

**CITY OF WOONSOCKET,
RHODE ISLAND**

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

**FOR THE YEAR ENDED
JUNE 30, 2011**

PREPARED BY: CITY'S FINANCE DEPARTMENT

CITY OF WOONSOCKET

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-

CITY OF WOONSOCKET, RHODE ISLAND

YEAR ENDED JUNE 30, 2011

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CITY OF WOONSOCKET, RHODE ISLAND

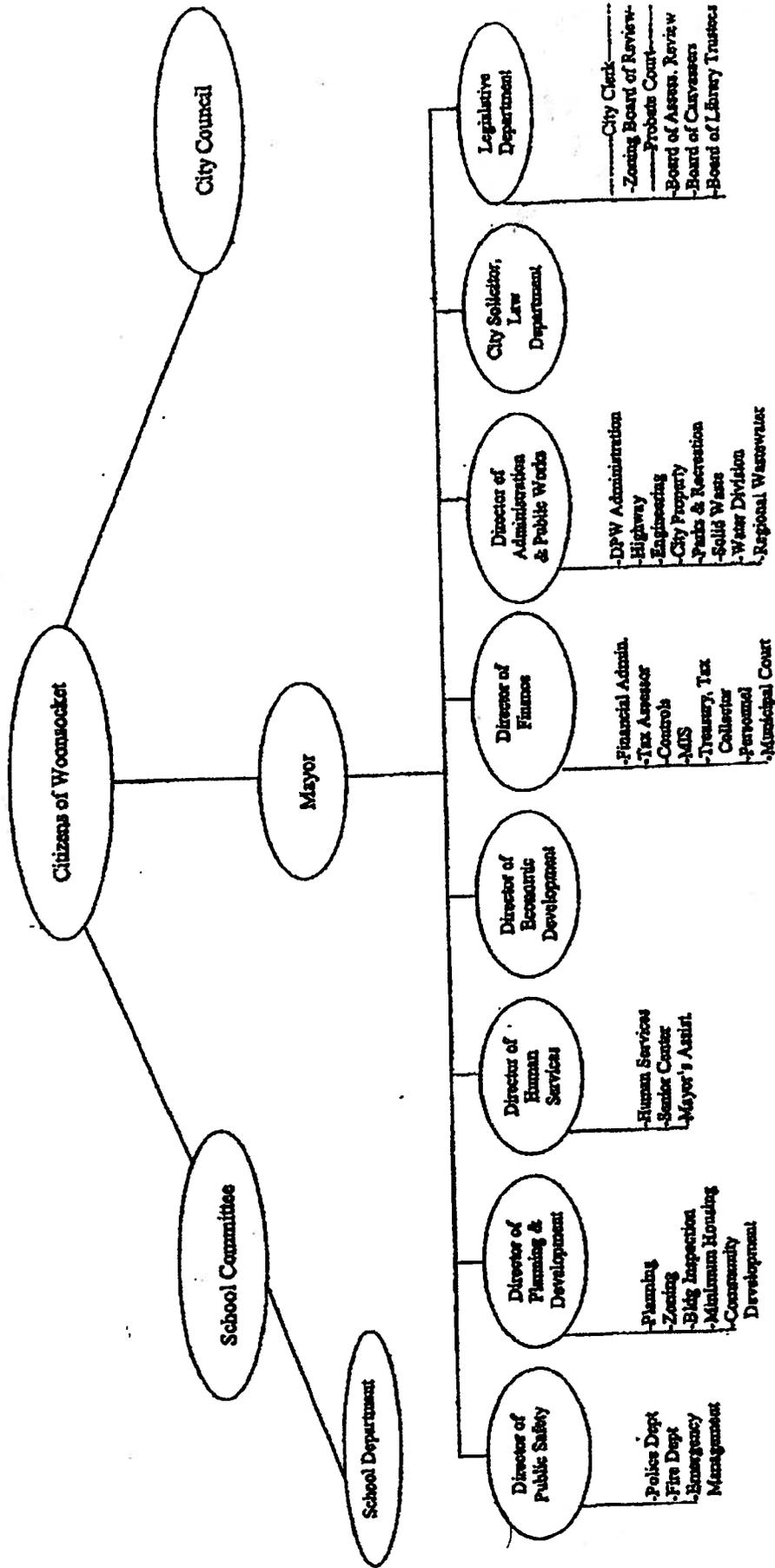
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THE CITY OF WOONSOCKET, RHODE ISLAND
GOVERNMENT ORGANIZATIONAL CHART



THE CITY OF WOONSOCKET, RHODE ISLAND

**List of City Officials
JUNE 30, 2011**

Mayor	Leo T. Fontaine
Director of Administration	Sheila McGauvran
Tax Assessor	Christopher Celeste
Finance Director	Thomas Bruce
Controller	Christine Chamberland
Fire Chief	Gary Lataille
Acting Planning & Development	Paulette Miller
Police Chief	Thomas Carey
School Superintendent	Dr. Robert Girardi
Solicitor	Joe Carroll

City Council

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

CITY OF WOONSOCKET

FINANCIAL SECTION

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Woonsocket, Rhode Island as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Woonsocket, Rhode Island's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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 City of Woonsocket, Rhode Island as of June 30, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 18 to the financial statements, certain errors resulting in an overstatement of previously reported net pension obligations and understatement of financial position and activity of Fiduciary Funds as of and for the fiscal year ended June 30, 2011 were discovered by management subsequent to issuance of the June 30, 2011 financial statements. Accordingly, the June 30, 2011 financial statements have been restated to correct the error.

In accordance with Government Auditing Standards, we have also issued our report dated December 30, 2011 on our consideration of the City of Woonsocket, Rhode Island's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Needham

Boston

Concord

Taunton

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund – Budgetary Basis, School Unrestricted Fund – Budgetary Basis, Schedule of Funding Progress for Pension Plans, and Schedule of Funding Progress of OPEB Plans, on pages 3 through 11, pages 74 through 75, page 76, page 77, and page 78, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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



Providence, Rhode Island
December 30, 2011 (Except for Note 18 as to which
the date is January 23, 2012)

CITY OF WOONSOCKET, RHODE ISLAND
Management's Discussion and Analysis
For the Year Ended June 30, 2011

As management of the City of Woonsocket, we offer readers of the City's Financial Statements this narrative overview and analysis of financial activities of the City for the fiscal year ended June 30, 2011.

Financial Highlights

The assets of the City of Woonsocket exceeded (were less than) its liabilities by (\$421,024) and \$11,265,243 at June 30, 2011 and 2010 (as restated), respectively. Of the amount at June 30, 2011, (\$125,791,154) is the total unrestricted deficit and the balance \$125,370,130 is invested in capital assets.

- ❖ The City's total net assets decreased by \$11,686,267 and \$13,870,253 in fiscal years 2011 and 2010 (as originally stated), respectively. The decrease of \$11,686,267 in fiscal year 2011 was due to decreases in net assets in the Governmental activities of \$15,521,206 and an increase of \$3,834,939 in the business type activities. The net assets beginning balance (2010 net asset amount) was restated by an increase of \$11,919,484. This increase was comprised of an increase in the governmental activities of \$12,143,614 and a decrease of \$224,130 in the business type activities.
- ❖ As of the close of the fiscal years 2011 and 2010 the City's governmental funds reported combined ending fund balances surplus / (deficits) of \$4,778,693 and (\$1,097,559) respectively. The unassigned portion of the fund balance at June 30, 2011 was a deficit of (\$809,172) while the fund balance committed, restricted and nonspendable totaled \$5,587,865. The City's General Fund had an unassigned fund balance of \$2,356,040 which represents approximately 2% of the General Fund budget for fiscal 2011.
- ❖ At the end of the current fiscal year, the general fund unassigned fund balance was \$2,356,040 or 3% of the total General Fund expenditures and other financing uses for the fiscal year ended June 30, 2011. The current fiscal year's revenue exceeded expenditures by \$3,884,236 (General Fund surplus).

Overview of the Financial Statements

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

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

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

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

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

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

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

Both of the government-wide financial statements distinguish functions of the City which are supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The City's governmental activities include general government and administration, public safety, development services, cultural and recreational services. The City's business activities include the Regional Wastewater, User Charge, the Water Supply, and the School Lunch program.

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

Fund financial statements – A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: a) governmental funds and b) proprietary funds (business-type funds). The fund statements are presented on pages 14-23.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. The governmental fund statements are presented on pages 14-17.

Overview of the Financial Statements

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

The City's governmental fund information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, the City Capital Project Fund, and the School Unrestricted Special Revenue Fund, all of which are considered to be major funds. Data from the other funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements in supplementary information pages 79-88 of this report.

Overview of the Financial Statements (Continued)

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

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

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

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

Thundermist Hydro-Electric Project- Effective July 1, 2011, all accounting activity of the Hydro-electric fund will be represented in the City General Fund. The approximate \$2 million reserve at June 30, 2010 on the General Fund balance sheet was eliminated during fiscal 2011 by charging the General Fund for the cumulative fund deficit of the Hydro Fund. The advantage of this transaction was to eliminate a long standing Hydro Fund deficit of approximately \$2 million and eliminate the associated General Fund reserve. In addition to the financial improvement resulting from eliminating the Hydro Fund deficit, the fund equity section of the General Fund balance sheet was strengthened by eliminating the related reserve.

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

School Proprietary Fund – includes a School Lunch Program which serves the needs of the entire school system for both breakfast and lunch food service.

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

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 22-23. Combining information for the Agency Funds is presented in supplementary information pages 89-90, and for the Private Purpose Trust Funds pages 91-92.

Notes to Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are presented on pages 24 through 73.

Overview of the Financial Statements (Continued)

Other Information - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information pertinent to the City's operations. Required Supplementary Information includes budget vs. actual comparisons for the City's General Fund and School Unrestricted Fund as well as the Schedule of Funding Progress for Pension Plans and OPEB Plans. This required supplementary information is presented on pages 74-78.

The combining statements referred to earlier in connection with non-major governmental funds, agency funds, and private purpose trust funds is presented as other supplementary information and is not a required part of the audited financial statements. This information is located on pages 79-92.

Government-wide Financial Analysis

Analysis of the City of Woonsocket's Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Woonsocket, assets exceeded (were less than) liabilities by (\$421,024) and \$11,265,243 as of June 30, 2011 and 2010 (as restated), respectively.

The largest portion of the City's net assets (100%) consists of its investments in capital assets such as land, buildings and improvements, motor vehicles furniture and equipment and infrastructure, less any debt used to acquire these assets which is still outstanding. The City uses these capital assets to provide services to its citizens. Consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves are highly unlikely to be used to liquidate these liabilities.

CITY OF WOONSOCKET'S NET ASSETS

	Governmental Activities	Business-Type Activities	2011 Total	Governmental Activities	Business-Type Activities	2010 Total
Current assets	\$ 25,683,384	\$13,136,601	\$ 38,819,985	\$ 26,624,679	\$ 10,725,443	\$ 37,350,122
Capital assets	204,014,665	53,563,056	257,577,721	192,285,072	53,660,597	245,945,669
Other assets	1,716,593	1,427,392	3,143,985	1,492,957	1,442,121	2,935,078
Total assets	<u>231,414,642</u>	<u>68,127,049</u>	<u>299,541,691</u>	<u>220,402,708</u>	<u>65,828,161</u>	<u>286,230,869</u>
Current liabilities	25,319,688	4,636,293	29,955,981	32,905,799	3,987,281	36,893,080
Long-term liabilities	245,230,387	24,776,347	270,006,734	223,254,750	26,737,280	249,992,030
Total liabilities	<u>270,550,075</u>	<u>29,412,640</u>	<u>299,962,715</u>	<u>256,160,549</u>	<u>30,724,561</u>	<u>286,885,110</u>
Net assets:						
Invested in capital assets	96,210,608	29,159,522	125,370,130	93,385,222	27,245,486	120,630,708
Unrestricted	(135,346,041)	9,554,887	(125,791,154)	(129,143,063)	7,858,114	(121,284,949)
Total net assets	<u>(\$39,135,433)</u>	<u>\$38,714,409</u>	<u>(\$421,024)</u>	<u>(\$35,757,841)</u>	<u>\$35,103,600</u>	<u>(\$654,241)</u>

*FY2010 Net Assets as reported in FY2010 audit prior to restatement.

Analysis of the City of Woonsocket's Operations

The following analysis provides a summary of the City's operations for the year ended June 30, 2011 and 2010. The City presents its Basic Financial Statements, Required Supplementary Information and Managements Discussion and Analysis – for State and Local Governments in the GASB Statement 34 format. Because of this, comparative data has been presented. The information presented for 2011 includes the reporting of the impact of implementing GASB Statement 45 OPEB requirements during fiscal 2011 for the Woonsocket Education Department. This area did not have reporting in prior periods related to OPEB.

Also, reported for the first time as of June 30, 2011 is the accounting of all City infrastructure assets as required by GASB Statement 34.

In the fiscal years ended June 30, 2011 and 2010 the Net Assets of the Governmental activities decreased by \$15,521,206 and \$16,387,057 (as originally stated) respectively. For fiscal 2011 and 2010, total net assets in the Government-wide statements decreased by \$11,686,267 and \$13,870,253 (as originally stated), respectively.

CITY OF WOONSOCKET'S CHANGES IN NET ASSETS

	Governmental Activities <u>2011</u>	Business -Type Activities <u>2011</u>	2011 Total	Prior to Restatement Governmental Activities <u>2010</u>	Prior to Restatement Business -Type Activities <u>2010</u>	Prior to Restatement <u>2010</u> Total
Revenues:						
Program revenues:						
Charges for services	\$ 10,087,032	\$22,617,399	\$ 32,704,431	\$ 8,916,228	\$21,408,098	\$ 30,324,326
Operating Grants and Contributions	69,056,919	0	69,056,919	61,844,050	0	61,844,050
Capital Grants and Contributions	417,160	0	417,160	1,152,382	0	1,152,382
General Revenues:						
Property taxes	53,820,107	-	53,820,107	47,806,294	-	47,806,294
Investment Earnings	6,912	123,745	130,657	16,235	260,398	276,633
Motor Veh. Phase-out	376,634		376,634	4,652,576		4,652,576
Telephone, meals etc	994,244		994,244	1,000,494		1,000,494
Host Community	653,297		653,297	1,159,097		1,159,097
Gain(Loss)Disposition		0	0	0	52,427	52,427
Unrestricted grants/aid Transfers	1,026,975 (1,989,475)	- 1,989,475	1,026,975 0	1,011,198 (11,000)	- 11,000	1,011,198 0
Total revenues	134,449,805	24,730,619	159,180,424	127,547,554	21,731,923	149,279,477
Expenditures:						
Legislative	1,366,402		1,366,402	1,225,806		1,225,806
Executive	141,797		141,797	146,668		146,668
Finance	1,385,553		1,385,553	1,525,472		1,525,472
Planning & Dev.	690,177		690,177	715,071		715,071
Law	620,842		620,842	191,769		191,769
Public Safety	33,637,335		33,637,335	33,575,589		33,575,589
Public Works	7,202,354		7,202,354	7,761,137		7,761,137
Human Services	334,611		334,611	223,392		223,392
Economic Develop.	2,531,324		2,531,324	2,225,884		2,225,884
Other Fixed and General Charges	8,863,842		8,863,842	10,205,688		10,205,688

Education	82,596,333		82,596,333	76,967,143		76,967,143
Interest on Long-term Debt	10,600,441		10,600,441	9,170,992		9,170,992
Water		5,843,994	5,843,994		5,603,322	5,603,322
Reg. Wastewater		6,145,985	6,145,985		5,040,488	5,040,488
User charge		6,192,121	6,192,121		5,811,673	5,811,673
Hydro		1,732	1,732		21,354	21,354
School Proprietary		2,711,848	2,711,848		2,738,282	2,738,282
Total Expenditures:	149,971,011	20,895,680	170,866,691	143,934,611	19,215,119	163,149,730
Change in Net Assets	(15,521,206)	3,834,939	(11,686,267)	(16,387,057)	2,516,804	(13,870,253)
Net Assets-beginning	(35,757,841)	35,103,600	(654,241)	(19,370,784)	32,586,796	13,216,012
Prior period adjustments	12,143,614	(224,130)	11,919,484			
Net assets-beginning	(23,614,227)	34,879,470	11,265,243	(19,370,784)	32,586,796	13,216,012
Net assets-ending	(\$39,135,433)	\$38,714,409	(\$421,024)	(\$35,757,841)	\$35,103,600	(\$654,241)

Financial Analysis of the City of Woonsocket's Funds

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

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances surplus of \$4,778,693. The General Fund reported an unassigned fund balance surplus of \$2,356,040 and a total fund balance surplus of \$2,687,648. The City Capital Projects Fund had at a surplus fund balance of \$3,376,000 at June 30, 2011. The School Unrestricted Fund had at year-end unassigned fund balance deficit of (\$2,996,302).

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

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

Total net assets of the respective proprietary funds are the Woonsocket Regional Wastewater Fund \$17,193,822, User Collection Charge Fund (\$210,478), Water Fund \$21,488,985, and School Proprietary funds \$242,080.

General Fund Budgetary Highlights - The City

Budgetary basis statements can be found in the financial statements as required supplementary information exhibits RSI-1 and RSI-2 on pages 74-75 and 76, respectively. At the end of the fiscal year ended June 30, 2011 the net change in fund balance was a deficit of (\$2,186,408) on a budgetary basis. The decrease was comprised of a net surplus in the City's General Fund of \$550,549 and a deficit in the School Unrestricted Fund of (\$2,736,957). The deficit amount reported by in the School Unrestricted Fund was due primarily to over expenditures in the area of personnel costs.

