475,853	525,161
Purchased services	1,687,437	1,687,437	1,659,026	28,411
Supplies and materials	814,231	814,231	826,771	(12,540)
Capital outlay	6,712	6,712	13,030	(6,318)
Other costs	269,270	269,270	271,084	(1,814)
Total operational cost	<u>8,221,299</u>	<u>8,221,299</u>	<u>7,561,998</u>	<u>659,301</u>
Other commitments				
Salaries	87,273	87,273	149,980	(62,707)
Employee benefits	539,872	539,872	669,916	(130,044)
Purchased services	1,629,897	1,629,897	2,126,593	(496,696)
Supplies and materials	11,758	11,758	26,196	(14,438)
Other costs	1,700	1,700	4,202	(2,502)
Total other commitments	<u>2,270,500</u>	<u>2,270,500</u>	<u>2,976,887</u>	<u>(706,387)</u>

(Continued)

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

TOWN OF WESTERLY, RHODE ISLAND

*Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
School Unrestricted Fund (Continued)
For the Fiscal Year Ended June 30, 2008*

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Leadership				
Salaries	2,213,718	2,213,718	2,208,388	5,330
Employee benefits	830,503	830,503	849,090	(18,587)
Purchased services	166,800	166,800	168,486	(1,686)
Supplies and materials	10,681	10,681	12,739	(2,058)
Capital outlay	11,556	11,556	8,444	3,112
Other costs	63,238	63,238	31,987	31,251
Total leadership cost	<u>3,296,496</u>	<u>3,296,496</u>	<u>3,279,134</u>	<u>17,362</u>
Total expenditures	<u>47,829,879</u>	<u>47,829,879</u>	<u>48,214,704</u>	<u>(384,825)</u>
Deficiency of revenues under expenditures before other financing sources (uses)	<u>(45,635,792)</u>	<u>(45,635,792)</u>	<u>(46,609,162)</u>	<u>(973,370)</u>
Other financing sources (uses)				
Operating transfer from general fund	45,635,792	45,635,792	45,635,792	-
Operating transfers to school restricted funds	-	-	(269)	(269)
Total other financing sources (uses)	<u>45,635,792</u>	<u>45,635,792</u>	<u>45,635,523</u>	<u>(269)</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (973,639)</u>	<u>\$ (973,639)</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>Municipal Police Pension Plan</i>																
Valuation date	6/30/2006	7/01/2007																
Actuarial cost method	Entry Age Normal	Entry Age																
Amortization method	Level percent of payroll - closed	Level dollar - closed																
Amortization period	30 year period from June 30, 1999 or 23 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																
Actuarial assumptions: Investment rate of return	8.25%, compounded annually, composed of an assumed 3.0% inflation rate and a 5.25% net real rate of return	8%, net of expenses, compounded annually																
Projected salary increases	An annual service related component, plus a 3% inflation component, plus a 1.5% general increase	Annual increase based on years of service																
Cost-of-living adjustments	3%, not compounded	2 1/2%, not compounded, for members retiring before 7/01/1998 3%, not compounded, for members retiring after 7/01/1998																
Participant information	<table border="0" style="margin-left: auto; margin-right: auto;"> <tr><td style="text-align: right;">Active employees</td><td style="text-align: right;">1</td></tr> <tr><td style="text-align: right;">Retirees and beneficiaries</td><td style="text-align: right;">9</td></tr> <tr><td></td><td style="text-align: right; border-top: 1px solid black;">10</td></tr> <tr><td></td><td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">10</td></tr> </table>	Active employees	1	Retirees and beneficiaries	9		10		10	<table border="0" style="margin-left: auto; margin-right: auto;"> <tr><td style="text-align: right;">Active employees</td><td style="text-align: right;">46</td></tr> <tr><td style="text-align: right;">Retirees and beneficiaries</td><td style="text-align: right;">40</td></tr> <tr><td style="text-align: right;">Terminated vested</td><td style="text-align: right;">1</td></tr> <tr><td></td><td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">87</td></tr> </table>	Active employees	46	Retirees and beneficiaries	40	Terminated vested	1		87
Active employees	1																	
Retirees and beneficiaries	9																	
	10																	
	10																	
Active employees	46																	
Retirees and beneficiaries	40																	
Terminated vested	1																	
	87																	

TOWN OF WESTERLY, RHODE ISLAND
Notes to Required Supplementary Information
June 30, 2008

NOTE 2 - BUDGETARY DATA AND BUDGETARY COMPLIANCE

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

TOWN OF WESTERLY, RHODE ISLAND
Notes to Required Supplementary Information
June 30, 2008

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

<u>Revenues</u>	<u>General Fund</u>	<u>School Unrestricted Fund</u>
Actual amounts (budgetary basis)	\$73,305,265	\$ 1,605,542
Differences – budget to GAAP:		
The pension contributions made to the Employees Retirement System by the State on behalf of the Town of Westerly is not reported as budgetary revenue, but is a current year revenue for financial reporting purposes.	-	2,185,185
<i>Total revenues as reported on the statement of revenues, expenditures and changes in fund balances – governmental funds</i>	<u>\$73,305,265</u>	<u>\$3,790,727</u>
 <u>Expenditures</u>		
Actual amounts (budgetary basis)	\$23,974,126	\$48,214,704
Differences – budget to GAAP:		
Capital assets acquired with capital lease proceeds not reported as a budgetary expenditure, but is a current year expenditure for financial reporting purposes.	1,104,712	-
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.	-	2,185,185
<i>Total expenditures as reported in the statement of revenues, expenditures and changes in fund balances – governmental funds</i>	<u>\$25,078,838</u>	<u>\$50,399,889</u>

TOWN OF WESTERLY, RHODE ISLAND
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2008

Special Revenue Funds

	School Restricted Fund	School Lunch Fund	Animal Shelter Fund	Town Clerks Fund	Civil Defense Fund	Archive Fund	Animal Fund	Revaluation Fund
ASSETS								
Cash	\$ -	\$ 103,892	\$ 66	\$ -	\$ 2,378	\$ -	\$ -	\$ 56
Investments	-	-	998	68,754	27,559	342	12,950	9,288
Accounts receivable	6,124	-	6	321	-	-	-	-
Due from federal and state governments	697,870	36,271	-	-	-	-	-	-
Prepaid expenditures	3,415	-	-	-	-	-	-	-
Total assets	\$ 707,409	\$ 140,163	\$ 1,070	\$ 69,075	\$ 29,937	\$ 342	\$ 12,950	\$ 9,344

LIABILITIES AND FUND BALANCES

	School Restricted Fund	School Lunch Fund	Animal Shelter Fund	Town Clerks Fund	Civil Defense Fund	Archive Fund	Animal Fund	Revaluation Fund
Liabilities								
Cash overdraft	\$ 471,938	-	-	\$ 20,238	\$ -	\$ -	\$ 271	\$ -
Accounts payable and accrued expenditures	18,924	140,163	-	4,959	5,450	-	103	-
Deferred revenue	3,000	-	-	-	-	-	-	-
Total liabilities	493,862	140,163	-	25,197	5,450	-	374	-
Fund balances (deficits)								
Reserved for prepaid items	3,415	-	-	-	-	-	-	-
Unreserved - undesignated	210,132	-	1,070	43,878	24,487	342	12,576	9,344
Total fund balances (deficits)	213,547	-	1,070	43,878	24,487	342	12,576	9,344
Total liabilities and fund balances	\$ 707,409	\$ 140,163	\$ 1,070	\$ 69,075	\$ 29,937	\$ 342	\$ 12,950	\$ 9,344

(Continued)

TOWN OF WESTERLY, RHODE ISLAND
Combining Balance Sheet
Nonmajor Governmental Funds (Continued)
 June 30, 2008