The City adopted General Fund budget for the current 2011-2012 fiscal year includes a statutory maximum tax increase of 4.00% as well as municipal and education employee concession related savings of personnel costs in excess of \$3 million.

With the approval of State government and the Woonsocket City Council, deficit funding bonds were issued in March of 2011. The \$11.5 million issue has a repayment period of five years and the proceeds paid for the retirement of deficit funding BANS issued in August of 2010. The total June 30, 2010 deficit amounts of both the General Fund and the School Unrestricted Fund were eliminated by the non-operating revenue effect of the deficit funding BAN proceeds primarily through the payment of prior year accounts payable

The City of Woonsocket's Capital Assets

The City of Woonsocket's investment in capital assets for its governmental and business-type activities amounts to \$257,577,721 net of accumulated depreciation at June 30, 2011. Included are land, building and improvements, construction in progress, motor vehicles, furniture and equipment and infrastructure.

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

	Governmental Activities 2011	Business-type Activities 2011	<u>Total</u> 2011	As Restated Governmental Activities 2010	As Restated Business-type Activities 2010	<u>Total</u> 2010
Land	\$ 22,307,537	\$ 570,321	\$ 22,877,858	\$ 22,307,537	\$ 570,321	\$ 22,877,858
Buildings and Improvements	211,819,634	54,058,260	265,877,894	211,494,876	53,555,377	265,050,253
Construction in Progress	1,185,329	2,398,892	3,584,221	348,753	1,448,626	1,797,379
Motor Vehicles	8,290,423	553,191	8,843,614	8,080,140	553,191	8,633,331
Furniture and Equipment	9,544,657	8,139,065	17,683,722	9,041,216	7,985,905	17,027,121
Infrastructure	62,871,432	36,231,571	99,103,003	62,848,696	36,106,710	98,955,406
Less: Accumulated Depreciation	(112,004,347)	(48,388,244)	(160,392,591)	(106,568,836)	(46,622,508)	(153,191,344)
Totals	<u>\$204,014,665</u>	<u>\$53,563,056</u>	<u>\$257,577,721</u>	<u>\$207,552,382</u>	<u>\$53,597,622</u>	<u>\$261,150,004</u>

Additional information on the City of Woonsocket's capital assets is located in Note 5, pages 42-43 of the financial statements.

The City of Woonsocket's Debt Administration

The City of Woonsocket had a total bonded debt of \$210,500,624 and \$203,976,906 at June 30, 2011 and 2010 respectively. Of this amount \$12,328,188 and \$13,393,188 at June 30, 2011 and 2010 respectively, comprised the bonded debt for the Enterprise Funds. In addition, the Business Type Activities also had lease purchase obligations outstanding at June 30, 2011 and 2010 totaling \$13,502,738 and \$14,464,044, respectively. The Governmental Activities also had lease purchase obligations outstanding at June 30, 2011 totaling \$1,292,622.

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

	Governmental Activities 2011	Business-type Activities 2011	<u>Total</u> 2011	Governmental Activities 2010	Business-type Activities 2010	<u>Total</u> 2010
General obligation & bonds payable	\$198,172,436	\$12,328,188	\$210,500,624	\$190,583,718	\$13,393,188	\$203,976,906
Leases payable	1,292,622	13,502,738	14,795,360	1,605,125	14,464,044	16,069,169
Totals	<u>\$199,465,058</u>	<u>\$25,830,926</u>	<u>\$225,295,984</u>	<u>\$192,188,843</u>	<u>\$27,857,232</u>	<u>\$220,046,075</u>

The City's general obligation bond rating as assigned by Moody's Investors Service, in February of 2011, is Ba1 with a stable outlook and the rating by Fitch Rating Service is BBB- with a Rating Watch Negative. (December 22, 2011)

The State of Rhode Island imposes a limit of three (3) percent of the fair value of all taxable city property on the general obligation debt that a municipality can issue. The City of Woonsocket's limit is approximately \$53,102,000 at June 30, 2011. The City's outstanding general obligation debt is \$210,500,524 at year-end, of which \$39,525,624 is subject to the legal debt limits. The debt limit calculation does not include the \$85,475,000 of pension obligation bonds, \$74,000,000 of Middle School bonds, or the \$11,500,000 of deficit reduction bonds as they are exempt from the legal debt limit calculation under RI Public Law.

Additional information on the long-term debt obligations of the City of Woonsocket can be found in Note 8 on pages 45-47.

Economic Factors and Next Year's Budgets and Rates

The City of Woonsocket's total general fund budget for fiscal year 2012 is \$119,389,257, which reflects an increase of \$2,546,719 from the fiscal 2011 budget. In the City's 2012 budget, \$12,964,157 of tax revenue, or 10.9% is allocated for educational purposes and \$59,748,656 or 50.1% is budgeted for other purposes. Total Education Department budget included in the City's General Fund budget is \$59,640,601 which represents approximately 49.9% of the City's total budget.

The School Department budget for the fiscal year 2011 is \$59,640,601. The primary funding source is state aid for education. As noted above, the city's contribution to the Education Department is \$12,964,157.

Economic Factors and Next Year's Budgets and Rates

The State of Rhode Island budgeted for fiscal year 2012 to contribute \$46,676,444 to the City's education department. The amount is based on the city being considered depressed community. The total population of the School District and the average level of wages earned by its citizens are the determining factors for this designation.

The City's tax rates for fiscal 2012 are \$25.10 per thousand for residential real estate, \$36.14 per thousand for commercial and industrial real estate, and \$46.58 per thousand for personal property and \$46.58 per thousand for motor vehicles. Of the total taxes billed, 76.03% was allocated for general government and 23.97% allocated for education. The last City-wide property re-valuation occurred in 2008.

Request for Information

The financial report is designed to provide our citizens, taxpayers and creditors with a general overview of the City's finances and to show the City's accountability for the tax dollars received. If you have questions about this report or need additional financial information, contact the Finance Director's Office, Woonsocket City Hall, 169 Main Street, Woonsocket, RI 02895.

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CITY OF WOONSOCKET

BASIC FINANCIAL STATEMENTS



CITY OF WOONSOCKET, RHODE ISLANDStatement of Net Assets
June 30, 2011

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 14,465,598	\$ 6,751,858	\$ 21,217,456
Accounts receivable, net	7,589,789	4,611,052	12,200,841
Internal balances	(1,613,847)	1,613,847	-
Due from federal and state governments	4,489,736	159,844	4,649,580
Prepays	752,108	-	752,108
Total Current Assets	25,683,384	13,136,601	38,819,985
Noncurrent Assets:			
Restricted cash		1,238,524	1,238,524
Deferred charges - bond issuance	1,716,593	188,868	1,905,461
Capital assets not being depreciated	23,492,866	2,969,213	26,462,079
Capital assets, net of accumulated depreciation	180,521,799	50,593,843	231,115,642
Total Noncurrent Assets	205,731,258	54,990,448	260,721,706
TOTAL ASSETS	231,414,642	68,127,049	299,541,691
LIABILITIES:			
Current Liabilities:			
Cash overdraft	366,400		366,400
Accounts payable	4,432,854	1,966,362	6,399,216
Accrued liabilities	12,652,618	137,901	12,790,519
Due to federal and state governments	372,083	74,466	446,549
Unearned revenue	1,004,696	13,339	1,018,035
Current portion of notes & leases payable	324,755	1,450,036	1,774,791
Current portion of bonds payable	6,166,282	994,189	7,160,471
Total Current Liabilities	25,319,688	4,636,293	29,955,981
Noncurrent Liabilities:			
Bonds payable long term portion	193,653,329	11,333,999	204,987,328
Net Pension Obligation	5,908,414		5,908,414
Net OPEB Obligation	35,239,295	1,003,707	36,243,002
Notes and leases payable long term portion	967,867	12,052,702	13,020,569
Accrued compensated absences	9,461,482	385,939	9,847,421
Total Noncurrent Liabilities	245,230,387	24,776,347	270,006,734
TOTAL LIABILITIES	270,550,075	29,412,640	299,962,715
NET ASSETS:			
Invested in capital assets net of related debt	96,210,608	29,159,522	125,370,130
Unrestricted	(135,346,041)	9,554,887	(125,791,154)
TOTAL NET ASSETS	\$ (39,135,433)	\$ 38,714,409	\$ (421,024)

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

CITY OF WOONSOCKET, RHODE ISLAND

Statement of Activities
For the Year Ended June 30, 2011

Functions/Programs:	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services, Fees & Licenses	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
Executive	\$ 141,797				\$ (141,797)		\$ (141,797)
Legislative	1,366,402	\$ 1,324,179			(42,223)		(42,223)
Planning & Development	690,177	209,160	\$ 25,289		(455,728)		(455,728)
Finance	1,385,553	50,644			(1,334,909)		(1,334,909)
Law	620,842	-			(620,842)		(620,842)
Public safety	33,637,335	1,361,706	2,070,287		(30,205,342)		(30,205,342)
Public works	7,202,354	1,685,764	45,000		(5,471,590)		(5,471,590)
Human services	334,611	73,841	136,525	\$ 167,160	42,915		42,915
Economic development	2,531,324	685,983	2,386,842		541,501		541,501
Education	82,596,333	3,567,184	58,742,235	250,000	(20,036,914)		(20,036,914)
Other fixed and general charges	8,863,842	1,128,571	195,110		(7,540,161)		(7,540,161)
Interest on long-term debt	10,600,441	-	5,455,631		(5,144,810)		(5,144,810)
Total governmental activities	149,971,011	10,087,032	69,056,919	417,160	(70,409,900)		(70,409,900)
Business-type activities:							
Water	5,843,994	7,328,130			\$ 1,484,136		1,484,136
Regional Wastewater	6,145,985	6,649,082			503,097		503,097
User Charge	6,192,121	5,952,491			(239,630)		(239,630)
Hydro	1,732	145,783			144,051		144,051
School Proprietary	2,711,848	2,541,913	-		(169,935)		(169,935)
Total business-type activities	20,895,680	22,617,399	-	-	1,721,719		1,721,719
Total	\$ 170,866,691	\$ 32,704,431	\$ 69,056,919	\$ 417,160	(70,409,900)	1,721,719	(68,688,181)
General revenues:							
Property taxes					53,820,107		53,820,107
Motor vehicle phase-out taxes					376,634		376,634
Telephone and hotel taxes					503,012		503,012
Meals & beverage tax					491,232		491,232
Grants and aid not restricted for a specific program					1,026,975		1,026,975
Host Community agreements					653,297		653,297
Unrestricted investment earnings					6,912	123,745	130,657
Transfers					(1,989,475)	1,989,475	-
Total general revenues					54,888,694	2,113,220	57,001,914
Change in Net assets					(15,521,206)	3,834,939	(11,686,267)
Net assets - beginning of year (as restated)					(23,614,227)	34,879,470	11,265,243
Net assets - ending of year					\$ (39,135,433)	\$ 38,714,409	\$ (421,024)

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

CITY OF WOONSOCKET, RHODE ISLAND

Balance Sheet
Governmental Funds
June 30, 2011

	General Fund	City Capital Projects	School Unrestricted Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:					
Cash and cash equivalents	\$ 7,333,631	\$ 4,169,147	\$ 844,161	\$ 2,118,659	\$ 14,465,598
Accounts receivable, net	2,589,446		167,286	687,436	3,444,168
Due from other governments	788,608		664,808	3,036,320	4,489,736
Other receivables, net	1,279,480			2,866,141	4,145,621
Prepaid expenditures	324,817		420,500		745,317
Due from other funds	824,058	270,118	6,130,477	500,161	7,724,814
Inventory at cost	6,791				6,791
TOTAL ASSETS	\$ 13,146,831	\$ 4,439,265	\$ 8,227,232	\$ 9,208,717	\$ 35,022,045

LIABILITIES AND FUND BALANCES:

LIABILITIES:					
Cash overdraft				\$ 366,400	\$ 366,400
Accounts payable	\$ 1,280,226	\$ 72,465	\$ 2,059,990	1,020,173	4,432,854
Accrued expenses	1,037,480		7,931,084	-	8,968,564
Due to other funds	4,914,321	990,800	811,960	2,621,580	9,338,661
Deferred revenue	3,206,642			3,558,148	6,764,790
Due to other governments	20,514			351,569	372,083
TOTAL LIABILITIES	10,459,183	1,063,265	10,803,034	7,917,870	30,243,352

FUND BALANCES:

Non-Spendable	331,608		420,500		752,108
Restricted		3,376,000		1,298,377	4,674,377
Committed				161,380	161,380
Unassigned	2,356,040		(2,996,302)	(168,910)	(809,172)
TOTAL FUND BALANCES	2,687,648	3,376,000	(2,575,802)	1,290,847	4,778,693
TOTAL LIABILITIES AND FUND BALANCES	\$ 13,146,831	\$ 4,439,265	\$ 8,227,232	\$ 9,208,717	\$ 35,022,045

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

(CONTINUED)

CITY OF WOONSOCKET, RHODE ISLAND

**Balance Sheet
Governmental Funds
June 30, 2011**

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

Total Fund Balance reported in Exhibit B-1	\$ 4,778,693
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the Gov't Fund balance sheet	204,014,665
Deferred bond issuance costs and other debt charges resulting from issuance of bond obligations. These charges have been included in the governmental activities in the Statement of Net Assets.	1,716,593
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. These liabilities are reported in the Statement of Net Assets.	(251,721,424)
Deferred revenues (net of allowances for uncollectibles) are recorded in the funds, but are not deferred under the measurement focus employed in the Statement of Net Assets.	5,760,094
Accrued interest on long-term debt obligations is reported in the Government-wide Statements but not presented on the funds as it is not expected to be paid with current available resources.	(3,684,054)
Total Net Assets reported in Exhibit A-1	\$ (39,135,433)

(CONCLUDED)

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

CITY OF WOONSOCKET, RHODE ISLAND

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year the Ended June 30, 2011

	General Fund	City Capital Project	School Unrestricted Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:					
General property taxes	\$ 53,253,741				\$ 53,253,741
Revenue in lieu of taxes	10,020				10,020
Intergovernmental grants and contracts	8,020,644		\$ 44,504,171	\$ 16,657,239	69,182,054
Departmental revenues	1,969,279				1,969,279
Licenses, fines and fees	2,335,167				2,335,167
Interest on investments	5,940			862	6,802
Intergovernmental pension contribution			2,344,323		2,344,323
Contributions				10,015	10,015
Tuition			948,230		948,230
Medicaid			1,655,535		1,655,535
Other	961,320	\$ 250,000	829,668	1,526,280	3,567,268
TOTAL REVENUES	66,556,111	\$ 250,000	50,281,927	18,194,396	135,282,434
EXPENDITURES:					
Executive	121,009			20,329	141,338
Legislative - General Government	1,255,180				1,255,180
Planning & Development	683,214				683,214
Finance	1,383,246				1,383,246
Law	605,237				605,237
Public safety	17,347,678			1,698,265	19,045,943
Public works	5,865,772				5,865,772
Human services	118,186			208,147	326,333
Economic development	16,974			2,514,350	2,531,324
Education			65,305,049	11,957,534	77,262,583
Pension expense	3,155,807				3,155,807
Other fixed and general charges	8,651,113			322,682	8,973,795
Debt Service:					
Principal	4,223,785			-	4,223,785
Interest and other costs	12,451,475			32,455	12,483,930
Bond issuance cost	290,595				290,595
Capital:					
Capital expenditures		556,707		293,073	849,780
TOTAL EXPENDITURES	56,169,271	556,707	65,305,049	17,046,835	139,077,862
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES					
BEFORE OTHER FINANCING SOURCES (USES)	10,386,840	(306,707)	(15,023,122)	1,147,561	(3,795,428)
OTHER FINANCING SOURCES (USES)					
Proceeds from bond issuance & lease purchases	11,500,000				11,500,000
Deficit reduction transfer (out) in to school department	(5,886,243)		5,886,243		-
Transfers in	2,519,674		12,586,560	371,909	15,478,143
Transfers out	(14,636,035)	(1,330,000)	(300,395)	(1,201,188)	(17,467,618)
TOTAL OTHER FINANCING SOURCES (USES)	(6,502,604)	(1,330,000)	18,172,408	(829,279)	9,510,525
NET CHANGE IN FUND BALANCES	3,884,236	(1,636,707)	3,149,286	318,282	5,715,097
FUND BALANCE AT BEGINNING OF YEAR (AS RESTATED)	(1,196,588)	5,012,707	(5,725,088)	972,565	(936,404)
FUND BALANCE AT END OF YEAR	\$ 2,687,648	\$ 3,376,000	\$ (2,575,802)	\$ 1,290,847	\$ 4,778,693

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

CITY OF WOONSOCKET, RHODE ISLAND

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds (Exhibit B-2) to the Statement of Activities (Exhibit A-2)
Year Ended June 30, 2011**

Net Change in Fund Balances - Total Governmental Funds (Exhibit B-2):	\$ 5,715,097
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays and gain on disposals in the current period.	(3,537,717)
Governmental funds report proceeds from financing as other financing sources. These borrowings are not recognized as revenue in the government wide statements but instead are reported as as long-term debt obligations. This is the amount of proceeds received in fiscal 2010.	(11,500,000)
Governmental funds report principal repayments on debt obligations as an expenditure. However, the repayment of principal has no effect on the statement of activities	4,223,785
Governmental funds report debt issuance costs and premiums on debt financing when they occur. The Government-wide statements amortize these costs over the life of the bond. This is the net amount of the amortization of bond premium and issuance costs reported on the Government-wide statements but not reported in the Fund financial statements	4,519
Governmental funds report bond issuance costs as an expenditure when incurred. These costs are capitalized and amortized over the life of the bond in the Government-wide statements. This is the amount of bond issuance costs incurred and reported as an expenditure in the Governmental Fund statements.	290,595
Tax, Trash, EMS and Other Miscellaneous revenues in the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds. These revenues are reported as deferred revenue in the fund statements but get recognized as revenue in the Statement of Activities. This represents the increase in the net deferred revenue reported on these receivables in the Fund statements from 2010.	30,908
Governmental funds report deferred revenue for various Special Revenue Funds as a result of the revenue not being available at year end. The Government-wide Statements report these items as revenue as it is deemed to be earned at year end. Accordingly, this is the amount in which the items reported as deferred revenue in the Fund statements at June 30, 2011 increased from the amounts reported at June 30, 2010.	342,484
Allowance for doubtful accounts on tax and EMS receivables is not reported in the governmental fund statement of revenue, expenditures and changes in fund balances. The change in the allowance is included in the fund balance sheet as a contra to tax & EMS receivables and deferred tax and EMS revenue. The decrease in the allowance provision is recorded against revenue in the Statement of Activities.	783,454
Interest accrued on long-term debt obligations is reported in the Statement of Activitied but not reported in the Fund Statements until paid. This represents the decrease in accrued interest from 2010.	1,878,970
Increase in Net Pension Obligation. The governmental fund reflects this activity when it will be paid with measurable and available resources. The change from prior year balances is reflected in the statement of activities and changes in net assets.	(1,757,869)
Increase in Net OPEB Obligation. The governmental fund reflects this activity when it will be paid with measurable and available resources. The change from prior year balances is reflected in the statement of activities and changes in net assets as an expense in the Government-wide statements.	(11,939,913)
Decrease in compensated absences. The governmental fund reflects this activity when it will be paid with measurable and available resources. The change from prior year balances is reflected in the statement of activities and changes in net assets.	<u>(55,519)</u>
Change in Net Assets of Governmental Activities in the Statement of Activities (Exhibit A-2)	<u>\$ (15,521,206)</u>

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

CITY OF WOONSOCKET, RHODE ISLAND

Statement of Net Assets
Proprietary Funds
June 30, 2011

	Business-type Activities-Enterprise Funds					Totals
	Water Fund	Regional Wastewater Fund	User Charge Fund	Hydro Fund	School Proprietary Funds	
ASSETS:						
Current Assets:						
Cash and cash equivalents	\$ 4,462,740	\$ 445,778	\$ 1,012,151	\$ 94,701	\$ 736,488	\$ 6,751,858
Accounts and other receivables, net	2,055,740	794,858	1,760,454		159,024	4,611,052
Due from federal and state governments	1,669,662	820	1,411,885		15,343	159,844
Due from other funds	8,188,142	6,701,113	4,184,490	94,701	910,855	9,798,003
Total Current Assets						21,320,757
Noncurrent Assets:						
Restricted cash	1,159,966	-	78,558			1,238,524
Deferred charges, bond issuance costs		158,468	30,400			188,868
Property, plant and equipment, net	26,964,446	25,934,149	5,078,777		156,584	53,563,056
Total Noncurrent Assets						54,990,448
TOTAL ASSETS	36,312,554	34,035,186	4,801,325	94,701	1,067,439	76,311,205
LIABILITIES:						
Current Liabilities:						
Accounts payable	577,070	726,051	162,483		500,758	1,966,362
Accrued liabilities	132,713	1,504	3,684			137,901
Due to federal and state governments	74,466					74,466
Due to other funds	298,104	2,565,303	4,901,447	94,701	324,601	8,184,156
Deferred revenue	13,339					13,339
Current portion of notes & leases payable	1,050,000	1,450,036	(55,811)			1,450,036
Current portion of bonds payable	2,145,692	4,742,894	5,011,803	94,701	825,359	994,189
Total Current Liabilities						12,820,449
Noncurrent Liabilities:						
Bonds payable long term portion	11,333,999					11,333,999
Notes and leases payable long term portion		12,052,702				12,052,702
Net OPEB obligation	998,689	5,018				1,003,707
Accrued compensated absences	345,189	40,750				385,939
Total Noncurrent Liabilities	12,677,877	12,098,470	-	-	-	24,776,347
TOTAL LIABILITIES	14,823,569	16,841,364	5,011,803	94,701	825,359	37,596,796
NET ASSETS:						
Invested in capital assets, net of related debt	15,740,413	12,589,879	672,646	-	156,584	29,159,522
Unrestricted	5,748,572	4,603,943	(883,124)	-	85,496	9,554,887
TOTAL NET ASSETS	\$ 21,488,985	\$ 17,193,822	\$ (210,478)	\$ -	\$ 242,080	\$ 38,714,409

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

CITY OF WOONSOCKET, RHODE ISLAND

**Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2011**

	Business-type Activities-Enterprise Funds					Totals
	Water Fund	Regional Wastewater Fund	User Charge Fund	Hydro Fund	School Proprietary Funds	
OPERATING REVENUES:						
Usage sales and fees	\$ 7,328,130	\$ 6,449,405	\$ 5,952,491	\$ 145,783	\$ 384,826	\$ 20,260,635
Intergovernmental grants	199,677	199,677	-	-	2,157,087	2,356,764
Total Operating Revenues	7,328,130	6,649,082	5,952,491	145,783	2,541,913	22,617,399
OPERATING EXPENSES:						
Salaries and benefits	1,727,704	102,626	34,381	-	-	1,864,711
Purchase services	840,704	4,033,641	1,043,729	-	2,678,059	8,596,133
Operating supplies	704,932	7,191	19,936	1,732	-	733,791
Fixed and general charges	1,571,210	263,412	5,027,439	-	-	6,862,061
Increase (Decrease) in provision for doubtful accounts	(130,000)	-	-	-	(130,000)	(130,000)
Depreciation	661,856	1,025,049	45,042	-	33,789	1,765,736
Total Operating Expenses	5,376,406	5,431,919	6,170,527	1,732	2,711,848	19,692,432
OPERATING INCOME (LOSS)	1,951,724	1,217,163	(218,036)	144,051	(169,935)	2,924,967
NONOPERATING REVENUES (EXPENSES):						
Investment income	122,865	98	222	-	560	123,745
Interest expense	(467,588)	(693,869)	(19,694)	-	-	(1,181,151)
Amortization	-	(20,197)	(1,900)	-	-	(22,097)
Net Nonoperating Revenues (Expenses)	(344,723)	(713,968)	(21,372)	-	560	(1,079,503)
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	1,989,475	-	1,989,475
Transfers out	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	1,989,475	-	1,989,475
CHANGE IN NET ASSETS	1,607,001	503,195	(239,408)	2,133,526	(169,375)	3,834,939
TOTAL NET ASSETS - BEGINNING (As Restated)	19,881,984	16,690,627	28,930	(2,133,526)	411,455	34,879,470
TOTAL NET ASSETS - ENDING	\$ 21,488,985	\$ 17,193,822	\$ (210,478)	\$ -	\$ 242,080	\$ 38,714,409

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

CITY OF WOONSOCKET, RHODE ISLAND

**Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2011**

	Business-type Activities- Enterprise Funds					Totals
	Water Fund	Regional Wastewater Fund	User Charge Fund	Hydro Fund	School Proprietary Funds	
	\$ 7,179,778	\$ 6,407,777	\$ 5,954,690	\$	\$ 384,826	\$ 19,927,071
	(3,149,832)	(1,665,171)	(4,953,994)	145,783	2,002,080	2,002,080
	(1,488,532)	(110,773)	(34,381)	(7,572)	(2,196,397)	145,783
	2,541,414	4,631,833	966,315	138,211	190,509	(1,633,686)
	994,237	(2,684,433)	(380,161)	(2,127,506)	(4,343)	(4,202,206)
	994,237	(2,684,433)	(380,161)	(2,127,506)	(4,343)	(4,202,206)
	(1,210,779)	(502,882)	(2,024)	-	(15,484)	(1,731,169)
		320,841	-	1,989,475		320,841
		(20,197)	(1,900)			(22,097)
	(1,010,000)	(1,282,147)	(55,000)			(2,347,147)
	(475,478)	(693,869)	(16,011)			(1,185,358)
	(2,696,257)	(2,178,254)	(74,935)	1,989,475	(15,484)	(2,975,455)
	122,865	98	222	-	560	123,745
	122,865	98	222	-	560	123,745

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from customers
 Cash received from intergovernmental operating grants
 Cash received from providing services
 Cash paid to suppliers for goods and services and other operating payments
 Cash paid to employees
Net cash provided by operating activities

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Increase in due to (from) other funds
Net cash provided (used) by noncapital financing activities

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Acquisition of capital assets
 Proceeds from issuance of capital lease
 Transfers in
 Amortization of deferred debt - issuance costs
 Principal paid on bonds
 Interest paid on bonds, notes and loans
Net cash used for capital and related financing activities

CASH FLOWS FROM INVESTING ACTIVITIES:

Investment income
Net cash provided by investing activities

CITY OF WOONSOCKET, RHODE ISLAND

**Statement of Cash Flows
Proprietary Funds**

For the Year Ended June 30, 2011

	Business-type Activities- Enterprise Funds					Totals
	Water Fund	Regional Wastewater Fund	User Charge Fund	Hydro Fund	School Proprietary Funds	
	962,259	(230,756)	511,441	180	171,242	1,414,366
	4,660,447	676,534	579,268	94,521	565,246	6,576,016
	\$ 5,622,706	\$ 445,778	\$ 1,090,709	\$ 94,701	\$ 736,488	\$ 7,990,382
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS						
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR						
CASH AND CASH EQUIVALENTS AT END OF YEAR						
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	\$ 1,951,724	\$ 1,217,163	\$ (218,036)	\$ 144,051	\$ (169,935)	\$ 2,924,967
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation and amortization expense	661,856	1,045,246	46,942		33,789	1,787,833
Increase (decrease) in provision for doubtful accounts	(130,000)					(130,000)
Increase (decrease) in compensated absences	(55,007)	(4,152)				(59,159)
(Increase) decrease in accounts receivable	(148,271)	(241,305)	2,199		27,272	(360,105)
Increase (decrease) in accrued liabilities	(24,353)	246,073	(24,875)	(5,840)	291,689	482,694
Increase (decrease) in net OPEB obligation	(36,445)	(4,266)				(40,711)
Increase (decrease) in due to other funds	330,624	271	1,160,085		7,694	330,895
Increase in due to federal and state governments	(20,770)	2,372,803				3,519,812
Increase in deferred revenue	12,137					12,137
	(81)					(81)
Net cash provided by operating activities	\$ 2,541,414	\$ 4,631,833	\$ 966,315	\$ 138,211	\$ 190,509	\$ 8,468,282

Non-cash transactions:

During the fiscal year ended June 30, 2011 there were no non-cash investing or financing activities of the Proprietary Funds.

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

CITY OF WOONSOCKET, RHODE ISLAND

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2011

	Employee Retirement Plan	Private Purpose Trusts	Agency Funds
ASSETS			
Cash and cash equivalents	\$ 1,000,000	\$ 170,558	\$ 345,163
Accrued interest	108,848		
Investments, at fair value:			
Certificates of Deposit		121,470	
U.S. Government obligations	7,413,985		
Money market funds	2,136,259		
Equity securities	19,898,192		
Corporate and foreign bonds	6,304,740		
Municipal obligations	412,187		
Domestic mutual funds	24,888,754		
Total investments	<u>61,054,117</u>	<u>121,470</u>	<u>-</u>
TOTAL ASSETS	<u>62,162,965</u>	<u>292,028</u>	<u>345,163</u>
LIABILITIES			
Cash overdraft	182,678		
Accounts payable and accrued expenses	722,871		
Deposits held in custody for others			345,163
TOTAL LIABILITIES	<u>905,549</u>	<u>-</u>	<u>345,163</u>
NET ASSETS			
Held in trust for pension benefits and other purposes	<u>\$ 61,257,416</u>	<u>\$ 292,028</u>	<u>\$ -</u>

* Accounts payable and accrued expenses of the Employee Retirement Plan includes \$70,000 due to the City General Fund for the assessment of administrative fees and \$609,218 due to the City General Fund for reimbursement of pension payments made to retirees in June 2011.

CITY OF WOONSOCKET, RHODE ISLAND

**Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the year ended June 30, 2011**

	Employee Retirement Plan	Private Purpose Trusts
ADDITIONS:		
Contributions - employer	\$ 1,011,371	
Contributions - employee and other	18,194	\$ 50
Total contributions	<u>1,029,565</u>	<u>50</u>
Investment earnings:		
Net unrealized appreciation in fair value of investments	7,887,893	
Interest and dividends	901,017	1,656
Realized gains from investments	3,525,979	
Total investment earnings	<u>12,314,889</u>	<u>1,656</u>
Less investment management expenses	268,273	
Net investment earnings	<u>12,046,616</u>	<u>1,656</u>
TOTAL ADDITIONS	<u>13,076,181</u>	<u>1,706</u>
DEDUCTIONS:		
Benefits paid	7,980,294	
Operating expenses		2,382
TOTAL DEDUCTIONS	<u>7,980,294</u>	<u>2,382</u>
CHANGE IN NET ASSETS	5,095,887	(676)
NET ASSETS - BEGINNING OF YEAR	56,161,529	292,704
NET ASSETS - END OF YEAR	<u>\$ 61,257,416</u>	<u>\$ 292,028</u>

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

CITY OF WOONSOCKET, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Reporting Entity

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

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

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

The following entities were considered for classification as component unit for fiscal year 2011.

- Woonsocket Education Department
- Woonsocket Employee Retirement Plan

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

(CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reporting Entity (Continued)

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

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

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

Basis of Presentation

Government-Wide Financial Statements

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

Fund Financial Statements

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

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

Governmental Funds

The funds of the financial reporting entity are described below:

(CONTINUED)

CITY OF WOONSOCKET, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds (Continued)

General Fund

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

Special Revenue Funds

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Capital Project Funds

The Capital Project Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including acquisition or construction of capital facilities and other capital assets.

Permanent Funds

The Permanent Funds account for assets held by the City pursuant to trust agreements. The principal portion of this fund type must remain intact, but the earnings may be used to achieve the objectives of the fund. The City of Woonsocket did not maintain any funds meeting the definitions of Permanent Funds at June 30, 2011.

Proprietary Funds

Proprietary funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The Proprietary Funds include both Enterprise and Internal Service Funds. The City of Woonsocket had six Enterprise Funds (including one held at the School Department) at June 30, 2011. The City does not currently maintain any Internal Service Funds.

Fiduciary Funds (Not included in government wide statements)

Agency Funds

Agency funds account for assets held by the City in a purely custodial capacity. The reporting entity includes eleven agency funds at June 30, 2011. Since agency funds are custodial in nature (i.e. assets equal liabilities), they do not involve the measurement of results of operations. The agency funds are as follows:

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

(CONTINUED)

CITY OF WOONSOCKET, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Private-purpose Trust Funds

Private-purpose trust funds are used to account for resources legally held in trust for use by parties outside of the City, and cannot be used at the City's discretion or to support the City's general operations. The following Private-purpose Trust Funds were held by the City at June 30, 2011:

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

Employee Retirement Plan

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

Major and Non-Major Funds

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

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

(CONTINUED)

CITY OF WOONSOCKET, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Major and Non-Major Funds (Continued)

Major (Continued):

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

Non-major:

Special Revenue Funds:

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

(CONTINUED)

CITY OF WOONSOCKET, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Major and Non-Major Funds (Continued)

Non-major (Continued):

Special Revenue Funds (Continued):

Justice Assistance Grant 10 and School Restricted Funds. School Restricted Fund is comprised of various individual grant funds as follows: Cozi, Title I, Title III, Title II Title IV, Homeless Education, E2T2, ARRA Accept and Special Ed Part B, Preschool Sec 619, Perkins, Perkins Long-Term, Evenstart, WIA Spring Academy, Title I School Improvement, DNA, ARRA Preschool, WIA Summer, 21st Century Learning Community, 21st Century High School, 21st Century Middle School EDU Jobs Fund, Worksmart21, WIA ABE Family Literacy, Harris Playground, Jr. Air force ROTC, Champlain, Feinstein Foundation, CVS Grant, Target Grant, McNamee Library Fund, United Way, ARRA Kitchen Equipment, Wallace Grant, Donations, Smile Program, Reading is Fun & Walmart Literacy, Expanded Lt Grant, Big Yellow Bus, WACTC Repairs, Kiducation, I3 Grant, ELT Grant, ING Unsung Heroes, Lowe's Skills USA, Spelling Bee, Feinstein Community Relief, PS&I Grant, Riverz Edge, Quota Speech, Fresh Fruits & Vegetables.

Capital Projects Funds: School capital projects fund.

Measurement Focus

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

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

- (a) All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period. The City considers property taxes as available if they are collected within 60 days after year end. Substantially all other revenue of the governmental funds is recognized utilizing the modified accrual method of accounting and as such it is recognized as it is earned and available. Items for reimbursement of costs incurred are recorded and recognized when billed unless they are not expected to be collected within one year. Certain funding received from the State of Rhode Island (i.e. telephone tax, meals and beverage tax) is reported as revenue for the fiscal year ended June 30, 2011 due to collection within 60 days after the end of the fiscal year.