Special Revenue Funds

	DEM Stormwater Management	Old Town Hall Westerly	R/DOT TEA-21	CDBG 2007	CDBG 2004	Department of Community Development	CDBG 2005	Riverwalk Greenways
ASSETS								
Cash	\$ -	\$ -	\$ -	\$ 100,000	\$ -	\$ 3,559	\$ 163,152	\$ -
Investments	-	-	-	-	-	-	-	-
Accounts receivable	-	-	-	-	-	-	-	-
Due from federal and state governments	25,000	-	8,456	-	19,650	-	-	-
Prepaid expenditures	-	-	-	-	-	-	-	-
Total assets	\$ 25,000	\$ -	\$ 8,456	\$ 100,000	\$ 19,650	\$ 3,559	\$ 163,152	\$ -

LIABILITIES AND FUND BALANCES

Liabilities								
Cash overdraft	\$ 25,000	\$ -	\$ 6,337	\$ -	\$ 19,650	\$ -	\$ -	\$ -
Accounts payable and accrued expenditures	-	-	2,119	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-
Total liabilities	25,000	-	8,456	-	19,650	-	-	-
Fund balances (deficits)								
Reserved for prepaid items	-	-	-	-	-	-	-	-
Unreserved - undesignated	-	-	-	100,000	-	3,559	163,152	-
Total fund balances (deficits)	-	-	-	100,000	-	3,559	163,152	-
Total liabilities and fund balances	\$ 25,000	\$ -	\$ 8,456	\$ 100,000	\$ 19,650	\$ 3,559	\$ 163,152	\$ -

(Continued)

TOWN OF WESTERLY, RHODE ISLAND
 Combining Balance Sheet
 Nonmajor Governmental Funds (Continued)
 June 30, 2008

Special Revenue Funds

	CDBG 2006	Athletic Fund	Substance Abuse	Donations K-9 Division	Community Based Substance Abuse	Community Police Officer	Mentor & Juvenile Hearing	BYRNE Grant
ASSETS								
Cash	\$ 21,525	\$ 24,609	\$ 1,385	\$ 3,061	\$ -	\$ 50	\$ 3,700	\$ 666
Investments	-	-	-	-	-	-	-	-
Accounts receivable	-	-	-	-	-	-	-	-
Due from federal and state governments	-	-	-	-	-	-	-	-
Prepaid expenditures	-	-	-	-	-	-	-	-
Total assets	\$ 21,525	\$ 24,609	\$ 1,385	\$ 3,061	\$ -	\$ 50	\$ 3,700	\$ 666
	\$ -	\$ -	\$ -	\$ -	\$ 1,362	\$ -	\$ -	\$ -
	-	-	281	-	1,867	-	206	-
	-	-	-	-	-	-	-	-
Total liabilities	-	-	281	-	3,229	-	206	-
Fund balances (deficits)								
Reserved for prepaid items	-	-	-	-	-	-	-	-
Unreserved - undesignated	21,525	24,609	1,104	3,061	(3,229)	50	3,494	666
Total fund balances (deficits)	21,525	24,609	1,104	3,061	(3,229)	50	3,494	666
Total liabilities and fund balances	\$ 21,525	\$ 24,609	\$ 1,385	\$ 3,061	\$ -	\$ 50	\$ 3,700	\$ 666

(Continued)

TOWN OF WESTERLY, RHODE ISLAND
 Combining Balance Sheet
 Nonmajor Governmental Funds (Continued)
 June 30, 2008

Special Revenue Funds

	Federal Forfeiture	Homeland Security Reimbursable	Drink Drive & Lose	Seatbelt Grants	Underage Drinking	GOHS DWI Grant	Total Special Revenue Funds
ASSETS							
Cash	-	\$ 1,378	\$ -	\$ -	\$ 76	-	\$ 429,553
Investments	360,070	-	-	-	-	-	479,961
Accounts receivable	-	-	-	-	-	-	6,451
Due from federal and state governments	310	-	3,665	1,683	-	5,302	798,207
Prepaid expenditures	-	-	-	-	-	-	3,415
Total assets	<u>\$ 360,380</u>	<u>\$ 1,378</u>	<u>\$ 3,665</u>	<u>\$ 1,683</u>	<u>\$ 76</u>	<u>\$ 5,302</u>	<u>\$ 1,717,587</u>

LIABILITIES AND FUND BALANCES

Liabilities							
Cash overdraft	\$ 86,000	\$ -	\$ 4,632	\$ 1,670	\$ -	\$ 5,302	642,400
Accounts payable and accrued expenditures	4,100	-	-	-	-	-	178,172
Deferred revenue	-	-	-	-	-	-	3,000
Total liabilities	<u>90,100</u>	<u>-</u>	<u>4,632</u>	<u>1,670</u>	<u>-</u>	<u>5,302</u>	<u>823,572</u>
Fund balances (deficits)							
Reserved for prepaid items	-	-	-	-	-	-	3,415
Unreserved - undesignated	270,280	1,378	(967)	13	76	-	890,600
Total fund balances (deficits)	<u>270,280</u>	<u>1,378</u>	<u>(967)</u>	<u>13</u>	<u>76</u>	<u>-</u>	<u>894,015</u>
Total liabilities and fund balances	<u>\$ 360,380</u>	<u>\$ 1,378</u>	<u>\$ 3,665</u>	<u>\$ 1,683</u>	<u>\$ 76</u>	<u>\$ 5,302</u>	<u>\$ 1,717,587</u>

(Continued)

TOWN OF WESTERLY, RHODE ISLAND
 Combining Balance Sheet
 Nonmajor Governmental Funds (Continued)
 June 30, 2008

Capital Project Funds

	Land Acquisition Fund	School Bond Fund	Public Works Garage	Police Station Fund	Total Capital Project Funds	Total All Nonmajor Governmental Funds
ASSETS						
Cash	\$ 172,199	\$ -	\$ 841,531	\$ 943,334	\$ 1,957,064	\$ 2,386,617
Investments	-	-	-	-	-	479,961
Accounts receivable	-	-	-	-	-	6,451
Due from federal and state governments	-	-	-	-	-	798,207
Prepaid expenditures	-	-	-	-	-	3,415
Total assets	\$ 172,199	\$ -	\$ 841,531	\$ 943,334	\$ 1,957,064	\$ 3,674,651

LIABILITIES AND FUND BALANCES

Liabilities						
Cash overdraft	-	-	-	-	-	642,400
Accounts payable and accrued expenditures	-	-	681,632	3,290	684,922	863,094
Deferred revenue	-	-	-	-	-	3,000
Total liabilities	-	-	681,632	3,290	684,922	1,508,494
Fund balances (deficits)						
Reserved for prepaid items	-	-	-	-	-	3,415
Unreserved - undesignated	172,199	-	159,899	940,044	1,272,142	2,162,742
Total fund balances (deficits)	172,199	-	159,899	940,044	1,272,142	2,166,157
Total liabilities and fund balances	\$ 172,199	\$ -	\$ 841,531	\$ 943,334	\$ 1,957,064	\$ 3,674,651