(CONTINUED)

CITY OF WOONSOCKET, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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

Basis of Accounting

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

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

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

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

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

Assets, Liabilities, and Fund Equity

Cash

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

(CONTINUED)

CITY OF WOONSOCKET, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash (Continued)

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

Investments

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

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

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

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

Accounts Receivable

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. The allowance for uncollectible accounts receivable amounted to approximately \$6,983,200 at June 30, 2011. This allowance for uncollectible accounts includes approximately \$4,561,000 for property taxes, \$562,300 for EMS rescue runs, \$10,000 for police detail billings, \$200,000 for issued loans in revolving loan funds, \$900,000 for the Water Fund, \$643,400 for the User Charge Fund, and \$106,500 for the Regional Wastewater Fund.

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

Inventories

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

Property Taxes

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

(CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Fund Equity (Continued)

Bond Premium

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

Prepays

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

Property, Plant and Equipment

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

Government-Wide Statements

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

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

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

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

Fund Financial Statements

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

(CONTINUED)

CITY OF WOONSOCKET, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Fund Equity (Continued)

Deferred Revenues

In the government-wide financial statements, deferred revenues represent funds received in advance of being earned/owed or receivables which will be collected and included in revenues of future fiscal years. In the General Fund, (of the fund financial statements), deferred revenues include property tax receivables which are assessed on December 31, 2009 and prior and are not collected within 60 days of June 30, 2011. Net deferred taxes included in the fund financial statements (City's General Fund) were approximately \$2,200,000 at June 30, 2011.

Interfund Transactions

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

Reciprocal interfund activities:

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

Non-reciprocal interfund activities:

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

Equity Classifications

Government-Wide Statements

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

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

(CONTINUED)

CITY OF WOONSOCKET, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity Classifications (Continued)

Fund Financial Statements

Governmental fund equity is classified as fund balance. In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* fund balance is further classified as non-spendable, restricted, committed, assigned or unassigned as described below.

- (a) Non-Spendable Fund Balance – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. “Not in spendable form” includes items that are not expected to be converted to cash.
- (b) Restricted Fund Balance – includes amounts that are restricted to specific purposes. Fund balance is reported as restricted when constraints placed in the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.
- (c) Committed Fund Balance – includes amounts that can be used only for the specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. The City Council is the highest level of decision-making authority and utilizes City Ordinances as a formal procedure to commit fund balance.
- (d) Assigned Fund Balance – includes amounts that are constrained by the government’s intent to be used for specific purposes, but are neither restricted nor committed. The intent should be expressed by (a) the governing body itself or (b) a body (a budget or finance committee) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes.
- (e) Unassigned Fund Balance – is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it may need to report a negative unassigned fund balance.

Proprietary fund equity is classified the same as in the government-wide statements.

(CONTINUED)

CITY OF WOONSOCKET, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity Classifications (Continued)

Compensated Absences

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

Long Term Obligations

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

Bond Discount/Issuance Costs

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

Reconciliation of Government-wide and Fund Financial Statements

The governmental fund balance sheet includes reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$251,721,424 are as follows:

Bond, notes and lease obligations payable .	\$201,112,233
Net Pension Obligation	5,908,414
Net OPEB Obligation	35,239,295
Compensated absences	<u>9,461,482</u>
Total	<u>\$251,721,424</u>

(CONTINUED)

CITY OF WOONSOCKET, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense.” The details of this (\$3,537,717) difference are as follows:

Capital outlays	\$2,017,373
Depreciation expense	<u>(5,555,090)</u>
Net adjustment	<u>(\$3,537,717)</u>

Another element of the reconciliation states that “Tax, Trash, EMS, and Other Miscellaneous revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.” The details of the \$30,908 are as follows:

Deferred taxes, gross, beginning of year.....	(\$6,791,501)
Deferred taxes, gross, end of year	6,539,768
Deferred Trash, gross, end of year.....	142,122
Deferred EMS, gross, beginning of year	(1,194,935)
Deferred EMS, end, beginning of year	1,249,657
Deferred Miscellaneous, gross, end of year.....	<u>85,797</u>
Net adjustment	<u>\$ 30,908</u>

Another element of that reconciliation states that, “Governmental funds report deferred revenues for various Special Revenue Funds as a result of revenues not being available at year end. The Government-wide Statements report these items as revenue.....” The details of this \$342,484 difference are as follows:

Deferred revenue - ending.....	\$2,866,141
Deferred revenue – beginning	<u>(2,523,657)</u>
Net adjustment	<u>\$ 342,484</u>

Recently Issued Accounting Standards

During the fiscal year ended June 30, 2011 the City implemented the following new accounting pronouncements:

- GASB Statement No. 54 – Fund Balance Reporting and Governmental Fund Type Definitions.
- GASB Statement No. 59 – Financial Instruments Omnibus. Adoption of this Statement did not have a significant impact on the City’s fiscal 2011 financial statements.

The following are recently issued governmental accounting standards which will be applicable in future years:

- GASB Statement No. 60 – Accounting and Financial Reporting for Service Concession Arrangements, effective for the fiscal year ending June 30, 2013.

(CONTINUED)

CITY OF WOONSOCKET, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Standards (Continued)

- GASB Statement No. 61 – The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34, effective for the fiscal year ending June 30, 2013.
- GASB Statement No. 62 – Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, effective for the fiscal year ending June 30, 2013.
- GASB Statement No. 63 – Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, effective for the fiscal year ending June 30, 2013.
- GASB Statement No. 64 – Derivative Instruments: Application of Hedge Accounting Termination Provisions – An Amendment of GASB Statement No. 53, effective for the fiscal year ending June 30, 2012.

The impact of these pronouncements on the City's financial statements has not been determined.

2. BUDGETARY PROCESS

(a) Adoption

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

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

(b) General Fund

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

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

(CONTINUED)

CITY OF WOONSOCKET, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

2. BUDGETARY PROCESS (Continued)

(b) General Fund (Continued)

REVENUES

**Total General Fund revenues and other financing sources,
from Exhibit B-2.....** \$ 80,575,785

Adjustments:

Restricted receipts for education department reported in General Fund for budget .. 47,937,604
Reimbursement for debt service reported as revenue for budget purposes 500,450
Proceeds from bond issuance not reported for budget purposes..... (11,500,000)
Total budgetary basis revenues, from Exhibit RSI - 1..... \$117,513,839

EXPENDITURES

**Total General Fund expenditures
from Exhibit B-2.....** \$ 56,169,271

Adjustments:

Reimbursement of debt service reported as revenue for budget purposes..... 500,450
Transfer to other funds reported as expenditures for budget purposes..... 60,000
Bond issuance costs not considered a budgetary basis expenditure (290,595)
Education department expenditures reported in General Fund for budget..... 50,674,561
Total budgetary basis expenditures, from Exhibit RSI - 1..... \$107,113,687

Note: There were no encumbrances outstanding at June 30, 2011 or 2010.

(c) Special Revenue Funds

The actual revenues and expenditures of Special Revenue Funds included in the Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – School Unrestricted Fund – (Exhibit RSI - 2) are presented on the budgetary basis of accounting which differs from actual revenues and expenditures recognized for the School Unrestricted Fund in the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds (Exhibit B-2) in that encumbrances are considered to be expenditures for budgetary purposes but not for GAAP purposes, on behalf pension contributions by the State of Rhode Island are reported as both revenue and expenditures in the funds statements, and transfers to other funds are considered other financing uses for GAAP and an expenditure for budgetary purposes.

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

REVENUES

Total School Unrestricted Fund revenues, from Exhibit B-2..... \$ 50,281,927

Adjustments:

State on behalf pension contribution not budgeted (2,344,323)
Total budgetary basis revenues, from Exhibit RSI - 2..... \$ 47,937,604

(CONTINUED)

CITY OF WOONSOCKET, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

2. BUDGETARY PROCESS (Continued)

(c) Special Revenue Funds (Continued)

EXPENDITURES

Total School Unrestricted Fund expenditures, from Exhibit B-2	\$65,305,049
Adjustments:	
State on behalf pension contribution not budgeted	(2,344,323)
Add transfer to School Capital Projects Fund deemed budgetary expenditure.....	300,395
Total budgetary basis expenditures from Exhibit RSI-2	<u>\$63,261,121</u>

3. CASH AND INVESTMENTS

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

Deposits

The carrying amount of the City's cash and cash equivalents at June 30, 2011 was \$23,422,623 (including Private Purpose Trust Funds and Agency Funds) while the bank balance was \$26,195,103. The carrying amount is presented as follows – cash and cash equivalents of \$22,733,177, restricted cash \$1,238,524, and cash overdrafts of (\$549,078 which includes \$182,678 in the Fiduciary Funds). The School Department maintains a pooled cash account for its restricted grant funds. Accordingly, some of the funds are presented with positive cash balances while others are presented with an overdraft at June 30, 2011. Of the bank balance of approximately \$26,195,000, the amount covered by federal depository insurance was approximately \$22,272,000 and the uninsured balance was approximately \$3,923,000. Management ensures that the uninsured balance is covered under collateralization agreements with various financial institutions.

Restricted cash at June 30, 2011 totaled \$1,238,524 and represented the balance of bond proceeds of the Water and User Charge Funds which were held by the financial institution for debt service reserves.

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

At June 30, 2011 the City held investments with a fair value of \$61,175,587 all of which were reported in the Fiduciary Funds (see Exhibit D-1).

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

(CONTINUED)

CITY OF WOONSOCKET, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

3. CASH AND INVESTMENTS (Continued)

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

Concentration of Credit Risks – At June 30, 2011 the City had a diversified portfolio and was not deemed to be concentrated in any one investment category. Although 70% of the investments are held in common stock and mutual funds (including money market mutual funds) these investments were in a wide range of companies and various industries enabling the City to minimize its risk.

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

Investments at June 30, 2011 consisted of the following (including Fiduciary Fund Investments):

	<u>Fair</u> <u>Value</u>	<u>Interest</u> <u>Rate</u>	<u>Maturity</u>	<u>Rating</u>
Money Market Mutual Funds.....	\$ 2,094,873	.00186%	n/a	n/a
Certificate of Deposits	121,470	.1 to 1.25%	various	n/a
Common Stock & Mutual Funds....	44,901,392	n/a	n/a	n/a
United State Securities.....	2,573,198	0.0%-6.25%	7/2014-4/2056	Aaa
Corporate and Foreign Bonds	154,393	3.45%-6.078%	9/2014-8/2040	Aaa
Corporate and Foreign Bonds	177,955	0.708%-5.792%	5/2012-5/2043	Aa1
Corporate and Foreign Bonds	494,571	2.35%-6.82%	5/2013-4/2049	Aa2
Corporate and Foreign Bonds	160,220	3.95%-6.078%	9/2015-12/2040	Aa3
Corporate and Foreign Bonds	608,712	3.625%-6.5%	4/2013-2/2038	A1
Corporate and Foreign Bonds	972,067	1.693%-8.50%	3/2013-5/2087	A2
Corporate and Foreign Bonds	573,039	3.625%-8.95%	4/2013-10/2037	A3
Corporate and Foreign Bonds	663,478	1.625%-9.70%	1/2014-2/2037	Baa1
Corporate and Foreign Bonds	1,008,631	3.00%-10.75%	7/2013-12/2041	Baa2
Corporate and Foreign Bonds	543,074	2.7%-9.00%	2/2013 - 6/2049	Baa3
Mortgage Backed Securities	4,717,600	3.5%-7.0%	7/2011-5/2041	Aaa
Asset Backed Securities.....	230,584	0.75%-5.24%	4/2012-4/2016	Aaa
Asset Backed Securities.....	35,540	0.0233%	9/2016	Aa1
Commercial Mtge. Backed Sec.	635,869	2.90%-6.074%	11/2017-12/2049	Aaa
Commercial Mtge. Backed Sec.	112,495	5.223%-5.553%	5/2047-8/2048	Aa3
Commercial Mtge. Backed Sec.	32,715	0.05741%	2/12/49	Aa2
Commercial Mtge. Backed Sec.	57,547	4.761%-5.729%	7/2039-3/2049	Aa1
Commercial Mtge. Backed Sec.	50,685	5.526%-5.827%	4/2047-6/2050	A1
Commercial Mtge. Backed Sec.	47,192	5.59%	4/2049	Baa2
Emerging Markets	44,928	5.88%	3/2018	A3
Emerging Markets	62,539	3.75%-8.125%	1/2016-6/2019	A1
Emerging Markets	42,792	6.25%-6.75%	1/2017-4/2040	Baa2
Emerging Markets	58,028	0.0575%	3/2018	Baa1
Total Investments	<u>\$61,175,587</u>			

(CONTINUED)

CITY OF WOONSOCKET, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

4. PROPERTY TAXES AND OTHER RECEIVABLES

Property taxes are the principal source of revenue of the City. Property taxes represent an enforceable lien on property as of December 31, 2009. Taxes are levied on the assessed value of property on December 31. Taxes are billed on or about July 1 annually and are due in quarterly installments on July 15th, October 15th, January 15th, and April 15th. The assessed value of motor vehicles is determined annually by the state vehicle value commission. An automatic lien is placed on the taxpayer's property if payment has not been received by the due date. Interest is charged on past due accounts at a rate of 12% per annum calculated on the unpaid portion of the total tax.

The 2010 tax roll certification prepared by the City's tax assessor as of December 31, 2009 presents the taxes assessed on approximately July 1, 2010 for the fiscal year ended June 30, 2011. The net assessed value of the property was \$1,770,075,250 and the net tax levy was approximately \$50,867,653. In addition, there were additional taxes levied of approximately \$3,115,228 representing tax revenue due under various P.I.L.O.T. agreements. As a result the grand net total levy for the fiscal year ended June 30, 2011 was approximately \$53,982,881. As of June 30, 2011 total collections were approximately \$51,074,130 (excludes 60 day rule receipts) or 95% of the net total levy. The following tax rates were assessed on each \$1,000 of the assessed valuation for the fiscal year ended June 30, 2011; residential property \$23.63, commercial property \$34.30, fixtures and equipment \$46.58, and motor vehicles \$46.58.

In addition to the assessment of taxes the City also received \$376,634 from the State of Rhode Island as payment in accordance with legislation regarding the phase-out of motor vehicle tax during the fiscal year ended June 30, 2011. Under the law, excise tax on motor vehicles and trailers were originally supposed to be phased out entirely over a seven-year period commencing with the 1999-2000 fiscal year. Based on fiscal problems with the State budget over the last few years the program has been reduced to a maximum exemption of \$6,000 as of June 30, 2007 in accordance with legislation passed as part of the State's budget for the fiscal year ended June 30, 2007. The phase-out program freezes the tax rate at \$46.58 which was the rate in fiscal year 1997-1998. The exemption remained at \$6,000 per vehicle for the 2007-2008 and 2008-2009 fiscal years. During fiscal 2010 the State reduced the reimbursement amount for the 3rd and 4th quarters of the fiscal year. Effective July 1, 2010 the State reduced the exemption amount to \$500 per vehicle however the City was required to maintain the rate frozen at \$46.58.

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

The City recognizes property tax revenues in accordance with Section P70, "Property Taxes" of the Codification of Governmental Accounting and Financial Reporting Standards on the Fund statements. Unpaid property taxes as of June 30, 2011 were approximately \$7,008,370 and are recorded as a receivable, net of an allowance for uncollectible property taxes of approximately \$4,561,000 (net property taxes receivable recorded on the Balance Sheet, Exhibit B-1, on June 30, 2011 was \$2,447,370). Those net property taxes receivable which were not collected within the 60 days immediately following June 30, 2011 are recorded as deferred revenue and amounted to approximately \$1,978,700 at June 30, 2011. Accordingly, property taxes recognized as revenue on the Fund statements for the fiscal year ended June 30, 2011 (due to their collection within the 60 days immediately following June 30, 2011) amounted to approximately \$468,600.

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CITY OF WOONSOCKET, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

4. PROPERTY TAXES AND OTHER RECEIVABLES (Continued)

Accounts and Other Receivables at June 30, 2011 consisted of the following:

Governmental Activities:

	General Fund	School Unrestricted Fund	Other Non-Major Funds	Total
Tax receivables.....	\$7,008,370			\$7,008,370
Medicaid and tuition reimbursements.....		\$167,286		167,286
Revolving loan programs.....			\$3,066,141	3,066,141
Other receivables.....	1,431,601		125	1,431,726
EMS rescue billings.....			1,249,657	1,249,657
Total receivables.....	8,439,971	167,286	4,315,923	12,923,180
Less allowance provision loans & other ..	(10,000)	0	(200,000)	(210,000)
Less allowance provision taxes and EMS	(4,561,045)	0	(562,346)	(5,123,391)
Net receivables	\$3,868,926	\$167,286	\$ 3,553,577	\$7,589,789

Other receivables of the General Fund include \$679,218 due from the City of Woonsocket Employee Retirement Plan (a Fiduciary Fund).

Business Activities:

	Water Fund	Regional Wastewater Fund	User Charge Fund	Total
Accounts receivable.....	\$2,955,740	\$901,344	\$2,403,811	\$6,260,895
Less allowance provision.....	(900,000)	(106,486)	(643,357)	(1,649,843)
Net receivables	\$2,055,740	\$794,858	\$1,760,454	\$4,611,052

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011 was as follows:

	As Restated Balance <u>6/30/10</u>	<u>Additions</u>	Retirements & <u>Disposals</u>	Balance <u>6/30/11</u>
Governmental Activity:				
Nondepreciable Assets				
Land.....	\$ 22,307,537			\$ 22,307,537
Construction in progress.....	348,753	\$ 836,576		1,185,329
Depreciable Assets:				
Buildings and improvements.....	211,494,876	324,758		211,819,634
Equipment.....	9,041,216	503,441		9,544,657
Vehicles.....	8,080,140	329,862	119,579	8,290,423
Infrastructure.....	62,848,696	22,736		62,871,432
Total cost.....	314,121,218	2,017,373	119,579	316,019,012
Accumulated Depreciation:				
Buildings and improvements.....	(61,894,549)	(3,615,184)		(65,509,733)
Equipment.....	(7,954,073)	(275,552)		(8,229,625)
Vehicles.....	(6,485,978)	(394,060)	119,579	(6,760,459)
Infrastructure.....	(30,234,236)	(1,270,294)		(31,504,530)
Total accumulated depreciation.....	(106,568,836)	(5,555,090)	119,579	(112,004,347)
Net capital assets	\$ 207,552,382	\$(3,537,717)	\$ 0	\$204,014,665

(CONTINUED)

CITY OF WOONSOCKET, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

5. CAPITAL ASSETS (Continued)

	As Restated Balance <u>7/1/10</u>	<u>Additions</u>	<u>Retirements & Disposals</u>	Balance <u>6/30/11</u>
Business-type Activities:				
Nondepreciable Assets:				
Land.....	\$ 570,321			\$ 570,321
Construction in progress.....	1,448,626	\$ 1,115,300	\$(165,034)	2,398,892
Depreciable Assets				
Buildings & improvements	53,555,377	502,883		54,058,260
Equipment.....	7,985,905	153,160		8,139,065
Vehicles	553,191			553,191
Infrastructure	<u>36,106,710</u>	<u>124,861</u>		<u>36,231,571</u>
Total cost	<u>100,220,130</u>	<u>1,896,204</u>	<u>(165,034)</u>	<u>101,951,300</u>
Accumulated Depreciation:				
Buildings and improvements.....	(27,843,772)	(1,025,048)		(28,868,820)
Equipment.....	(6,277,013)	(129,992)		(6,407,005)
Vehicles	(536,559)	(24,136)		(560,695)
Infrastructure.....	<u>(11,965,164)</u>	<u>(586,560)</u>		<u>(12,551,724)</u>
Total accumulated depreciation	<u>(46,622,508)</u>	<u>(1,765,736)</u>	<u>0</u>	<u>(48,388,244)</u>
Net capital assets	<u>\$ 53,597,622</u>	<u>\$ 130,468</u>	<u>\$ (165,034)</u>	<u>\$ 53,563,056</u>

Depreciation expense for the year ended June 30, 2011 was charged to the following functions/programs of the City:

Governmental Activities:

Legislative	\$ 110,937
Education	3,499,482
Public safety.....	577,032
Public works.....	1,346,772
Recreation.....	20,867
Total	<u>\$5,555,090</u>

Business-type Activities:

Water Fund	\$ 661,856
Regional Wastewater Fund	1,025,049
User Fund	45,042
School Cafeteria Fund	<u>33,789</u>
Total	<u>\$1,765,736</u>

The following is a summary of Construction in Progress for the Governmental Activities at June 30, 2011:

Public Works	\$ 434,483
Legislative	26,791
Recreation.....	40,735
School Department	<u>683,320</u>
Total governmental activities	<u>\$ 1,185,329</u>

The following is a summary of Construction in Progress for the Business-Type Activities at June 30, 2011:

Water	<u>\$ 2,398,892</u>
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(CONTINUED)

CITY OF WOONSOCKET, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

6. DUE FROM FEDERAL AND STATE GOVERNMENTS

Due from/to federal and state governments represent balances on contracts and grants as well as for services provided and consisted of the following at June 30, 2011:

	<u>Due From</u>	<u>Due To</u>
General Fund:		
State of Rhode Island	\$ 788,608	\$ 20,514
School Unrestricted Fund:		
Federal Government	664,808	0
Other Governmental Funds:		
Federal Government & State of Rhode Island (pass through)	3,036,320	351,569
Water Fund:		
State of Rhode Island	0	74,466
Regional Wastewater Fund:		
State of Rhode Island	820	0
School Proprietary Funds:		
State of Rhode Island (pass through)	<u>159,024</u>	<u>0</u>
Total all fund types	<u>\$ 4,649,580</u>	<u>\$ 446,549</u>

7. TAX & BOND ANTICIPATION NOTES

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

<u>Balance</u> <u>7/1/2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/2011</u>
<u>\$250,000</u>	<u>\$0</u>	<u>\$250,000</u>	<u>\$0</u>

In fiscal 2011 the City entered into a bond anticipation note (BAN) agreement in the amount of \$11,500,000 dated July 14, 2010 with a maturity date of March 10, 2011. This note had an interest rate of 6.25%.

<u>Balance</u> <u>7/1/2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/2011</u>
<u>\$0</u>	<u>\$11,500,000</u>	<u>\$11,500,000</u>	<u>\$0</u>

On August 30, 2011 the City entered into a Wastewater System Revenue Bond Anticipation Note in the amount of \$4,000,000. The Note is due on August 29, 2012 and bears interest at 1.65% plus fees of .5%.

(CONTINUED)

CITY OF WOONSOCKET, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

8. LONG-TERM DEBT

(a) At June 30, 2011, the City's long-term debt outstanding and activity consisted of the following:

Description	Date Issued	Original Principal	Maturity Date	Interest Rate	As Restated		Retirements	Outstanding June 30, 2011	Due Within One Year
					Outstanding June 30, 2010	Additions			
Governmental Activities:									
General obligation bonds:									
Revaluation settlement	07/15/96	\$ 3,650,000	06/30/12	5.415%	\$ 600,000	\$ 300,000	\$ 300,000	\$ 300,000	\$ 300,000
GO Highway and road improvements ..	06/30/99	12,000,000	06/30/20	4.0% - 6.5%	7,470,000	590,000	6,880,000	6,880,000	620,000
GO Library and school	10/01/00	17,940,000	10/01/20	5.0% - 6.0%	12,275,000	840,000	11,435,000	11,435,000	890,000
Davidson Avenue Landfill	05/26/05	5,000,000	03/01/35	4.07% - 4.42%	4,695,000	110,000	4,585,000	4,585,000	110,000
Pension Obligation Bonds	01/15/03	90,000,000	06/30/33	2.3% - 5.71%	87,295,000	1,820,000	85,475,000	85,475,000	1,920,000
GO Promac Settlement	03/06/09	2,450,000	06/03/19	4.25%	2,198,718	251,282	1,947,436	1,947,436	251,282
GO Middle School	01/12/09	74,000,000	06/30/34	2.0% - 6.00%	74,000,000		74,000,000	74,000,000	250,000
108 Hud Loan Middle School	07/21/10	2,050,000	08/21/19	1.9%	2,050,000		2,050,000	2,050,000	1,825,000
GO Deficit Bond	03/10/11	11,500,000	06/15/16	7.125%	0	\$ 11,500,000	11,500,000	11,500,000	1,825,000
Premium on Bond Issuance					1,718,653	71,478	1,647,175	1,647,175	
Total general obligations bonds		\$218,590,000			192,302,371	3,982,760	199,819,611	199,819,611	6,166,282
Lease Purchase obligations:									
Recycling Container lease	10/15/07	\$ 1,300,000	10/15/14	3.92%	821,394	151,720	669,674	669,674	157,775
John Deere Equipment lease	04/15/08	132,260	4/15/14	4.75%	77,764	18,081	59,683	59,683	18,957
Elgin Sweeper Equipment lease	03/17/09	140,178	3/17/14	4.72%	83,988	26,715	57,273	57,273	27,976
Fire Apparatus lease	10/15/08	857,626	10/15/14	3.50%	621,979	115,987	505,992	505,992	120,047
Total lease purchase obligations ..		\$ 2,430,064			1,605,125	312,503	1,292,622	1,292,622	324,755
Net Pension Obligation					4,150,545	1,757,869	0	5,908,414	
Net OPEB Obligation City					19,484,531	10,065,783	0	29,550,314	
Net OPEB Obligation School					3,814,851	1,874,130	0	5,688,981	
Compensated absences - City					7,722,291	95,380	0	7,817,671	
Compensated absences - School					1,683,672	0	39,861	1,643,811	
Governmental activities long-term Liabilities					\$230,763,386	\$25,293,162	\$4,335,124	\$251,721,424	\$6,491,037

(CONTINUED)

CITY OF WOONSOCKET, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

8. LONG-TERM DEBT (Continued)

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

Description	Date Issued	Original Principal	Maturity Date	Interest Rate	Outstanding June 30, 2010	Additions	Retirements	Outstanding June 30, 2011	Due Within One Year
Business Type Activities:									
General obligation bonds:									
Water fund	05/26/05	\$ 3,755,000	03/01/14	3.25%-5.0%	\$ 1,810,000		\$ 425,000	\$ 1,385,000	\$ 445,000
RI Clean Water – Water Fund	05/13/03	10,165,250	09/01/24	3.49%	8,205,000		420,000	7,785,000	435,000
RI Clean Water – Water Fund	03/23/05	4,000,000	09/01/25	2.704%	3,378,999		165,000	3,213,999	170,000
RI Clean Water – User Fund	12/12/07	1,100,000	09/01/27	1.538%	(811)		55,000	(55,811)	(55,811)
Total bonds		<u>\$19,020,250</u>			13,393,188	\$ 0	1,065,000	12,328,188	994,189
Lease purchase obligations payable:									
Wastewater lease	02/15/11	\$320,841	2/15/13	0.0% - 0.0%	0	\$ 320,841	\$ 53,473	\$ 267,368	\$ 160,420
Wastewater lease	07/29/03	21,151,452	7/29/19	5.0% - 5.7%	14,464,044		1,228,674	13,235,370	1,289,616
Total lease purchase obligations ..		<u>\$21,472,293</u>			14,464,044	320,841	1,282,147	13,502,738	1,450,036
Net OPEB Obligation					672,812	330,895	0	1,003,707	
Compensated absences					445,098	0	59,159	385,939	
Business-type activities, long-term liabilities					<u>\$28,975,142</u>	<u>\$651,736</u>	<u>\$2,406,306</u>	<u>\$27,220,572</u>	<u>\$2,444,225</u>

(**) At June 30, 2011 the City has \$990,811 of funds available under this loan obligation. The balance available has not been included in the outstanding debt obligation at June 30, 2011 and has been subtracted from the final principal payment due under the bond amortization schedule. The balance noted above of (\$55,811) represents an overpayment of principal paid by the City in fiscal 2010 & 2011.

(CONTINUED)

CITY OF WOONSOCKET, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

8. LONG-TERM DEBT (Continued)

(b) Additional Debt Information

Of the City's \$210,500,624 total bonds payable (including bonds payable of the water fund and Clean Water obligations), approximately \$39,525,624 may be subject to its legal debt limits. The pension obligation bonds of \$85,475,000, \$74,000,000 of Middle school bonds, and \$11,500,000 for the Deficit Reduction Bond are exempt from the legal debt limit under Rhode Island Public Law. The \$39,525,624 outstanding does not exceed the City's legal debt limit of approximately \$53,102,000, which is 3% of the assessed value (\$1,770,075,000) of taxable property of the City. The total long-term debt bonds (excluding the pension bond, Middle School Bond, and deficit reduction bond) and Clean Water note obligations of the City represent approximately 2.2% of the assessed value of the taxable property of the City at June 30, 2011.

(c) Debt Service Requirements

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

Year ending June 30:	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2012	\$ 6,491,037	\$ 11,251,217	\$ 2,444,225	\$ 1,076,075	\$ 21,262,554
2013	8,698,736	10,641,535	2,544,528	977,664	22,862,463
2014	9,071,278	10,207,512	2,545,719	869,366	22,693,875
2015	9,501,717	9,694,011	2,156,187	753,478	22,105,393
2016	9,711,282	9,141,573	2,256,150	656,777	21,765,782
2017 – 2021	38,571,008	38,827,139	9,961,117	1,721,772	89,081,036
2022 – 2026	35,565,000	28,838,856	3,923,000	330,130	68,656,986
2027 – 2031	47,600,000	16,388,688	0	0	63,988,688
2032 – 2036	34,255,000	2,548,427	0	0	36,803,427
Total	<u>\$199,465,058</u>	<u>\$137,538,958</u>	<u>\$25,830,926</u>	<u>\$6,385,262</u>	<u>\$369,220,204</u>

(CONTINUED)

CITY OF WOONSOCKET, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

9. INFORMATION FOR BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS

Financial Information

The following summarized financial information is not required as each of these enterprise funds are stated separately in the statements of net assets and revenues, expenses and changes in fund net assets. All funds have been presented as major funds in the basic financial statements. The Hydro and School Proprietary Funds did not meet the definition of a major fund however management has elected to classify all of the proprietary funds as major funds. This summarized information as of and for the year ending June 30, 2011 is presented for the reader's informational purposes only:

	<u>Water Fund</u>	<u>Regional Wastewater Fund</u>	<u>User Fund</u>	<u>Hydro Fund</u>	<u>School Proprietary Funds</u>	<u>Total</u>
Operating revenues	\$7,328,130	\$6,649,082	\$5,952,491	\$145,783	\$2,541,913	\$22,617,399
Depreciation and amortization. expense	661,856	1,025,049	45,042	0	33,789	1,765,736
Operating income (loss).....	1,951,724	1,217,163	(218,036)	144,051	(169,935)	2,924,967
Change in net assets	1,607,001	503,195	(239,408)	2,133,526	(169,375)	3,834,939
Fixed asset additions	1,375,813	1,470,089	2,024	0	15,484	2,863,410
Net working capital	6,042,450	3,199,675	(827,313)	0	85,496	8,500,308
Total assets.....	36,312,554	34,035,186	4,801,325	94,701	1,067,439	76,311,205
Bonds payable	12,383,999	0	(55,811)	0	0	12,328,188
Notes and leases payable	0	13,502,738	0	0	0	13,502,738
Total net assets (deficiency)	21,488,985	17,193,822	(210,478)	0	242,080	38,714,409

10. FUND EQUITY BALANCES (DEFICITS)

(a) Fund Balances

As stated in Note 1, in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, Fund Balance may be classified as one of five categories: Non-spendable, Restricted, Committed, Assigned, or Unassigned.

At June 30, 2011 Non-Spendable Fund Balance consisted of the following:

MAJOR GOVERNMENTAL FUNDS:

General Fund:

Prepays.....	\$ 324,817
Inventory	<u>6,791</u>
Total Non-Spendable General Fund	<u>\$ 331,608</u>

School Unrestricted Fund:

Prepays.....	<u>\$ 420,500</u>
Total Non-Spendable School Unrestricted Fund	<u>\$ 420,500</u>

(CONTINUED)

CITY OF WOONSOCKET, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

10. FUND EQUITY BALANCES (DEFICITS) (Continued)

(a) Fund Balances (Continued)

At June 30, 2011 Restricted Fund Balance consisted of the following:

Capital Project Funds:

City Capital Projects Funds:

Middle School Construction, bond proceeds \$ 3,376,000

Other Governmental Funds:

Special Revenue Funds:

Community Development	\$ 128,966
Library Operations	167,347
Economic Development.....	12,906
Parks and Recreation	7,415
Law Enforcement.....	374,085
Healthcare Services.....	31,887
Environmental.....	19,475
Fire Equipment	43,373
Middle School Environmental Cleanup.....	10,500
Historical Preservation.....	1,230
Housing Rehabilitation.....	189,156
City Record Preservation.....	130,987
Public Services	11,749
Public Safety.....	11
Education.....	<u>169,290</u>
Total Restricted fund balance	<u>\$ 1,289,377</u>

At June 30, 2011 Committed Fund Balance consisted of the following:

Other Governmental Funds:

Special Revenue Funds:

Land & Recreation Development.....	\$126,994
Planning and Development.....	32,787
Public Services	<u>1,599</u>
Total Committed fund balance	<u>\$161,380</u>

The City of Woonsocket does not currently have a spending policy regarding the order in which restricted, committed, assigned, and unassigned fund balances are spent when more than one amount is available for the expenditures incurred. Accordingly, by default, the City is following the policy prescribed by GASB Statement No. 54 which specifies that fund balance is reduced first by committed, then by assigned, then by unassigned when expenditures are incurred for purposes for which any unrestricted fund balance could be used. In all situations, the City considers restricted fund balance to be used first when available and when expenditures are incurred that meet the requirements of the restricted fund balance.

(CONTINUED)

CITY OF WOONSOCKET, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

10. FUND EQUITY BALANCES (DEFICITS) (Continued)

(b) Fund Deficits

The following funds had deficit fund equity balances at June 30, 2011:

Major Governmental Fund:

School Unrestricted Fund \$2,575,802

The deficit fund equity of the School Unrestricted Fund will be funded over a period of several years through costs savings strategies and/or additional appropriations from local or state governments.

Non-major Governmental Funds:

Hamlet Enhancement	\$	1,087
Juvenile Fire Setters' Education		63
Business Revolving Loan Fund.....		148,303
Woonsocket Senior Citizens		596
Cass Park Improvement Grant		2,749
Homeland Security Grant		6,139
Recovery Justice Assistance Grant.....		3,645
School Restricted Funds		5,654
Justice Assistance Grant 2008.....		674
Total non-major governmental funds.....		<u>\$168,910</u>

The deficit fund equity noted above will be funded through collection of fees, loans, and/or an appropriation transfer.