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, 2008

Special Revenue Funds

	School Restricted Fund	School Lunch Fund	Animal Shelter Fund	Town Clerks Fund	Civil Defense Fund	Archive Fund	Animal Fund	Revaluation Fund
Revenues								
State and federal aid and grants	\$ 3,560,265	\$ 449,043	\$ -	\$ -	\$ 4,170	\$ -	\$ -	\$ -
Charges for services	427	560,554	-	41,058	-	-	297	-
Investment and interest income	-	-	93	3,249	1,133	11	99	288
Contributions and private grants	88,545	-	5,974	-	-	-	-	-
Other revenue	-	-	-	-	-	-	-	-
Total revenues	<u>3,649,237</u>	<u>1,009,597</u>	<u>6,067</u>	<u>44,307</u>	<u>5,303</u>	<u>11</u>	<u>396</u>	<u>288</u>
Expenditures								
Current:								
Legislative, financial, judicial and general administrative	-	-	-	111,808	-	-	-	-
Public works	-	-	-	-	-	-	-	-
Public safety	-	-	10,332	-	17,504	-	751	-
Health and welfare	-	-	-	-	-	-	-	-
Education	3,676,779	1,009,597	-	-	-	-	-	-
Total expenditures	<u>3,676,779</u>	<u>1,009,597</u>	<u>10,332</u>	<u>111,808</u>	<u>17,504</u>	<u>-</u>	<u>751</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	<u>(27,542)</u>	<u>-</u>	<u>(4,265)</u>	<u>(67,501)</u>	<u>(12,201)</u>	<u>11</u>	<u>(355)</u>	<u>288</u>
Other financing sources (uses)								
Bond premium	-	-	-	-	-	-	-	-
Proceeds from bonds	-	-	-	-	-	-	-	-
Transfers from other funds	270	-	-	-	-	-	-	-
Transfers to other funds	(1)	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>269</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>(27,273)</u>	<u>-</u>	<u>(4,265)</u>	<u>(67,501)</u>	<u>(12,201)</u>	<u>11</u>	<u>(355)</u>	<u>288</u>
Fund balances (deficits) beginning of year	<u>240,820</u>	<u>-</u>	<u>5,335</u>	<u>111,379</u>	<u>36,688</u>	<u>331</u>	<u>12,931</u>	<u>9,056</u>
Fund balances (deficits) end of year	<u>\$ 213,547</u>	<u>\$ -</u>	<u>\$ 1,070</u>	<u>\$ 43,878</u>	<u>\$ 24,487</u>	<u>\$ 342</u>	<u>\$ 12,576</u>	<u>\$ 9,344</u>

(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, 2008

Special Revenue Funds

	DEM Stormwater Management	Old Town Hall Westerly	RI DOT TEA-21	CDBG 2007	CDBG 2004	Department of Community Development	CDBG 2005	Riverwalk Greenways
Revenues								
State and federal aid and grants	\$ -	\$ -	\$ 9,038	\$ 117,500	\$ 7,532	\$ -	\$ 167,312	\$ 4,182
Charges for services	-	-	-	-	-	-	-	-
Investment and interest income	-	-	-	-	-	20	-	-
Contributions and private grants	-	-	-	-	-	-	-	-
Other revenue	-	41,212	-	-	-	-	-	-
Total revenues	-	41,212	9,038	117,500	7,532	20	167,312	4,182
Expenditures								
Current:								
Legislative, financial, judicial and general administrative	-	61,212	-	-	-	-	-	13,682
Public works	-	-	9,038	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Health and welfare	-	-	-	17,500	7,532	-	14,564	-
Education	-	-	-	-	-	-	-	-
Total expenditures	-	61,212	9,038	17,500	7,532	-	14,564	13,682
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	-	(20,000)	-	100,000	-	20	152,748	(9,500)
Other financing sources (uses)								
Bond premium	-	-	-	-	-	-	-	-
Proceeds from bonds	-	-	-	-	-	-	-	-
Transfers from other funds	-	20,000	-	-	-	-	-	9,500
Transfers to other funds	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	20,000	-	-	-	-	-	9,500
Net change in fund balance	-	-	-	100,000	-	20	152,748	-
Fund balances (deficits) beginning of year	-	-	-	-	-	3,539	10,404	-
Fund balances (deficits) end of year	\$ -	\$ -	\$ -	\$ 100,000	\$ -	\$ 3,559	\$ 163,152	\$ -

(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, 2008

Special Revenue Funds

	CDBG 2006	Athletic Fund	Substance Abuse	Donations K-9 Division	Community Based Substance Abuse	Community Police Officer	Mentor & Juvenile Hearing	BYRNE Grant
Revenues								
State and federal aid and grants	\$ 38,761	\$ -	\$ 33,429	\$ -	\$ 62,670	\$ -	\$ -	\$ 21,610
Charges for services	-	7,130	-	-	-	-	-	-
Investment and interest income	-	-	-	-	-	-	-	-
Contributions and private grants	-	-	3,170	-	-	750	600	-
Other revenue	-	-	-	-	-	-	-	-
Total revenues	<u>38,761</u>	<u>7,130</u>	<u>36,599</u>	<u>-</u>	<u>62,670</u>	<u>750</u>	<u>600</u>	<u>21,610</u>
Expenditures								
Current:								
Legislative, financial, judicial and general administrative	-	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	3,027	-	21,610
Health and welfare	17,236	-	34,804	-	65,899	-	1,470	-
Education	-	4,800	-	-	-	-	-	-
Total expenditures	<u>17,236</u>	<u>4,800</u>	<u>34,804</u>	<u>-</u>	<u>65,899</u>	<u>3,027</u>	<u>1,470</u>	<u>21,610</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	<u>21,525</u>	<u>2,330</u>	<u>1,795</u>	<u>-</u>	<u>(3,229)</u>	<u>(2,277)</u>	<u>(870)</u>	<u>-</u>
Other financing sources (uses)								
Bond premium	-	-	-	-	-	-	-	-
Proceeds from bonds	-	-	-	-	-	-	-	-
Transfers from other funds	-	-	-	-	-	-	-	-
Transfers to other funds	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>21,525</u>	<u>2,330</u>	<u>1,795</u>	<u>-</u>	<u>(3,229)</u>	<u>(2,277)</u>	<u>(870)</u>	<u>-</u>
Fund balances (deficits) beginning of year	<u>-</u>	<u>22,279</u>	<u>(691)</u>	<u>3,061</u>	<u>-</u>	<u>2,327</u>	<u>4,364</u>	<u>666</u>
Fund balances (deficits) end of year	<u>\$ 21,525</u>	<u>\$ 24,609</u>	<u>\$ 1,104</u>	<u>\$ 3,061</u>	<u>\$ (3,229)</u>	<u>\$ 50</u>	<u>\$ 3,494</u>	<u>\$ 666</u>

(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, 2008

	Special Revenue Funds						Total Special Revenue Funds
	Federal Forfeiture	Homeland Security Reimbursable	Drink Drive & Lose	Seabelt Grants	Underage Drinking	GOHS DWI Grant	
Revenues							
State and federal aid and grants	\$ 9,820	\$ 1,250	\$ 5,627	\$ 1,683	\$ 3,857	\$ 7,485	\$ 4,505,234
Charges for services	-	-	-	-	-	-	609,466
Investment and interest income	12,368	-	-	-	-	-	17,261
Contributions and private grants	-	-	-	-	-	-	99,039
Other revenue	-	-	-	-	-	-	41,212
Total revenues	<u>22,188</u>	<u>1,250</u>	<u>5,627</u>	<u>1,683</u>	<u>3,857</u>	<u>7,485</u>	<u>5,272,212</u>
Expenditures							
Current:							
Legislative, financial, judicial and general administrative	-	-	-	-	-	-	186,702
Public works	-	-	-	-	-	-	9,038
Public safety	94,014	1,250	6,594	1,670	3,781	7,785	168,318
Health and welfare	-	-	-	-	-	-	159,005
Education	-	-	-	-	-	-	4,691,176
Total expenditures	<u>94,014</u>	<u>1,250</u>	<u>6,594</u>	<u>1,670</u>	<u>3,781</u>	<u>7,785</u>	<u>5,214,239</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	<u>(71,826)</u>	<u>-</u>	<u>(967)</u>	<u>13</u>	<u>76</u>	<u>(300)</u>	<u>57,973</u>
Other financing sources (uses)							
Bond premium	-	-	-	-	-	-	-
Proceeds from bonds	-	-	-	-	-	-	-
Transfers from other funds	-	-	-	-	-	300	30,070
Transfers to other funds	-	-	-	-	-	-	(1)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>300</u>	<u>30,069</u>
Net change in fund balance	<u>(71,826)</u>	<u>-</u>	<u>(967)</u>	<u>13</u>	<u>76</u>	<u>-</u>	<u>88,042</u>
Fund balances (deficits) beginning of year	<u>342,106</u>	<u>1,378</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>805,973</u>
Fund balances (deficits) end of year	<u>\$ 270,280</u>	<u>\$ 1,378</u>	<u>\$ (967)</u>	<u>\$ 13</u>	<u>\$ 76</u>	<u>\$ -</u>	<u>\$ 894,015</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, 2008

Capital Project Funds

	Land Acquisition Fund	School Bond Fund	Public Works Garage	Police Station Fund	Total Capital Project Funds	Total All Nonmajor Governmental Funds
Revenues						
State and federal aid and grants	\$ -	\$ -	\$ -	\$ 20,000	\$ 20,000	\$ 4,525,234
Charges for services	-	-	-	-	-	609,466
Investment and interest income	3,279	297	75,048	50,538	129,162	146,423
Contributions and private grants	-	-	-	2,500	2,500	101,539
Other revenue	-	-	4,060	-	4,060	45,272
Total revenues	<u>3,279</u>	<u>297</u>	<u>79,108</u>	<u>73,038</u>	<u>155,722</u>	<u>5,427,934</u>
Expenditures						
Current:						
Legislative, financial, judicial and general administrative	2,786,233	-	-	-	2,786,233	2,972,935
Public works	-	-	2,972,934	-	2,972,934	2,981,972
Public safety	-	-	-	2,259,789	2,259,789	2,428,107
Health and welfare	-	-	-	-	-	159,005
Education	-	102,945	-	-	102,945	4,794,121
Total expenditures	<u>2,786,233</u>	<u>102,945</u>	<u>2,972,934</u>	<u>2,259,789</u>	<u>8,121,901</u>	<u>13,336,140</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	<u>(2,782,954)</u>	<u>(102,648)</u>	<u>(2,893,826)</u>	<u>(2,186,751)</u>	<u>(7,966,179)</u>	<u>(7,908,206)</u>
Other financing sources (uses)						
Bond premium	5,507	-	-	-	5,507	5,507
Proceeds from bonds	3,000,000	-	-	-	3,000,000	3,000,000
Transfers from other funds	-	-	-	-	-	30,070
Transfers to other funds	-	(590,882)	-	-	(590,882)	(590,883)
Total other financing sources (uses)	<u>3,005,507</u>	<u>(590,882)</u>	<u>-</u>	<u>-</u>	<u>2,414,625</u>	<u>2,444,694</u>
Net change in fund balance	<u>222,553</u>	<u>(693,530)</u>	<u>(2,893,826)</u>	<u>(2,186,751)</u>	<u>(5,551,554)</u>	<u>(5,463,512)</u>
Fund balances (deficits) beginning of year	<u>(50,354)</u>	<u>693,530</u>	<u>3,053,725</u>	<u>3,126,795</u>	<u>6,823,696</u>	<u>7,629,669</u>
Fund balances (deficits) end of year	<u>\$ 172,199</u>	<u>\$ -</u>	<u>\$ 159,899</u>	<u>\$ 940,044</u>	<u>\$ 1,272,142</u>	<u>\$ 2,166,157</u>

TOWN OF WESTERLY, RHODE ISLAND
Combining Balance Sheet
Special Revenue Funds - School Restricted Fund
June 30, 2008

	Title I	Title IV	IDEA Part B	Section 619 Preschool	Title V	Title II	Title II Technology	Family Engagement
ASSETS								
Cash	\$ -	\$ 1,164	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,448
Due from federal and state governments	148,285	2,066	272,163	8,513	532	180,950	-	-
Accounts receivable	768	-	-	-	-	-	-	-
Prepaid expenditure	-	-	-	-	-	-	-	735
Total assets	\$ 149,053	\$ 3,230	\$ 272,163	\$ 8,513	\$ 532	\$ 180,950	\$ -	\$ 6,183

	Title I	Title IV	IDEA Part B	Section 619 Preschool	Title V	Title II	Title II Technology	Family Engagement
LIABILITIES AND FUND BALANCES								
Liabilities								
Cash overdraft	\$ 148,126	\$ -	\$ 265,392	\$ 8,513	\$ 532	\$ 179,525	\$ -	\$ -
Accounts payable and accrued expenditures	927	3,230	6,635	-	-	1,425	-	-
Deferred revenue	-	-	-	-	-	-	-	-
Total liabilities	149,053	3,230	272,027	8,513	532	180,950	-	-
Fund balances	-	-	136	-	-	-	-	6,183
Total liabilities and fund balances	\$ 149,053	\$ 3,230	\$ 272,163	\$ 8,513	\$ 532	\$ 180,950	\$ -	\$ 6,183

(Continued)

TOWN OF WESTERLY, RHODE ISLAND
 Combining Balance Sheet
 Special Revenue Funds - School Restricted Fund (Continued)
 June 30, 2008

	Title III	Child Opportunity Zone	Even Start	Literacy Set Aside	Article 31	Sorico PLP	Playground	Pfizer Grant WMS
ASSETS								
Cash	\$ -	\$ -	\$ -	\$ 6,921	\$ 101,988	\$ -	\$ 1,866	\$ 270
Due from federal and state governments	5,228	20,416	59,717	-	-	-	-	-
Accounts receivable	-	-	-	-	-	-	-	-
Prepaid expenditure	-	-	-	-	-	-	-	-
Total assets	\$ 5,228	\$ 20,416	\$ 59,717	\$ 6,921	\$ 101,988	\$ -	\$ 1,866	\$ 270

LIABILITIES AND FUND BALANCES

Liabilities								
Cash overdraft	\$ 5,228	\$ 17,283	\$ 58,154	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable and accrued expenditures	-	2,536	1,563	-	808	-	-	257
Deferred revenue	-	-	-	-	-	-	-	-
Total liabilities	5,228	19,819	59,717	-	808	-	-	257
Fund balances								
	-	597	-	6,921	101,180	-	1,866	13
Total liabilities and fund balances	\$ 5,228	\$ 20,416	\$ 59,717	\$ 6,921	\$ 101,988	\$ -	\$ 1,866	\$ 270

(Continued)

TOWN OF WESTERLY, RHODE ISLAND
 Combining Balance Sheet
 Special Revenue Funds - School Restricted Fund (Continued)
 June 30, 2008

	RI Foundation	Can We Talk	Perkins Vocational Education	Community Crusade for Children	Pottery Grant WHS	RIEMA DCS	My Reading Coach
ASSETS							
Cash	\$ 4,764	\$ 417	\$ 4,024	\$ 2,456	\$ 1,899	\$ -	\$ 12
Due from federal and state governments	-	-	-	-	-	-	-
Accounts receivable	213	-	-	-	-	-	-
Prepaid expenditure	1,800	-	-	-	-	-	-
Total assets	\$ 6,777	\$ 417	\$ 4,024	\$ 2,456	\$ 1,899	\$ -	\$ 12

LIABILITIES AND FUND BALANCES

Liabilities							
Cash overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable and accrued expenditures	98	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-
Total liabilities	98	-	-	-	-	-	-
Fund balances	6,679	417	4,024	2,456	1,899	-	12
Total liabilities and fund balances	\$ 6,777	\$ 417	\$ 4,024	\$ 2,456	\$ 1,899	\$ -	\$ 12

(Continued)

TOWN OF WESTERLY, RHODE ISLAND
 Combining Balance Sheet
 Special Revenue Funds - School Restricted Fund (Continued)
 June 30, 2008