Business-Type Funds:

User Fund.....	<u>\$210,478</u>
Total deficits Business-Type Activities	<u>\$210,478</u>

The deficit net assets of the User Fund will be recovered through an increase in the assessment of fees in future years.

The following individual funds had deficits for the year ending June 30, 2011:

Major Governmental Activities:

City Capital Project Fund..... \$ 1,636,707

(CONTINUED)

CITY OF WOONSOCKET, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

10. FUND EQUITY BALANCES (DEFICITS) (Continued)

(b) Fund Deficits (Continued)

The following individual funds had deficits for the year ending June 30, 2011 (Continued):

Non-major Governmental Activities:

Special Revenue Funds:

Juvenile Fire Setters' Education	\$ 337
Library Services Fund.....	14,645
Harris Library Grant	26,661
Woonsocket Senior Citizens	3,299
Bramley Bill Fund	2,076
Hazardous Material Grant.....	3,434
LLEBG Grant 2002-2004.....	2,995
Justice Assistance Grant 09	19,416
Cass Park Improvement Grant.....	2,749
Homeland Security Grant	5,992
Recovery Justice Assistance Grant 09.....	28,645
Justice Assistance Grant 08	486
Wayfinding Master Plan Fund	<u>5,206</u>
Total deficits non-major governmental activities	<u>\$115,941</u>

11. INTERFUND BALANCES AND TRANSFERS

The principal purpose of interfund transfers is to provide a financing source to various funds that may not have the ability to cover all operating costs with revenue generated by the fund. The composition of interfund transfers for the year ended June 30, 2011 is as follows:

<u>Transfer Out</u>	<u>General Fund</u>	<u>School Unrestricted Fund</u>	<u>Non-major Governmental Funds</u>	<u>Hydro Fund</u>	<u>Total Transfer Out</u>
General Fund		\$12,586,560	\$ 60,000	\$1,989,475	\$14,636,035
Capital Projects	\$1,330,000				1,330,000
School Unrestricted Fund.....			300,395		300,395
Non-major Governmental Funds...	<u>1,189,674</u>		<u>11,514</u>		<u>1,201,188</u>
Total transfer in	<u>\$ 2,519,674</u>	<u>\$12,586,560</u>	<u>\$371,909</u>	<u>\$1,989,475</u>	<u>\$ 17,467,618</u>

(CONTINUED)

CITY OF WOONSOCKET, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

11. INTERFUND BALANCES AND TRANSFERS (Continued)

Interfund balances represent short-term advances from one fund (primarily the General Fund) to another fund. The advances may represent balances resulting from operating advances or reimbursement for expenditures paid by one fund on behalf of another fund. The composition of interfund balances at June 30, 2011 is as follows:

	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
<u>Governmental Funds:</u>		
<i>Major Governmental Funds:</i>		
General Fund.....	\$ 824,058	\$ 4,914,321
School Unrestricted Fund	6,130,477	811,960
Capital Projects Funds.....	270,118	990,800
<i>Non-major Governmental Funds:</i>		
School Restricted Funds.....	35,932	1,946,043
Emergency Shelter Funds	0	414
Hamlet Ave Enhancement	0	1,087
Juvenile Fire Setters' Education Fund.....	0	1,000
Homeland Security Grant	579	790
Business Revolving Loan Fund	0	19,523
Rhode Island Home Fund.....	0	158,191
Harris Library Grant	800	0
Task Force on Drugs/Alcohol	640	0
Woonsocket Senior Center.....	0	800
Police Department Special Squad Fund.....	22,702	0
Bramley Bill	3,184	640
Community Development Block Grant	158,191	150,643
Hazardous Material Grant.....	0	579
EMS Public Fund	0	98,855
Cass Park Improvement Grant	0	2,700
Homeland Security Police Grant.....	0	35,000
Cops Technology Grant.....	815	4,500
Justice Assistance Grant 08	0	815
School Capital Projects.....	266,818	0
Brownsfield Assessment Program.....	10,500	200,000
<i>Total governmental funds</i>	<u>7,724,814</u>	<u>9,338,661</u>
<i>Proprietary Funds:</i>		
Water Fund	1,669,662	298,104
Wastewater Fund.....	6,701,113	2,565,303
User Charge Fund	1,411,885	4,901,447
Hydro Fund	0	94,701
School Proprietary Fund	15,343	324,601
<i>Total proprietary funds</i>	<u>9,798,003</u>	<u>8,184,156</u>
TOTAL ALL FUNDS	<u>\$ 17,522,817</u>	<u>\$ 17,522,817</u>

(CONTINUED)

CITY OF WOONSOCKET, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

12. DEFINED BENEFIT PENSION PLANS

(a) General Municipal Employees' Pension Plan

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

The covered payroll for employees covered by the System for the year ended June 30, 2011 was approximately \$12,036,900 and the City wide payroll (including School Department) was approximately \$67,984,000.

Plan Description

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

Contributions Required and Contributions Made

General employees are required by State Statute to contribute 7 percent of their annual earnings until the maximum benefit (75 percent of final average salary) is accrued. The City is required to contribute based on an actuarially computed amount and as provided by State Statute for each participating municipality. The actuarial method used is the entry age normal cost with part of each municipality's unfunded actuarial liability funded over a fixed amortization period and the balance funded over the projected future payroll of active members. Due to large fluctuations in the contribution rates of certain municipalities, the plan has adopted a procedure which would allow a unit the option of paying a smoothed contribution rate. The smoothed contribution rate equals the previous fiscal year's contribution rate plus the greater of 2 percent or one eighth of the increase in contribution rate plus the cost of any benefit improvements. The actuarially determined contribution amount for the City was determined as described above and was based on an actuarial valuation as of June 30, 2008.

The annual required contribution for the City which equals the annual pension cost for the year ended June 30, 2011 was approximately \$81,200 for general employees. This contribution represents 0.67% of covered payroll. General municipal employees were required to contribute approximately \$829,800. This contribution represents 7% of covered payroll for the period July 1, 2010 to June 30, 2011

The most recent actuarial assumptions reduced the investment rate of return from 8.25% to 7.5% and made adjustments to the mortality tables. There were no other current year changes in actuarial assumptions, benefit provisions, or actuarial funding method that would significantly affect the contribution requirement. Significant actuarial assumptions and other actuarial information are presented at the end of this note disclosure and in required supplemental information.

(CONTINUED)

CITY OF WOONSOCKET, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

12. DEFINED BENEFIT PENSION PLANS (Continued)

a) General Municipal Employees' Pension Plan (Continued)

Trend Information

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2009	\$405,000	100%	\$0
2010	\$280,700	100%	\$0
2011	\$81,200	100%	\$0

Trend information showing the System's progress (See RSI – 3) in accumulating sufficient assets to pay benefits when due is presented in the State of Rhode Island's Employee Retirement System's June 30, 2010 annual financial report, which may be obtained from the administrative offices of the State of Rhode Island Retirement Board, 40 Fountain Street, Providence, Rhode Island. This report is the most recent report available from the State, who administers the Plan.

Funded Status of Plan

The required supplementary information which follows the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Listed below are the details of the funding progress of the General Municipal Employees' Pension Plan with a valuation date of June 30, 2010 which is the most recent report available from the State who administers this plan.

- Actuarial value of assets - \$62,059,325
- Actuarial accrued liability - \$69,257,290
- Funded Excess (Deficit) – (\$7,197,965)
- Funded Ratio – 89.6%
- Annual covered payroll - \$12,024,784
- Funding Excess (Deficit) as percentage of payroll – (59.9%)

Subsequent to year ended June 30, 2011 the State of Rhode Island passed legislation on Pension Reform. The changes made as a result of this Pension Reform Legislation will have an impact on the actuarial valuation results as presented above.

(b) Municipal Police Pension Plan

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

The covered payroll for employees covered by the System for the year ended June 30, 2011 was approximately \$5,176,400, and the City wide payroll (including School Department) was approximately \$67,984,000.

(CONTINUED)

CITY OF WOONSOCKET, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

12. DEFINED BENEFIT PENSION PLANS (Continued)

(b) Municipal Police Pension Plan (Continued)

Plan Description

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

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

Contributions Required and Contributions Made

Police personnel are required by State Statute to contribute 9 percent until the maximum benefit (75 percent of final average salary) is accrued. The City is required to contribute based on an actuarially computed amount and as provided by State Statute for each participating municipality. The actuarial method used is the entry age normal cost with part of each municipality's unfunded actuarial liability funded over a fixed amortization period and the balance funded over the projected future payroll of active members. Due to large fluctuations in the contribution rates of certain municipalities, the plan has adopted a procedure which would allow a unit the option of paying a smoothed contribution rate. The smoothed contribution rate equals the previous fiscal year's contribution rate plus the greater of 2 percent or one eighth of the increase in contribution rate plus the cost of any benefit improvements. The actuarially determined contribution amount for the City was determined as described above and was based on an actuarial valuation as of June 30, 2008.

The annual required contribution for the City which equals the annual pension cost for the year ended June 30, 2011 was approximately \$734,000. This contribution represents 14.17% of covered payroll for the fiscal year ended June 30, 2011. Employees were required to contribute approximately \$455,800 or 9% of the covered payroll for the fiscal year ended June 30, 2011.

The most recent actuarial assumptions reduced the investment rate of return from 8.25% to 7.5% and made adjustments to the mortality tables. There were no other current year changes in actuarial assumptions, benefit provisions, or actuarial funding method that would significantly affect the contribution requirement. Significant actuarial assumptions and other actuarial information are presented at the end of this note disclosure and in required supplemental information.

(CONTINUED)

CITY OF WOONSOCKET, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

12. DEFINED BENEFIT PENSION PLANS (Continued)

(b) Municipal Police Pension Plan (Continued)

Trend Information

Municipal Police Pension Plan:

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2009	\$788,440	100%	\$0
2010	\$700,000	100%	\$0
2011	\$734,000	100%	\$0

Trend information showing the System's progress (see RSI – 3) in accumulating sufficient assets to pay benefits when due is presented in the State of Rhode Island's Employee Retirement System's June 30, 2010 annual financial report, which may be obtained from the administrative offices of the State of Rhode Island Retirement Board, 40 Fountain Street, Providence, Rhode Island. This report is the most recent report available from the State, who administers the Plan.

Funded Status of Plan

The required supplementary information which follows the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Listed below are the details of the funding progress of the Municipal Police Employees' Pension Plan with a valuation date of June 30, 2010 which is the most recent report available from the State who administers this plan.

- Actuarial value of assets - \$29,718,494
- Actuarial accrued liability - \$43,792,882
- Funded Excess (Deficit) – (\$14,074,388)
- Funded Ratio – 67.9%
- Annual covered payroll - \$4,926,427
- Funded Excess (Deficit) as percentage of payroll – (285.7%)

Subsequent to year ended June 30, 2011 the State of Rhode Island passed legislation on Pension Reform. The changes made as a result of this Pension Reform Legislation will have an impact on the actuarial valuation results as presented above

(c) Municipal Fire Pension Plan

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

The covered payroll for employees covered by the System for the year ended June 30, 2011 was approximately \$6,907,300, and the City wide payroll (including School Department) was approximately \$67,984,000.

(CONTINUED)

CITY OF WOONSOCKET, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

12. DEFINED BENEFIT PENSION PLANS (Continued)

(c) Municipal Fire Pension Plan (Continued)

Plan Description

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

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

Contributions Required and Contributions Made

Fire personnel are required by State Statute to contribute 9 percent until the maximum benefit (75 percent of final average salary) is accrued. The City is required to contribute based on an actuarially computed amount and as provided by State Statute for each participating municipality. The actuarial method used is the entry age normal cost with part of each municipality's unfunded actuarial liability funded over a fixed amortization period and the balance funded over the projected future payroll of active members. Due to large fluctuations in the contribution rates of certain municipalities, the plan has adopted a procedure which would allow a unit the option of paying a smoothed contribution rate. The smoothed contribution rate equals the previous fiscal year's contribution rate plus the greater of 2 percent or one eighth of the increase in contribution rate plus the cost of any benefit improvements. The actuarially determined contribution amount for the City was determined as described above and was based on an actuarial valuation as of June 30, 2008.

The annual required contribution for the City which equals the annual pension cost for the year ended June 30, 2011 was approximately \$787,300. This contribution represents 11.67% of covered payroll for the fiscal year ended June 30, 2011. Employees were required to contribute approximately \$621,700 or 9% of the covered payroll for the fiscal year ended June 30, 2011.

The most recent actuarial assumptions reduced the investment rate of return from 8.25% to 7.5% and made adjustments to the mortality tables. There were no other current year changes in actuarial assumptions, benefit provisions, or actuarial funding method that would significantly affect the contribution requirement. Significant actuarial assumptions and other actuarial information are presented at the end of this note disclosure and in required supplemental information.

(CONTINUED)

CITY OF WOONSOCKET, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

12. DEFINED BENEFIT PENSION PLANS (Continued)

(c) Municipal Fire Pension Plan (Continued)

Trend Information

Municipal Fire Pension Plan:

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2009	\$841,633	100%	\$0
2010	\$848,200	100%	\$0
2011	\$787,300	100%	\$0

Trend information showing the System's progress (see RSI – 3) in accumulating sufficient assets to pay benefits when due is presented in the State of Rhode Island's Employee Retirement System's June 30, 2010 annual financial report, which may be obtained from the administrative offices of the State of Rhode Island Retirement Board, 40 Fountain Street, Providence, Rhode Island. This report is the most recent report available from the State, who administers the Plan.

Funded Status of Plan

The required supplementary information which follows the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Listed below are the details of the funding progress of the Municipal Fire Employees' Pension Plan with a valuation date of June 30, 2010 which is the most recent report available from the State who administers this plan.

- Actuarial value of assets - \$29,070,902
- Actuarial accrued liability - \$36,095,122
- Funded Excess (Deficit) – (\$7,024,220)
- Funded Ratio – 80.5%
- Annual covered payroll - \$6,639,590
- Funded Excess (Deficit) as percentage of payroll – (105.8%)

Subsequent to year ended June 30, 2011 the State of Rhode Island passed legislation on Pension Reform. The changes made as a result of this Pension Reform Legislation will have an impact on the actuarial valuation results as presented above.

(CONTINUED)

CITY OF WOONSOCKET, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

12. DEFINED BENEFIT PENSION PLANS (Continued)

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

	General Municipal Employees <u>Pension Plan</u>	Municipal Fire & Police <u>Pension Plan</u>
Valuation Date	6/30/10	6/30/10
Actuarial Cost Method	Entry Age Normal Cost	Entry Age Normal Cost
Amortization Method	Level Percent Closed – 30 year from June 30, 1999	Level Percent Closed –30 year from 6/30/99
Remaining Amortization Period	19 years	19 years
Asset Valuation Method	5-year Smoothed Market Value	5-Year Smoothed Market Value
Actuarial assumptions:		
Investment rate of return.....	7.5%, compounded annually	7.5%, compounded annually
Projected Salary Increases.....	4.0% to 8.0%, compounded annually	4.0% to 14.25%, compounded annually
Inflation Adjustment	2.75%	2.75%
Cost-of-living Adjustments.....	3%, not compounded, beginning on the January 1 following participant's retirement	3%, not compounded, beginning on the January 1 following participant's retirement
Participant Information (June 30, 2010).		
	Active Employees 370	Active Employees 90
	Retirees and beneficiaries 322	Retirees and beneficiaries 52
	<u>692</u>	<u>142</u>
		Fire:
		Active Employees 113
		Retirees and beneficiaries 11
		<u>124</u>

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

(CONTINUED)

CITY OF WOONSOCKET, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

12. DEFINED BENEFIT PENSION PLANS (Continued)

(d) Teacher's Pension Plan

All City of Woonsocket School Department certified school personnel participate in the Employees' Retirement System (ERS) of the State of Rhode Island ("System"), a cost-sharing multiple-employer defined benefit plan. The payroll for employees covered by the System for the year ended June 30, 2011 was approximately \$35,753,500. The School Department's total payroll was approximately \$44,952,000. The City wide payroll for the year ended June 30, 2011 was approximately \$67,984,300.

Plan Description

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

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

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

(CONTINUED)

CITY OF WOONSOCKET, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

12. DEFINED BENEFIT PENSION PLANS (Continued)

(d) Teacher's Pension Plan (Continued)

The ERS plan also provides a survivor benefit to public school teachers via a "Teachers Survivor Benefits Fund" in lieu of Social Security. The details of the survivor death benefits and other death benefits are provided in the financial section of the Annual Financial Report of the Employees' Retirement System of Rhode Island for the fiscal year ending June 30, 2010 which can be found at www.ersri.org.

Funding Policy

Rhode Island general laws set the contribution rates for participating plan employees at 9.5% of salary. Annual contributions by both employers and the State on behalf of those employees are determined by actuaries and assessed as a percentage of participants' payroll. The School Department was required to contribute 11.25%, 11.25%, and 11.886% for all full-time employees for fiscal years 2011, 2010, and 2009, respectively. The required contributions include (a) normal costs; (b) payments to amortize the unfunded frozen actuarial accrued liability as of June 30, 1999 over 30 years; and (c) interest on the unfunded frozen actuarial liability. Normal cost is determined using the entry age normal cost method with frozen initial liability. A variety of significant actuarial assumptions are used for the actuarial valuation date of June 30, 2008 and these assumptions are summarized below:

- (a) **Mortality** – 1994 Group Annuity Mortality Tables
- (b) **Investment return** – 7.5 percent, compounded annually.
- (c) **Salary increase** - Salaries will increase at a rate of 4.0 – 12.75 percent, compounded annually.
- (d) **Retirement age** – 75% of Schedule B members who reach the age of 59 with 29 years of service before age 65 are assumed to retire when first eligible. 75% of other members are expected to retire when first eligible, at age 65 with 10 years of service. Because of enactment of Article 7 in 2009, the retirement assumption was modified for members not eligible for retirement by October 1, 2009. Members who would have been assumed to retire prior to age 62 under the rules in effect before the enactment of Article 7 are assumed to retire when first eligible for an unreduced benefit under Article 7.
- (e) **Cost of living adjustments** – Schedule A members – 3% compounded if grandfathered, 2.35% if nongrandfathered; Schedule B members 2.35%.