	Wal-Mart	RIPIN PERC Funds	Take a Seat	Elementary Mini Grants	Pfizer Grant TSS Library	RI Foundation WHS-WMS	WISSP Center
ASSETS							
Cash	\$ 500	\$ -	\$ 8,100	\$ 32,016	\$ -	\$ 4,333	\$ 28,090
Due from federal and state governments	-	-	-	-	-	-	-
Accounts receivable	-	5,000	-	143	-	-	-
Prepaid expenditure	-	-	-	880	-	-	-
Total assets	\$ 500	\$ 5,000	\$ 8,100	\$ 33,039	\$ -	\$ 4,333	\$ 28,090

LIABILITIES AND FUND BALANCES

Liabilities							
Cash overdraft	\$ -	\$ 2,501	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable and accrued expenditures	-	702	-	106	-	-	114
Deferred revenue	-	-	-	-	-	-	-
Total liabilities	-	3,203	-	106	-	-	114
Fund balances	500	1,797	8,100	32,933	-	4,333	27,976
Total liabilities and fund balances	\$ 500	\$ 5,000	\$ 8,100	\$ 33,039	\$ -	\$ 4,333	\$ 28,090

(Continued)

TOWN OF WESTERLY, RHODE ISLAND
 Combining Balance Sheet
 Special Revenue Funds - School Restricted Fund (Continued)
 June 30, 2008

	Graduation Achievement Program	Citigroup Foundation	NEA Foundation	RI Foundation	Pfizer Grant	E2T2 MCI Grant	RI Electronic Portfolio	Total
ASSETS								
Cash	\$ 100	\$ 3,242	\$ 184	\$ 4,600	\$ 922	\$ -	\$ -	\$ 213,316
Due from federal and state governments	-	-	-	-	-	-	-	697,870
Accounts receivable	-	-	-	-	-	-	-	6,124
Prepaid expenditure	-	-	-	-	-	-	-	3,415
Total assets	\$ 100	\$ 3,242	\$ 184	\$ 4,600	\$ 922	\$ -	\$ -	\$ 920,725

LIABILITIES AND FUND BALANCES

Liabilities								
Cash overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	685,254
Accounts payable and accrued expenditures	-	-	-	523	-	-	-	18,924
Deferred revenue	-	3,000	-	-	-	-	-	3,000
Total liabilities	-	3,000	-	523	-	-	-	707,178
Fund balances	100	242	184	4,077	922	-	-	213,547
Total liabilities and fund balances	\$ 100	\$ 3,242	\$ 184	\$ 4,600	\$ 922	\$ -	\$ -	\$ 920,725

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, 2008

	Title I	Title IV	IDEA Part B	Section 619 Preschool	Title V	Title II	Title II Technology	Family Engagement
Revenues								
Federal and state aid and grants	\$ 467,461	\$ 14,951	\$ 787,289	\$ 26,130	\$ 1,164	\$ 257,563	\$ 1,770	\$ -
Contributions and private grants	-	-	-	-	-	-	-	6,050
Charges for services	-	-	-	-	-	-	-	-
Total revenues	<u>467,461</u>	<u>14,951</u>	<u>787,289</u>	<u>26,130</u>	<u>1,164</u>	<u>257,563</u>	<u>1,770</u>	<u>6,050</u>
Expenditures								
Education	467,461	14,951	787,289	26,130	1,164	257,563	1,770	2,457
Total expenditures	<u>467,461</u>	<u>14,951</u>	<u>787,289</u>	<u>26,130</u>	<u>1,164</u>	<u>257,563</u>	<u>1,770</u>	<u>2,457</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	-	-	-	-	-	-	-	3,593
Other financing sources (uses)								
Transfer from other funds	-	-	-	-	-	-	-	-
Transfer to other funds	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	-	-	-	-	-	3,593
Fund balances (deficits) beginning of year	-	-	136	-	-	-	-	2,590
Fund balances (deficits) end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 136</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,183</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, 2008

	Title III	Child Opportunity Zone	Even Start	Literacy Set Aside	Article 31	Sorico PLP	Playground	Pfizer Grant WMS
Revenues								
Federal and state aid and grants	\$ 15,073	\$ 41,000	\$ 78,251	\$ 136,433	\$ 1,673,655	\$ -	\$ -	\$ -
Contributions and private grants	-	-	-	-	-	-	5,000	-
Charges for services	-	-	-	-	-	-	-	-
Total revenues	15,073	41,000	78,251	136,433	1,673,655	-	5,000	-
Expenditures								
Education	15,073	40,033	78,251	130,991	1,736,034	-	3,134	257
Total expenditures	15,073	40,033	78,251	130,991	1,736,034	-	3,134	257
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	-	967	-	5,442	(62,379)	-	1,866	(257)
Other financing sources (uses)								
Transfer from other funds	-	-	-	-	-	4	-	-
Transfer to other funds	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	4	-	-
Net change in fund balance	-	967	-	5,442	(62,379)	4	1,866	(257)
Fund balances (deficits) beginning of year	-	(370)	-	1,479	163,559	(4)	-	270
Fund balances (deficits) end of year	\$ -	\$ 597	\$ -	\$ 6,921	\$ 101,180	\$ -	\$ 1,866	\$ 13

(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, 2008

	RI Foundation	Can We Talk	Perkins Vocational Education	Community Crusade for Children	Pottery Grant WHS	RIEMA DCS	My Reading Coach
Revenues							
Federal and state aid and grants	\$ -	\$ -	\$ 29,125	\$ -	\$ -	\$ -	\$ -
Contributions and private grants	25,765	-	-	1,178	-	-	-
Charges for services	-	-	-	-	-	-	-
Total revenues	<u>25,765</u>	<u>-</u>	<u>29,125</u>	<u>1,178</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures							
Education	19,676	1,025	25,101	2,021	-	-	-
Total expenditures	<u>19,676</u>	<u>1,025</u>	<u>25,101</u>	<u>2,021</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	<u>6,089</u>	<u>(1,025)</u>	<u>4,024</u>	<u>(843)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources (uses)							
Transfer from other funds	-	-	-	-	-	-	-
Transfer to other funds	-	-	-	-	-	(1)	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1)</u>	<u>-</u>
Net change in fund balance	<u>6,089</u>	<u>(1,025)</u>	<u>4,024</u>	<u>(843)</u>	<u>-</u>	<u>(1)</u>	<u>-</u>
Fund balances (deficits) beginning of year	<u>590</u>	<u>1,442</u>	<u>-</u>	<u>3,299</u>	<u>1,899</u>	<u>1</u>	<u>12</u>
Fund balances (deficits) end of year	<u>\$ 6,679</u>	<u>\$ 417</u>	<u>\$ 4,024</u>	<u>\$ 2,456</u>	<u>\$ 1,899</u>	<u>\$ -</u>	<u>\$ 12</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, 2008

	Wal-Mart	RIPIN PERC Funds	Take a Seat	Elementary Mini Grants	Pfizer Grant TSS Library	RJ Foundation WHS-WMS	WISSP Center
Revenues							
Federal and state aid and grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions and private grants	-	5,000	8,100	27,452	-	-	-
Charges for services	-	-	-	-	-	-	218
Total revenues	-	5,000	8,100	27,452	-	-	218
Expenditures							
Education	-	3,203	-	23,580	-	-	1,181
Total expenditures	-	3,203	-	23,580	-	-	1,181
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	-	1,797	8,100	3,872	-	-	(963)
Other financing sources (uses)							
Transfer from other funds	-	-	-	-	248	-	-
Transfer to other funds	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	248	-	-
Net change in fund balance	-	1,797	8,100	3,872	248	-	(963)
Fund balances (deficits) beginning of year	500	-	-	29,061	(248)	4,333	28,939
Fund balances (deficits) end of year	\$ 500	\$ 1,797	\$ 8,100	\$ 32,933	\$ -	\$ 4,333	\$ 27,976

(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, 2008

	Graduation Achievement Program	Citigroup Foundation	NEA Foundation	RU Foundation	Pfizer Grant	E2T2 MCI Grant	RU Electronic Portfolio	Total
Revenues								
Federal and state aid and grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,400	\$ -	\$ 3,560,265
Contributions and private grants	-	3,000	-	5,000	2,000	-	-	88,545
Charges for services	209	-	-	-	-	-	-	427
Total revenues	<u>209</u>	<u>3,000</u>	<u>-</u>	<u>5,000</u>	<u>2,000</u>	<u>30,400</u>	<u>-</u>	<u>3,649,237</u>
Expenditures								
Education	110	2,788	-	924	1,078	30,418	3,116	3,676,779
Total expenditures	<u>110</u>	<u>2,788</u>	<u>-</u>	<u>924</u>	<u>1,078</u>	<u>30,418</u>	<u>3,116</u>	<u>3,676,779</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	<u>99</u>	<u>212</u>	<u>-</u>	<u>4,076</u>	<u>922</u>	<u>(18)</u>	<u>(3,116)</u>	<u>0</u>
Other financing sources (uses)								
Transfer from other funds	-	-	-	-	-	18	-	270
Transfer to other funds	-	-	-	-	-	-	-	(1)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18</u>	<u>-</u>	<u>269</u>
Net change in fund balance	<u>99</u>	<u>212</u>	<u>-</u>	<u>4,076</u>	<u>922</u>	<u>-</u>	<u>(3,116)</u>	<u>(27,273)</u>
Fund balances (deficits) beginning of year	<u>1</u>	<u>30</u>	<u>184</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>3,116</u>	<u>240,820</u>
Fund balances (deficits) end of year	<u>\$ 100</u>	<u>\$ 242</u>	<u>\$ 184</u>	<u>\$ 4,077</u>	<u>\$ 922</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 213,547</u>

TOWN OF WESTERLY, RHODE ISLAND

Combining Statement of Net Assets

Internal Service Funds

June 30, 2008

	<i>Health Fund</i>	<i>Self Insurance Fund</i>	<i>Total</i>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 520,811	\$ 191,595	\$ 712,406
Due from other funds	220,252	-	220,252
Total current assets	<u>741,063</u>	<u>191,595</u>	<u>932,658</u>
Noncurrent assets			
Other assets	434,944	-	434,944
Total noncurrent assets	<u>434,944</u>	<u>-</u>	<u>434,944</u>
Total assets	<u>1,176,007</u>	<u>191,595</u>	<u>1,367,602</u>
LIABILITIES			
Current liabilities:			
Accounts payable	-	3,263	3,263
Due to other funds	225,673	-	225,673
Claims payable	525,524	-	525,524
Total current liabilities	<u>751,197</u>	<u>3,263</u>	<u>754,460</u>
NET ASSETS			
Unrestricted	<u>424,810</u>	<u>188,332</u>	<u>613,142</u>
Total net assets	<u>\$ 424,810</u>	<u>\$ 188,332</u>	<u>\$ 613,142</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, 2008

	<u>Health Fund</u>	<u>Self Insurance Fund</u>	<u>Total</u>
Operating revenues			
Charges for insurance	\$ 7,701,321	\$ -	\$ 7,701,321
Other	-	4,262	4,262
Total operating revenues	<u>7,701,321</u>	<u>4,262</u>	<u>7,705,583</u>
Operating expenses			
Claims	7,496,489	138,729	7,635,218
Other	214,832	-	214,832
Total operating expenses	<u>7,711,321</u>	<u>138,729</u>	<u>7,850,050</u>
Operating loss	<u>(10,000)</u>	<u>(134,467)</u>	<u>(144,467)</u>
Nonoperating revenues			
Interest income	-	8,749	8,749
Total nonoperating revenues	<u>-</u>	<u>8,749</u>	<u>8,749</u>
Change in net assets	(10,000)	(125,718)	(135,718)
Net assets - beginning of year	<u>434,810</u>	<u>314,050</u>	<u>748,860</u>
Net assets - end of year	<u>\$ 424,810</u>	<u>\$ 188,332</u>	<u>\$ 613,142</u>

TOWN OF WESTERLY, RHODE ISLAND

Combining Statement of Cash Flows

Internal Service Funds

For the Fiscal Year Ended June 30, 2008

	<i>Health Fund</i>	<i>Self Insurance Fund</i>	<i>Total</i>
<i>Cash flows form operating activities</i>			
Cash received from insurance charges	\$ 8,411,628	\$ -	\$ 8,411,628
Claims payments	(7,463,610)	(135,466)	(7,599,076)
Cash payments to suppliers for goods and services	(214,832)	-	(214,832)
Other operating cash receipts	-	39,340	39,340
<i>Net cash provided by (used for) operating activities</i>	<u>733,186</u>	<u>(96,126)</u>	<u>637,060</u>
<i>Cash flows from investing activities</i>			
Investment income	-	8,749	8,749
<i>Net cash provided by investing activities</i>	<u>-</u>	<u>8,749</u>	<u>8,749</u>
<i>Net increase (decrease) in cash and cash equivalents</i>	733,186	(87,377)	645,809
<i>Cash and cash equivalents - beginning of year</i>	(212,375)	278,972	66,597
<i>Cash and cash equivalents - end of year</i>	<u>\$ 520,811</u>	<u>\$ 191,595</u>	<u>\$ 712,406</u>
<i>Reconciliation of operating loss to net cash provided by (used for) operating activities</i>			
<i>Operating loss</i>	\$ (10,000)	\$ (134,467)	\$ (144,467)
<i>Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:</i>			
Decrease in other assets	-	35,078	35,078
Decrease in due from/to other funds	710,307	-	710,307
Increase in accounts payable and accrued expenses	32,879	3,263	36,142
<i>Total adjustments</i>	<u>743,186</u>	<u>38,341</u>	<u>781,527</u>
<i>Net cash provided by (used for) operating activities</i>	<u>\$ 733,186</u>	<u>\$ (96,126)</u>	<u>\$ 637,060</u>

TOWN OF WESTERLY, RHODE ISLAND

Combining Statement of Net Assets

Private-Purpose Trust Funds

June 30, 2008

	<i>Permanent Neighbor Committee</i>	<i>Honor Roll Fund</i>	<i>Brandywine Village Fund</i>	<i>Welfare Fund</i>	<i>Lois B. Stillmen Fund</i>	<i>Richmond Brewer Fund</i>
ASSETS						
Cash and cash equivalents	\$ 1,659	\$ 1,319	\$ 44,444	\$ 4,385	\$ 11,148	\$ 32,605
Total assets	<u>1,659</u>	<u>1,319</u>	<u>44,444</u>	<u>4,385</u>	<u>11,148</u>	<u>32,605</u>
LIABILITIES						
<i>Liabilities</i>						
Accounts payable	-	300	-	-	-	-
Total liabilities	<u>-</u>	<u>300</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Assets						
Held in trust for other purposes	\$ 1,659	\$ 1,019	\$ 44,444	\$ 4,385	\$ 11,148	\$ 32,605

(Continued)

TOWN OF WESTERLY, RHODE ISLAND

*Combining Statement of Net Assets
Private-Purpose Trust Funds (Continued)
June 30, 2008*

	<i>Irene Vose Fund</i>	<i>Martha C. Babcock Memorial</i>	<i>Premio L. Babcock Memorial</i>	<i>Class of 1886</i>	<i>Otis P. Chapman Fund</i>	<i>Municipal Court</i>
ASSETS						
Cash and cash equivalents	\$ 47,821	\$ 2,852	\$ 1,452	\$ 1,054	\$ 1,851	\$ 473
Total assets	<u>47,821</u>	<u>2,852</u>	<u>1,452</u>	<u>1,054</u>	<u>1,851</u>	<u>473</u>
LIABILITIES						
<i>Liabilities</i>						
Accounts payable	1,180	-	-	-	-	-
Total liabilities	<u>1,180</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Assets						
Held in trust for other purposes	\$ 46,641	\$ 2,852	\$ 1,452	\$ 1,054	\$ 1,851	\$ 473