As prescribed by Rhode Island general law, the State pays the entire portion of the annual required contribution attributable to the costs of contributions deferred by the State in prior years plus 40% of contributions assessed to employers on payroll not reimbursable through Federal programs. For fiscal year 2011, actuarial required contributions were 19.01% of the participant's salary. This resulted in contribution rates paid by the State on behalf of the School Department of 7.76% of non-federally reimbursable payrolls totaling \$2,344,323 for the fiscal year ended June 30, 2011. The School Department contributed the remaining 11.25% of the required 19.01%. The City's contribution for certified employees paid under federal grants was 19.01%.

The amounts contributed to the plan were as follows:

<u>Years Ending June 30,</u>	<u>Employee (approximate)</u>	<u>City's Portion of Annual Required Contributions</u>	<u>Percentage Contributed</u>
2011	\$3,397,071	\$4,448,044	100%
2010	\$3,363,814	\$4,335,982	100%
2009	\$3,369,276	\$4,456,455	100%

(CONTINUED)

CITY OF WOONSOCKET, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

12. DEFINED BENEFIT PENSION PLANS (Continued)

(d) Teacher's Pension Plan (Continued)

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

Trend information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented in the State of Rhode Island's Employee Retirement System's June 30, 2010 annual financial report, which may be obtained from the administrative offices of the State of Rhode Island Retirement Board, 40 Fountain Street, Providence, Rhode Island. This report is the most recent report available from the State, who administers the Plan. The report can also be found at www.ersri.org.

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

Woonsocket Police Employees hired before July 1, 1980 and Fire Employees hired before July 1, 1985 participate in single-employer retirement plans which were established in accordance with the Woonsocket City Charter. The plans are considered part of the City's financial reporting entity and are included as a pension trust fund (Fiduciary Fund) in the annual financial report for the fiscal year ended June 30, 2011. The payroll for employees covered by the plan for the year ended June 30, 2011 was approximately \$410,500 while the City-wide payroll for the year ended June 30, 2011 was approximately \$67,984,000.

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

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

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

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

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

(CONTINUED)

CITY OF WOONSOCKET, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

12. DEFINED BENEFIT PENSION PLANS (Continued)

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

Summary of Plan Benefits

Police Pension Plan

All members of the permanent police department who were hired prior to July 1, 1980 were eligible to join the plan. The Plan provides retirement, death, and disability benefits. Participants in the Plan are eligible to retire at the later of attainment of age 65 or the completion of 20 years of service. Normal retirement benefits are equal to 60% of current annual salary plus 2% of salary for each year worked in excess of 20 years up to a maximum of 70% of their annual salary. Participants were required to contribute 7% of their annual salary. During the fiscal year ended June 30, 2011 there were no current active police officers contributing to this plan.

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

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

Fire Pension Plan

All members of the permanent fire department who were hired prior to July 1, 1985 were eligible to join the plan. The Plan provides retirement, death, and disability benefits. Participants in the Plan are eligible to retire at the later of attainment of age 65 or the completion of 20 years of service. Normal retirement benefits are equal to 50% of current annual salary plus 2.5% of salary for each year worked in excess of 20 years up to a maximum of 75% of their annual salary. Participants contribute 8% of their annual salary to the Plan. Payroll for Fire employees covered by the plan for the fiscal year ended June 30, 2011 was approximately \$410,500. Contributions to the plan were approximately \$1,029,600 for the fiscal year ended June 30, 2011. These contributions were comprised of employer contributions of \$1,011,400 and employee contributions of \$18,200.

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

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

The Annual Required Contribution to the Police and Fire Employee Pension Plan for the fiscal year ended June 30, 2011 was estimated to be \$2,775,469 and assumes a 30 year amortization of the unfunded accrued liability.

Market value of assets as a percentage of the present value of accumulated benefits (calculated at an assumed rate of 8.25%) decreased from 58.9% as of July 1, 2009 to 57.8% as of July 1, 2010.

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CITY OF WOONSOCKET, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

12. DEFINED BENEFIT PENSION PLANS (Continued)

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

Contribution Required and Contributions Made

The plan actuarial valuation dated July 1, 2009 was used to determine the City's annual required contribution for the fiscal year ended June 30, 2011. The City's annual required contribution for the fiscal year ended June 30, 2011 was \$2,775,469 while the actual contributions made were \$11,371. This employer required contribution represents approximately 676% of the covered payroll.

The City's Annual Pension Cost (APC) and net pension benefit obligation (NPO) for the Police & Fire Pension Fund as of and for the fiscal year ended June 30, 2011 was as follows:

Annual required contribution (ARC).....	\$2,775,469
Interest on NPO	342,420
Adjustments to ARC	<u>(348,649)</u>
Annual pension cost (APC).....	2,769,240
City contributions made	<u>(1,011,371)</u>
Increase in net pension obligation	1,757,869
Net pension benefit obligation, June 30, 2010	<u>4,150,545</u>
Net pension benefit obligation, June 30, 2011.....	<u>\$5,908,414</u>

Trend Information

<u>Fiscal Year Ending</u>	<u>City Contribution</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2011	\$1,011,371	\$2,769,240	36.5%	\$5,908,414
6/30/2010	\$15,612	\$2,705,190	0.58%	\$4,150,545
6/30/2009	\$26,200	\$1,518,900	1.7%	\$1,492,700

Trend information showing the City's progress (see RSI – 3) in accumulating sufficient assets to pay benefits when due is presented in the City's Actuarial Report dated July 1, 2011, which may be obtained from the City's Finance office. This report is the most recent report available.

Funded Status of Plan

The required supplementary information which follows the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Listed below are the details of the funding progress of the Police and Fire Pension Plan, administered by the City of Woonsocket, with a valuation date of July 1, 2011 which is the most recent report available from the City who administers this plan.

- Actuarial value of assets - \$65,313,250
- Actuarial accrued liability - \$107,562,736
- Funded Excess (Deficit) – (\$42,249,486)
- Funded Ratio – 61.0%
- Annual covered payroll - \$374,815
- Funded Excess (Deficit) as percentage of payroll – (11,660.1%)

(CONTINUED)

CITY OF WOONSOCKET, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

13. RISK MANAGEMENT AND HEALTH CARE MANAGEMENT PLAN

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

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

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

During the fiscal year ended June 30, 2011 the City of Woonsocket used predominately a cost plus basis financing plan to finance the cost of its health insurance benefits provided to City employees. Effective June 1, 2010 the Woonsocket Education Department also became self insured under the cost plus basis.

The City and School Finance Department's oversees the self-insured program and "claims payment services" are provided by Blue Cross Blue Shield of Rhode Island (Plan Administrator). "Incurred but not reported claims" as of June 30, 2011 were estimated to be approximately \$730,000 and are included as a liability in the City General Fund (\$362,000) and School Unrestricted Fund (\$368,000) of the fund financial statements. This estimate was based on actual claims billed and paid subsequent to year end but related to claims incurred prior to June 30, 2011. The City and School Department purchase specific "stop loss" insurance in order to avoid catastrophic losses. Under the specific stop loss insurance, the first component is a specific stop loss related solely to hospital and surgical/medical claims with attachment points of \$175,000 aggregate per individual contract during the contract period ending June 30, 2011. The City and School Department oversee the self-insured program and Blue Cross Blue Shield of Rhode Island provides claims payment services. The following is a schedule of health and dental claims processed under the self insured program of the City and School Department during the fiscal year ended June 30, 2011.

	<u>2011</u>	<u>2010</u>
IBNR at beginning of year.....	\$ 692,000	\$ 278,000
Approximate claims incurred year ended June 30 ..	8,454,000	8,490,000
Approximate claims paid year ended June 30	<u>(8,416,000)</u>	<u>(8,076,000)</u>
IBNR at June 30	<u>\$ 730,000</u>	<u>\$ 692,000</u>

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

(CONTINUED)

CITY OF WOONSOCKET, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

14. OPERATING LEASES

The Woonsocket School Department has entered into several lease agreements for office equipment. The terms of these agreements are for 36 months and require monthly lease payments of \$1,913. In accordance with the terms of these agreements, the leases have been classified as operating leases. During the year ended June 30, 2011, the expenditure incurred under the terms of this operating lease was approximately \$9,600.

In September 2008 the City entered into a lease agreement for copier equipment. The lease is for 60 months and requires monthly payment of approximately \$500. The lease contains a bargain purchase option of \$1 at the termination of the lease and therefore meets the conditions of a capital lease. However, due to the immaterial amount of the lease and the likelihood that the equipment will be fully depreciated at the end of the lease term, management has elected to treat the lease as an operating lease. Total expenditures incurred under this lease agreement was approximately \$7,600 for the year ended June 30, 2011

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

Year Ended	
<u>June 30</u>	
2012	\$6,000
2013	6,000
2014	<u>1,500</u>
Total.....	<u>\$13,500</u>

15. OTHER POST EMPLOYMENT BENEFITS

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

The Woonsocket Education Department offers health insurance for all bargaining unit members who retire with at least 28 years of credited service until the retiree attains the age of 65. Thereafter, if the retiree has 35 years of service, 25 in Woonsocket, the retiree is eligible for Plan 65 with a 15% employee contribution. The Woonsocket Education Department allows continuation of benefits to retirees with less than 28 years of service subject to the group rates. During the fiscal year ended June 30, 2011 approximately 466 retirees were eligible for these post employment benefits. Total other post employment benefits expenditures incurred during the fiscal year ended June 30, 2011 for School Department employees was approximately \$2,191,000.

The City of Woonsocket paid post employment benefits totaling approximately \$4,561,000 in accordance with terms of the various union contracts. These benefits were comprised of the following: approximately \$1,466,000 for 113 municipal employees; approximately \$1,039,800 for 86 fire department retirees; and approximately \$2,055,200 for 251 police department retirees.

(CONTINUED)

CITY OF WOONSOCKET, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

15. OTHER POST EMPLOYMENT BENEFITS (Continued)

The City has not adopted an Irrevocable Trust Fund for the administration of postemployment benefits (health, dental, and life insurance) in accordance with union contracts and as such the plan is considered unfunded as of June 30, 2011.

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

Type of Coverage:

a. Plan Types:

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

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

Life: Police and City employees may continue their life insurance coverage at their own expense in retirement. Coverage reduces by one half at age 65. Superintendents \$25,000; Non-Superintendents \$10,000.

b. Eligibility:

Firefighters and police – 20 years of service

City employees – Age 58 and 10 years of service

Teachers – Future retirees with 35 years of employment credited under RI Retirement System, 20 of which are with Woonsocket Education Department are eligible for family coverage.

School Paraprofessionals – 28 years of employment credited under RI Retirement System, 20 years of which are with Woonsocket Education Department are eligible for two individual retirement plans if 32 years then eligible for family coverage.

c. Benefit/Cost Sharing:

Firefighters and police – Town pays 100%

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

Spouse and surviving spouse benefit exists for all employees.

Teachers – 100% individual coverage for retiree and one dependent.

School Paraprofessional – members hired prior to 11/1/1994 100% individual coverage. Hired after 11/1/1994 – 95% individual coverage.

d. Monthly premiums: 7/1/2010-6/30/2011

Medical: City, Police and Firefighters – Healthmate - Individual - \$499 Family - \$1,243

Police – Healthmate – Individual - \$502 Family \$1,249

Police – Classic – Individual \$664 Family \$1,687

Firefighters – Healthmate – Individual \$493 Family \$1,227

Firefighters – Classic – Individual \$549 Family \$1,392

City – Classic – Individual \$548 Family \$1,387

City – Plan 65 - Individual \$154

City – Blue Chip - \$190

School – Healthmate effective 8/1/2010 – Individual \$527; Family \$1,297

School – Classic Blue effective 7/1/2010 – Individual \$695; Family \$1,712

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

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

(CONTINUED)

CITY OF WOONSOCKET, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

15. OTHER POST EMPLOYMENT BENEFITS (Continued)

Funding Policy:

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

City General Fund:

	<u>2011</u>	<u>2010</u>
Annual Required Contribution (ARC)	\$14,279,069	\$13,527,882
Interest on net OPEB Obligation	779,381	382,174
Adjustment to ARC	<u>(835,999)</u>	<u>(416,013)</u>
Annual OPEB Cost	14,222,451	13,494,043
Contributions made **	<u>(4,156,668)</u>	<u>(3,563,869)</u>
Increase in net OPEB Obligation	10,065,783	9,930,174
Net OPEB Obligation at beginning of year	<u>19,484,531</u>	<u>9,554,357</u>
Net OPEB Obligation at end of year	<u>\$29,550,314</u>	<u>\$19,484,531</u>

School Unrestricted Fund:

	<u>2011</u>	<u>2010</u>
Annual Required Contribution (ARC)	\$4,019,151	\$3,844,919
Interest on net OPEB Obligation	152,594	76,437
Adjustment to ARC	<u>(164,104)</u>	<u>(83,280)</u>
Annual OPEB Cost	4,007,641	3,838,076
Contributions made **	<u>(2,133,511)</u>	<u>(1,934,163)</u>
Increase in net OPEB Obligation	1,874,130	1,903,913
Net OPEB Obligation at beginning of year	<u>3,814,851</u>	<u>1,910,938</u>
Net OPEB Obligation at end of year	<u>\$5,688,981</u>	<u>\$3,814,851</u>

Wastewater Fund:

	<u>2011</u>	<u>2010</u>
Annual Required Contribution (ARC)	\$ 25,311	\$ 24,649
Interest on net OPEB Obligation	190	115
Adjustment to ARC	<u>(204)</u>	<u>(125)</u>
Annual OPEB Cost	25,297	24,639
Contributions made **	<u>(25,026)</u>	<u>(19,892)</u>
Increase in net OPEB Obligation	271	4,747
Net OPEB Obligation at beginning of year	<u>4,747</u>	<u>0</u>
Net OPEB Obligation at end of year	<u>\$ 5,018</u>	<u>\$ 4,747</u>

Water Fund:

	<u>2011</u>	<u>2010</u>
Annual Required Contribution (ARC)	\$586,840	\$ 559,047
Interest on net OPEB Obligation	26,723	13,212
Adjustment to ARC	<u>(28,664)</u>	<u>(14,382)</u>
Annual OPEB Cost	584,899	557,877
Contributions made **	<u>(254,275)</u>	<u>(220,105)</u>
Increase in net OPEB Obligation	330,624	337,772
Net OPEB Obligation at beginning of year	<u>668,065</u>	<u>330,293</u>
Net OPEB Obligation at end of year	<u>\$998,689</u>	<u>\$ 668,065</u>

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

(CONTINUED)

CITY OF WOONSOCKET, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

15. OTHER POST EMPLOYMENT BENEFITS (Continued)

Trend Information:

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

City General Fund:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>% of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2009	\$12,806,653	25.4%	\$9,554,357
6/30/2010	\$13,494,043	26.4%	\$19,484,531
6/30/2011	\$14,222,451	29.2%	\$29,550,314

School Unrestricted Fund:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>% of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2009	\$3,674,453	48.0%	\$1,910,938
6/30/2010	\$3,838,076	50.4%	\$3,814,851
6/30/2011	\$4,007,641	50.4%	\$5,688,981

Wastewater Fund:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>% of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2009	\$23,951	87.9%	\$2,887
6/30/2010	\$24,639	92.5%	\$4,747
6/30/2011	\$25,297	98.9%	\$5,018

Water Fund:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>% of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2009	\$531,989	37.9%	\$330,293
6/30/2010	\$557,877	39.5%	\$668,065
6/30/2011	\$584,899	43.5%	\$998,689

(CONTINUED)

CITY OF WOONSOCKET, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

15. OTHER POST EMPLOYMENT BENEFITS (Continued)

Funded Status of Plan

The required supplementary information which follows the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Listed below are the details of the funding progress of the OPEB Plan with a valuation date of July 1, 2011 which is the most recent report available from the City of Woonsocket's Actuary.

City General Fund:

- Actuarial value of assets - \$-0- - Actuarial accrued liability - \$137,878,611
- Unfunded actuarial accrued liability (UAAL) - \$137,878,611
- Funded Ratio - 0.00% - Annual covered payroll - \$14,497,752
- UAAL as percentage of covered payroll - 951.0%

School Unrestricted Fund:

- Actuarial value of assets - \$-0- - Actuarial accrued liability - \$55,275,280
- Unfunded actuarial accrued liability (UAAL) - \$55,275,280
- Funded Ratio - 0.00% - Annual covered payroll - N/A
- UAAL as percentage of covered payroll - N/A

Wastewater Fund:

- Actuarial value of assets - \$-0- - Actuarial accrued liability - \$452,862
- Unfunded actuarial accrued liability (UAAL) - \$452,862
- Funded Ratio - 0.00% - Annual covered payroll - \$57,022
- UAAL as percentage of covered payroll - 794.2%

Water Fund:

- Actuarial value of assets - \$-0- - Actuarial accrued liability - \$6,494,760
- Unfunded actuarial accrued liability (UAAL) - \$6,494,760
- Funded Ratio - 0.00% - Annual covered payroll - \$1,025,389
- UAAL as percentage of covered payroll - 633.4%

User Fund:

- Actuarial value of assets - \$-0- - Actuarial accrued liability - \$719,494
- Unfunded actuarial accrued liability (UAAL) - \$719,494
- Funded Ratio - 0.00% - Annual covered payroll - N/A
- UAAL as percentage of covered payroll - N/A

Number of Participants:

As of July 1, 2011 there were approximately 1,743 members enrolled in the plan (including 965 School Department employees). The members included 1,089 active employees (748 of which were School Department employee) and 654 retired members, including surviving spouses, (retired members included 217 School Department retirees).