(Continued)

TOWN OF WESTERLY, RHODE ISLAND

Combining Statement of Net Assets

Private-Purpose Trust Funds (Continued)

June 30, 2008

	<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	\$ 980	\$ 1,152	\$ 17,938	\$ 11,827	\$ 1,674	\$ 184,634
Total assets	<u>980</u>	<u>1,152</u>	<u>17,938</u>	<u>11,827</u>	<u>1,674</u>	<u>184,634</u>
LIABILITIES						
<i>Liabilities</i>						
Accounts payable	-	-	-	-	-	1,480
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,480</u>
Net Assets						
Held in trust for other purposes	\$ 980	\$ 1,152	\$ 17,938	\$ 11,827	\$ 1,674	\$ 183,154

TOWN OF WESTERLY, RHODE ISLAND

*Combining Statement of Changes in Net Assets
Private-Purpose Trust Funds*

For the Fiscal Year Ended June 30, 2008

	<i>Permanent Neighbor Committee</i>	<i>Honor Roll Fund</i>	<i>Brandywine Village Fund</i>	<i>Welfare Fund</i>	<i>Lois B. Stillmen Fund</i>	<i>Richmond Brewer Fund</i>
Additions						
<i>Investment earnings</i>						
Interest income	\$ 51	\$ 69	\$ 1,375	\$ 135	\$ 396	\$ 1,013
Other revenue	-	6,084	-	-	-	-
Total additions	<u>51</u>	<u>6,153</u>	<u>1,375</u>	<u>135</u>	<u>396</u>	<u>1,013</u>
Deductions						
Miscellaneous	-	7,558	-	-	2,000	73
Total deductions	<u>-</u>	<u>7,558</u>	<u>-</u>	<u>-</u>	<u>2,000</u>	<u>73</u>
Change in net assets	51	(1,405)	1,375	135	(1,604)	940
Nets assets-beginning of year	1,608	2,424	43,069	4,250	12,752	31,665
Nets assets-end of year	<u>\$ 1,659</u>	<u>\$ 1,019</u>	<u>\$ 44,444</u>	<u>\$ 4,385</u>	<u>\$ 11,148</u>	<u>\$ 32,605</u>

(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, 2008

	Irene Yose Fund	Martha C. Babcock Memorial	Premio L. Babcock Memorial	Class of 1886	Otis P. Chapman Fund	Municipal Court
Additions						
<i>Investment earnings</i>						
Interest income	\$ 1,495	\$ 88	\$ 46	\$ 37	\$ 53	\$ -
Other revenue	-	-	-	-	-	-
Total additions	<u>1,495</u>	<u>88</u>	<u>46</u>	<u>37</u>	<u>53</u>	<u>-</u>
Deductions						
Miscellaneous	1,180	-	35	-	-	-
Total deductions	<u>1,180</u>	<u>-</u>	<u>35</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net assets	315	88	11	37	53	-
Net assets-beginning of year	46,326	2,764	1,441	1,017	1,798	473
Net assets-end of year	<u>\$ 46,641</u>	<u>\$ 2,852</u>	<u>\$ 1,452</u>	<u>\$ 1,054</u>	<u>\$ 1,851</u>	<u>\$ 473</u>

(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, 2008

	Francis Pat Coyle Memorial	Betty Zerbarini Fund	Berardinelli Trust Fund	John J. & Mary C. Smith Scholarship	Robert F. Serra Fund	Total
Additions						
<i>Investment earnings</i>						
Interest income	\$ 30	\$ 36	\$ 554	\$ 365	\$ 52	\$ 5,795
Other revenue	-	-	-	-	-	6,084
Total additions	<u>30</u>	<u>36</u>	<u>554</u>	<u>365</u>	<u>52</u>	<u>11,879</u>
Deductions						
Miscellaneous	-	-	-	-	-	10,846
Total deductions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,846</u>
Change in net assets	30	36	554	365	52	1,033
Nets assets-beginning of year	950	1,116	17,384	11,462	1,622	182,121
Nets assets-end of year	<u>\$ 980</u>	<u>\$ 1,152</u>	<u>\$ 17,938</u>	<u>\$ 11,827</u>	<u>\$ 1,674</u>	<u>\$ 183,154</u>

TOWN OF WESTERLY, RHODE ISLAND

Statement of Net Assets

Agency Funds

June 30, 2008

ASSETS

Cash and cash equivalents

Total assets

	Title II P.W.E.A.	Babcock Middle School Student Activity Fund	Westerly High School Student Activity Fund	Construction Escrow Deposits	Probate Accounts	Total
	\$ 2,567	\$ 26,582	\$ 157,897	\$ 327,345	\$ 10,009	\$ 524,400
	\$ 2,567	\$ 26,582	\$ 157,897	\$ 327,345	\$ 10,009	\$ 524,400

LIABILITIES

Deposits held in custody for others

Total liabilities

	\$ 2,567	\$ 26,582	\$ 157,897	\$ 327,345	\$ 10,009	\$ 524,400
	\$ 2,567	\$ 26,582	\$ 157,897	\$ 327,345	\$ 10,009	\$ 524,400

TOWN OF WESTERLY, RHODE ISLAND

Tax Collector's Annual Report

For the Fiscal Year Ended June 30, 2008

Real Estate and Personal Property Taxes

Year	Balance July 1, 2007	Current year Assessment	Additions	Abatements	Amount to be Collected	Current Year Collections	Balance June 30, 2008
2008	\$ -	\$ 56,058,965	\$ 267,835	\$ 100,358	\$ 56,226,442	\$ 55,596,246	\$ 630,196
2007	627,318	-	868	2,392	625,794	516,841	108,953
2006	120,489	-	137	1,874	118,752	32,719	86,033
2005	69,638	-	68	210	69,496	4,198	65,298
2004	65,989	-	77	555	65,511	8,974	56,537
2003	56,448	-	-	273	56,175	4,908	51,267
2002	72,804	-	-	2,016	70,788	3,424	67,364
2001	91,193	-	-	159	91,034	3,016	88,018
2000	98,219	-	-	-	98,219	1,693	96,526
1999	89,220	-	-	-	89,220	1,158	88,062
1998	80,071	-	-	-	79,704	2,167	77,537
1997	74,320	-	-	367	74,320	1,507	72,813
1996	79,422	-	-	-	79,422	1,004	78,418
1995	94,632	-	-	-	94,632	707	93,925
Suspense	1,520,299	-	-	-	1,520,299	-	1,520,299
	\$ 3,140,062	\$ 56,058,965	\$ 268,985	\$ 108,204	\$ 59,359,808	\$ 56,178,562	\$ 3,181,246

Schedule of Most Recent Net Assessed Property Value by Category

Description of Property	Valuation	Levy
Real property	\$ 6,224,102,400	\$ 53,527,281
Motor vehicles	175,020,389	5,192,855
Tangible personal property	94,064,493	808,955
Other	31,563,795	39,770
Total	6,524,751,077	59,568,861
Exemptions and tax freeze	(192,699,255)	(2,594,955)
Net assessed value	\$ 6,332,051,822	\$ 56,973,906
Sewer Debt Service		(\$914,941)
Current year assessment		<u>56,058,965</u>



America Counts on CPAs

BACON & COMPANY, CPA'S, LLC

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Westerly, Rhode Island, as of and for the year ended June 30, 2008, which collectively comprise the Town of Westerly, Rhode Island's basic financial statements and have issued our report thereon dated January 6, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 08-02 to be a significant deficiency in internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item 08-02 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Westerly, Rhode Island's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 08-01.

We noted certain matters that we reported to the management of the Town of Westerly, Rhode Island in a separate letter dated January 6, 2009.

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

Bacon & Company, CPAs, LLC

Warwick, Rhode Island
January 6, 2009



America Counts on CPAs

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

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

Compliance

We have audited the compliance of the Town of Westerly, Rhode Island with types of compliance requirements described in the U.S. Office of Management and Budget (OMB) ***Circular A-133 Compliance Supplement*** that are applicable to each of its major federal programs for the year ended June 30, 2008. The Town of Westerly, Rhode Island's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Town of Westerly, Rhode Island's management. Our responsibility is to express an opinion on the Town of Westerly, Rhode Island's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States; and OMB Circular A-133, ***Audits of States, Local Governments, and Non-Profit Organizations***. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Westerly, Rhode Island's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Town of Westerly, Rhode Island's compliance with those requirements. As described in item 08-03 in the accompanying schedule of findings and questioned costs, the Town of Westerly, Rhode Island did not comply with requirements regarding allowable costs/cost principles that are applicable to its Special Education Cluster. Compliance with such requirements is necessary, in our opinion, for the Town of Westerly, Rhode Island to comply with the requirements applicable to this program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Town of Westerly, Rhode Island complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

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

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

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 08-03 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We consider the significant deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs, item 08-03, to be a material weakness.

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

Baum & Company, CPAs, LLC

Warwick, Rhode Island
January 6, 2009

TOWN OF WESTERLY, RHODE ISLAND
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2008

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? X yes no

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs

CFDA Number

84.027
84.173

Name of Program or Cluster

Special Education Cluster – IDEA
Special Education Cluster – Preschool

Dollar threshold used to distinguish between Type A and Type B programs:

\$300,000

Auditee qualified as low-risk auditee? X Yes no

TOWN OF WESTERLY, RHODE ISLAND
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2008

SECTION II – FINANCIAL STATEMENT FINDINGS

08-01 Finding – Rhode Island General Law 16-2-18 prohibits Rhode Island School Departments from having a deficit. The Town of Westerly School Department’s School Unrestricted Fund had a cumulative fund deficit of \$(40,530) as of June 30, 2008. The Town and School Department are in violation of Rhode Island General Laws.

Recommendation – We recommend that the Town and School Department implement a plan to fund the cumulative deficit.

08-02 Significant Deficiency – The Town and School Department do not have policies and procedures in place to properly maintain and account for capital assets, including construction in progress. Although a list of capital assets and depreciation schedule were prepared as of June 30, 2008, procedures have not been established to maintain the list of capital assets on a perpetual basis. The Town and School Department have also not performed a physical inventory of their capital assets in several years.

Recommendation – We recommend that the Town and School Department establish policies and procedures to account for additions, deletions, adjustments, and construction in progress to the list of capital assets throughout the year. These procedures should include a physical inventory of capital assets at least bi-annually. This will ensure proper recording and safeguarding of capital assets.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Program: Special Education Cluster - IDEA and Preschool

Agency: U.S. Department of Education

Pass-through: R.I. Department of Education

CFDA Number: 84.027; 84.173

08-03 Criteria: Attachment B of OMB Circular A-87 “*Cost Principles for State, Local, and Indian Tribal Governments*” states that wages, salaries and fringe benefits charged to federal awards are allowable only to the extent that they determined and documented as provided in Section 8(h). Specifically, where employees work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications must be prepared semi-annually and signed by the employee or supervisory official having first hand knowledge of the work performed by the employee. Where employees work on multiple activities or cost objectives, a distribution of their salaries or

TOWN OF WESTERLY, RHODE ISLAND
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2008

wages will be supported by personnel activity reports or equivalent documentation. Personnel activity reports or equivalent documentation must reflect after-the-fact distribution of the actual activity of the employee and must account for the total activity for which the employee was compensated. Personnel activity reports must be prepared at least monthly and must coincide with one or more pay periods. Finally, personnel activity report must be signed by the employee. Budget estimates or other distribution percentages determined before the services are performed **do not qualify** as support for the charges to Federal awards.

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

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

Questioned Costs: None

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

TOWN OF WESTERLY, RHODE ISLAND

*Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2008*

<i>Federal Grantor/ Pass-Through Grantor/ Program Title</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Federal Expenditures</i>
<i>U.S. Department of Agriculture</i>			
Passed through R.I. Department of Education			
<i>Child Nutrition Cluster:</i>			
National School Breakfast/Lunch Programs	10.553/10.555	N/A	\$ 425,575
Food Distribution	10.55	N/A	<u>48,769</u>
<i>Total U.S. Department of Agriculture</i>			<u>474,344</u>
<i>U.S. Department of Housing and Urban Development</i>			
Passed through the Rhode Island Division of Planning Office of Housing and Community Development			
Community Development Block Grant-2007	14.228	07/36/26	17,500
Community Development Block Grant-2006	14.228	06/36/25	17,236
Community Development Block Grant-2005	14.228	05/36/24	14,564
Community Development Block Grant-2004	14.228	04/36/23	<u>7,532</u>
<i>Total U.S. Department of Housing and Urban Development</i>			<u>56,832</u>
<i>U.S. Department of Justice</i>			
<i>Direct Program:</i>			
Federal Seized Assets	16.000	N/A	94,014
Public Safety Partnership and Community Policing Grants	16.710	N/A	25,676
Passed through R.I. Department of Mental Health			
Enforcing Underage Drinking Laws Program	16.727	N/A	3,781
Passed through the State of R.I. Department of Justice			
Edward Byrne Memorial Justice Assistance Grant	16.738	N/A	<u>21,610</u>
<i>Total U.S. Department of Justice</i>			<u>145,081</u>
<i>U.S. Department of Transportation</i>			
Passed through the State of R.I. Department of Transportation			
Occupant Protection	20.602	N/A	1,670
Safety Incentives to Prevent Operation to Motor Vehicles by Intoxicated Persons	20.605	N/A	6,594
Minimum Penalties for Repeat Offenders for Driving while Intoxicated	20.608	N/A	<u>7,785</u>
<i>Total U.S. Department of Transportation</i>			<u>16,049</u>

(Continued)

TOWN OF WESTERLY, RHODE ISLAND
Schedule of Expenditures of Federal Awards (Continued)
For the Fiscal Year Ended June 30, 2008

<i>Federal Grantor/ Pass-Through Grantor/ Program Title</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Federal Expenditures</i>
<i>U.S. Department of Education</i>			
Passed through R.I. Department of Education:			
Title I	84.010A	1420-51600-801	467,461
<i>Special Education Cluster (IDEA):</i>			
Special Education - IDEA Part B	84.027A	1430-50500-801	787,289
Special Education - Preschool Grants	84.173A	1430-50800-801	26,130
Title IV	84.186A	1420-52900-801	14,951
Even Start	84.213C	1420-51900-801	78,251
Title V - Innovative Ed	84.298A	1420-51000-801	1,164
Title II - Technology	84.318X	1420-53600-801	1,770
E2T2MCI	84.318X	1420-53600-630	30,400
Title III	84.365A	1420-54100-801	15,073
Title II - Professional Development	84.367A	1420-54000-801	257,563
Passed through R.I. Department of Education			
Passed through the Chariho Regional School District			
Perkins - Vocational Education	84.048A	08-1440-53200	<u>25,101</u>
<i>Total U.S. Department of Education</i>			<u>1,705,153</u>
<i>U.S. Department of Homeland Security</i>			
Passed through State of R.I. Emergency Management Agency			
State Domestic Preparedness Equip Support Prog	97.004	N/A	1,250
Emergency Management Performance Grants	97.042	N/A	<u>17,504</u>
<i>Total U.S. Department of Homeland Security</i>			<u>18,754</u>
<i>Total Expenditures of Federal Awards</i>			<u><u>\$ 2,416,213</u></u>

TOWN OF WESTERLY, RHODE ISLAND
Notes to Schedule of Expenditures of Federal Awards
June 30, 2008

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