(CONTINUED)

CITY OF WOONSOCKET, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

15. OTHER POST EMPLOYMENT BENEFITS (Continued)

Actuarial Assumptions:

- a. **Actuarial Method:** Entry Age Normal
- b. **Payroll Growth Rate:** 2.5%
- c. **Interest rate:** 4.00%
- d. **2011 Medical/Dental Trend Rates –** 9.0%/5.0%
- e. **Ultimate Medical/Dental Trend Rate –** 5.0%/5.0%
- f. **Year Ultimate Trend Rates Reached –** City Plan - 2015/2009; School Plan – 2015/2011

16. COMMITMENTS AND CONTINGENCIES

In August 2009 the City of Woonsocket entered into an agreement for contract operations and maintenance of the Wastewater Collection System. In accordance with the terms of the agreement the City received (and recognized as revenue in the General Fund) a \$1,000,000 Host Fee upon execution of this agreement. The terms of the agreement require that the City refund the contractor a portion of the Host Fee equal to the amount payable to the contractor as termination for convenience and liquidated damages, adjusted for the time at which the termination occurs according to the same schedule applicable to a termination for convenience. The Host Fee refund will be payable as noted above if the City terminates the contract prior to completion of ten years, unless termination is the result of violation of the agreement by the contractor. As of the date of these financial statements management of the City does not anticipate a payback of this Host Fee and as such, no long-term liability provision has been recorded in the Government-Wide financial statements.

Liabilities for legal cases and other claims against governmental funds are recorded in the governmental funds when the ultimate liability can be estimated and such cases are expected to be settled with available expendable financial resources. Those cases not expected to be settled with current available expendable financial resources are considered long-term obligations and as such are recorded in the Government-wide financial statements only.

The City, including the School Department has received grants from various federal and state agencies for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to request for reimbursement to the grantor agencies for expenditures disallowed under the terms of the grant. City and School officials are of the opinion that such disallowances, if any, would be immaterial.

Pending or threatened lawsuits against municipal governments arise in the ordinary course of operations. Generally, in the opinion of the administration, the ultimate resolution of any legal actions taken against the City will not result in a material loss to the City. However, at June 30, 2011 there are several claims against the City for which the City's legal counsel is unable to determine the likelihood of unfavorable outcome or the amount or range of potential loss. These claims are listed below:

There are several claims against the City relating to employment arbitration agreements, violation of Rhode Island Water Pollution Act, DEM's Water Quality Regulations, RI General Laws Section 46-12-5b, DEM's RIPDES Regulations, a private *qui tam* or whistle blower case initiated by a real estate developer and owner of rental apartments, claim by the Rhode Island Builders Association, and claims against the Woonsocket Police Department. Due to the status of many of these claims at June 30, 2011 and the fact that some of the claims may be covered by the City's insurance carrier, the City's legal counsel and management are unable to determine the likelihood of an unfavorable outcome or the potential loss that may be incurred. Accordingly, no liability has been recorded in the financial statements of the City as of June 30, 2011.

(CONTINUED)

CITY OF WOONSOCKET, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

17. RESTATEMENT

The June 30, 2010 net assets have been restated to reflect the full implementation of GASB Statement #45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*. During the fiscal year ended June 30, 2011 the City obtained an actuarial valuation of the OPEB liability related to the Woonsocket Education Department. This was the last Department of the City to complete the OPEB valuation. In addition, during the fiscal year ended June 30, 2011 the City obtained an actuarial valuation of the infrastructure assets of the Governmental Activities which are required to be reported in accordance with GASB Statement #34. The Independent Auditors Report for the fiscal year ended June 30, 2010 expressed an adverse opinion as a result of the noncompliance with the requirements of GASB Statement #34 related to infrastructure assets and GASB Statement #45 related to the OPEB liabilities of the Woonsocket Education Department.

In addition to the restatement resulting from implementation of GASB Statement #34 and #45 as noted above, the net assets of the Governmental Activities were also restated to include the Capital Assets of the Woonsocket Education Department as of June 30, 2010 and an adjustment to the estimated compensated absence liability as of June 30, 2010.

Lastly, the net assets of the Governmental Activities and Business-Type Activities were restated to reflect the reclassification of net assets from a Business-Type Activity to Governmental Activity. The restatement was the result of implementation of GASB Statement #54 and management's reporting of the vocational activities as part of the School Unrestricted Fund rather than a separate enterprise fund.

The following reflects the restatement of the net assets at the beginning of the year:

Governmental Activities:	
Net assets at June 30, 2010 as originally stated	(\$ 35,757,841)
Net OPEB Obligation Education Department at June 30, 2010	(3,814,851)
Net increase in capital assets resulting from valuation of Infrastructure assets at June 30, 2010	6,009,920
Net increase in capital assets resulting from inclusion of capital assets of the Woonsocket Education Department	9,194,415
Reclassification of net assets of Business-Type Activities	224,130
Overstatement of compensated absences at June 30, 2010	530,000
Net assets at June 30, 2010 as restated	<u>(\$23,614,227)</u>
Business-Type Activities (School Proprietary Fund):	
Net assets at June 30, 2010 as originally stated	\$35,103,600
Reclassification of net assets to Governmental Activities	<u>(224,130)</u>
Net assets at June 30, 2010, as restated	<u>\$34,879,470</u>
Governmental Funds:	
School Unrestricted Fund	
Fund balance at June 30, 2010 as originally stated	(\$ 5,886,243)
Reclassification of net assets of School Proprietary Fund	<u>161,155</u>
Net assets at June 30, 2010 as restated	<u>(\$ 5,725,088)</u>

The net assets of \$161,155 differ from the amount noted as a reduction in Business-Type Activities (\$224,130) by \$62,975. This difference represents the net carrying value of capital assets on the Business-Type Activities which are considered expenditures for reporting in the Governmental Funds.

(CONCLUDED)

CITY OF WOONSOCKET, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

18. RE-ISSUED FINANCIAL STATEMENTS

The Report of Independent Auditors has been dual dated to reflect the reissuance of the audited financial statements as the result of an error which was noted subsequent to the issuance and release of the Auditors Report. Subsequent to issuance of the original report dated December 30, 2011 it was discovered that a \$1,000,000 City contribution to the Employee Retirement Plan, a Fiduciary Fund, was not reported in the fund statements nor was it taken into consideration when calculating the net pension obligation reported in the Statement of Net Assets of the Governmental Activities. The contribution from the City's General Fund to the Fiduciary Fund was made on June 30, 2011 and properly recorded as expenditures in the City's General Fund. However, due to the timing of the transaction the deposit of funds did not occur until July 2011 and was erroneously omitted from the activity and net asset balance of the Fiduciary Fund.

As a result of the aforementioned error, the Statement of Net Assets (Exhibit A-1), Statement of Activities (Exhibit A-2), and the Fiduciary Fund Statements (Exhibits D-1 and D-2) have been restated to include the impact of this \$1,000,000 City contribution. In addition, all pension disclosures related to the City Police and Fire Pension Plan (a Fiduciary Fund) and Long-Term Debt information pertaining to the Net Pension Obligation have been restated.

In addition to the error noted above, on approximately December 28, 2011 the City received the July 1, 2011 actuarial valuation reports for the postretirement welfare benefits for City and School personnel. This OPEB valuation information was not included in the originally issued financial statements with an auditors' report dated December 30, 2011. The Schedule of Funding Progress – OPEB Plans included on RSI-4 and the related information in Note 15 to the financial statements have been updated to reflect the valuations in the actuarial reports dated December 23, 2011 and December 21, 2011 for the City and School OPEB plans, respectively.

(CONCLUDED)

CITY OF WOONSOCKET

REQUIRED SUPPLEMENTARY INFORMATION



CITY OF WOONSOCKET, RHODE ISLAND

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

For the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Property taxes:				
Current taxes	\$ 51,680,478	\$ 51,680,478	\$ 51,542,805	\$ (137,673)
Prior taxes	580,000	580,000	989,592	409,592
Total taxes current and prior	52,260,478	52,260,478	52,532,397	271,919
Interest on taxes	510,000	510,000	721,344	211,344
Payment in lieu of taxes	50,000	50,000	10,020	(39,980)
Total property taxes	52,820,478	52,820,478	53,263,761	443,283
State aid - City:				
General state aid	-	-	-	-
Telephone tax	420,333	420,333	463,562	43,229
Meals and beverage tax	491,063	491,063	491,232	169
Distressed communities	806,641	806,641	806,495	(146)
Chapter 26 - school housing	5,587,652	5,587,652	5,455,631	(132,021)
State library construction	167,160	167,160	167,160	-
Private hospital & colleges	134,510	134,510	152,547	18,037
Civil defense	50,134	50,134	67,933	17,799
State motor vehicle phase-out	377,430	377,430	376,634	(796)
Hotel tax	45,000	45,000	39,450	(5,550)
Total state aid - City	8,079,923	8,079,923	8,020,644	(59,279)
Licenses, fees and rents:				
Business licenses and fees	1,155,580	1,165,580	1,155,106	(10,474)
Trash collection fee	980,000	980,000	1,017,716	37,716
Interest - Trash Pickup	7,100	7,100	35,891	28,791
Rental of city properties	60,000	60,000	126,454	66,454
Total licenses, fees and rents	2,202,680	2,212,680	2,335,167	122,487
Investment income - short term	15,000	15,000	5,940	(9,060)
Departmental revenues:				
Community Development	290,000	290,000	326,479	36,479
Lead Hazard Control	20,000	20,000	11,651	(8,349)
Home Reimbursement - Staff	50,000	50,000	50,644	644
W.H.A. Reimbursement - Police	45,000	45,000	45,891	891
Federal Reimbursement - Police	-	-	40,000	40,000
Special Assessments	10,000	10,000	-	(10,000)
Host Community	250,000	250,000	653,297	403,297
Host Outside Wastewater Crew	-	-	-	-
Wastewater department	158,000	158,000	158,000	-
Water department	820,903	820,903	820,903	-
Solid waste program	153,704	153,704	153,704	-
Federal Housing	136,186	136,186	209,160	72,974
Total departmental revenues	1,933,793	1,933,793	2,469,729	535,936
Restricted receipts:				
Education department - General Fund	48,736,269	48,736,269	47,937,604	(798,665)
Miscellaneous revenues:				
City Pension Administration	70,000	70,000	70,000	-
Proceeds Deficit Bond	-	-	-	-
Remaining Bond Proceeds	1,330,000	1,330,000	1,330,000	-
RI DEM Grant	-	-	45,000	45,000
Miscellaneous - City	1,644,395	1,644,395	2,035,994	391,599
Total miscellaneous	3,044,395	3,044,395	3,480,994	436,599
Total revenues	116,832,538	116,842,538	117,513,839	671,301

(CONTINUED)

CITY OF WOONSOCKET, RHODE ISLAND

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

For the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Expenditures:				
General government:				
Office of the Mayor	123,838	123,838	121,009	2,829
City Council	109,058	105,779	88,158	17,621
City Clerk	150,338	153,617	151,168	2,449
Probate Court	9,675	9,675	8,190	1,485
Board of Assessment Review	1,050	1,050	1,050	-
Board of Canvassers	134,994	134,994	128,916	6,078
Zoning Board of Review	20,670	20,670	14,537	6,133
Board of Library Trustees	881,010	881,010	863,161	17,849
Personnel administration	176,531	176,531	178,186	(1,655)
City Solicitor	194,175	394,175	605,237	(211,062)
Finance department	1,465,730	1,465,880	1,383,246	82,634
Economic Development	19,550	19,550	16,974	2,576
Planning Department	723,881	723,881	683,214	40,667
Total general government	4,010,500	4,210,650	4,243,046	(32,396)
Public safety:				
Police Division	7,976,450	7,939,450	7,336,859	602,591
Fire Division	9,996,424	9,956,495	9,956,159	336
Emergency Mgmt Division	67,933	54,712	54,660	52
Total public safety	18,040,807	17,950,657	17,347,678	602,979
Public works:				
Office of the Director	570,304	526,995	511,472	15,523
Engineering Division	373,669	373,669	210,554	163,115
Highway Division	2,854,729	2,729,482	2,235,522	493,960
City Property Division	300,775	325,825	275,591	50,234
Parks and Recreation Division	180,900	186,906	149,615	37,291
Solid Waste Disposal Division	2,710,647	2,710,647	2,501,099	209,548
Total public works	6,991,024	6,853,524	5,883,853	969,671
Education Department Expenditures	48,736,269	48,736,269	50,674,561	(1,938,292)
Miscellaneous:				
Insurance	617,522	617,522	497,520	120,002
Claims & Judgements	20,000	57,500	5,658	51,842
Contingency	(2,389,000)	(2,389,000)	36,137	(2,425,137)
Veterans Holiday	-	-	-	-
Contribution to City Funds	7,474,242	7,474,242	8,009,674	(535,432)
Pension	3,483,925	3,481,925	3,155,807	326,118
Miscellaneous	70,000	70,000	102,124	(32,124)
Total miscellaneous	9,276,689	9,312,189	11,806,920	(2,494,731)
Debt Service	17,190,689	17,192,689	17,157,629	35,060
Total expenditures	104,245,978	104,255,978	107,113,687	(2,857,709)
Excess of revenues over expenditures before other financing sources (uses)	12,586,560	12,586,560	10,400,152	(2,186,408)
Other financing sources (uses):				
Operating transfers:				
Transfers to school department	(12,586,560)	(12,586,560)	(12,586,560)	-
Total other financing uses	(12,586,560)	(12,586,560)	(12,586,560)	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ -	\$ (2,186,408)	\$ (2,186,408)
Budgetary basis deficiency is comprised of the following:				
City General Fund			\$ 550,549	
School Department Unrestricted Fund			(2,736,957)	
Total budgetary basis deficiency of revenues under expenditures			\$ (2,186,408)	

(CONCLUDED)

CITY OF WOONSOCKET, RHODE ISLAND**Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
School Unrestricted Fund - Budgetary Basis**

For the Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
State aid	\$ 43,237,525	\$ 43,237,525	\$ 43,284,016	\$ 46,491
Federal Fiscal Stabilization Funds	1,049,970	1,049,970	1,071,089	21,119
Tuition other	105,000	105,000	59,143	(45,857)
Tuition career center	800,000	800,000	889,087	89,087
RF Harris Fund	16,085	16,085	12,503	(3,582)
Evening and Summer School	40,000	40,000	35,015	(4,985)
Athletic Receipts	12,000	12,000	11,596	(404)
Facility Rentals	50,000	50,000	40,706	(9,294)
Miscellaneous	320,000	320,000	213,284	(106,716)
SAFFA	50,000	50,000	60,576	10,576
Indirect cost	100,000	100,000	87,410	(12,590)
Medicaid	1,400,000	1,400,000	1,655,535	255,535
Housing aid	517,644	517,644	517,644	0
Total revenues	47,698,224	47,698,224	47,937,604	239,380
Expenditures:				
Salaries	35,592,319	35,592,319	37,529,641	(1,937,322)
Fringe and fixed charges	15,152,855	15,152,855	15,356,917	(204,062)
Purchased services	6,687,226	6,687,226	7,406,727	(719,501)
Supplies and materials	2,239,121	2,239,121	2,302,112	(62,991)
Equipment/Capital outlay	613,263	613,263	439,690	173,573
Miscellaneous			226,034	(226,034)
Total expenditures	60,284,784	60,284,784	63,261,121	(2,976,337)
Excess of revenues over (under) expenditures before other financing sources (uses)	(12,586,560)	(12,586,560)	(15,323,517)	(2,736,957)
Other financing sources (uses):				
Operating transfer from City of Woonsocket General Fund	12,586,560	12,586,560	12,586,560	-
Total other financing sources (uses)	12,586,560	12,586,560	12,586,560	-
Deficiency of revenues and other financing sources under expenditures and other financing uses	\$ -	\$ -	\$ (2,736,957)	\$ (2,736,957)

CITY OF WOONSOCKET, RHODE ISLAND

**Required Supplementary Information
Schedule of Funding Progress for Pension Plans
June 30, 2011
UNAUDITED**

	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Liability (AAL) Entry Age	Funding Excess (Deficit)	Funded Ratio	Covered Payroll	Funding Excess (Deficit) as a Percentage of Covered Payroll
General municipal employees							
A	6/30/2008	\$ 65,679,230	\$ 56,198,983	\$ 9,480,247	116.9%	\$ 12,930,655	73.3%
	6/30/2009	\$ 64,835,107	\$ 59,703,241	\$ 5,131,866	108.6%	\$ 11,960,719	42.9%
B	6/30/2010	\$ 62,059,325	\$ 69,257,290	\$ (7,197,965)	89.6%	\$ 12,024,784	-59.9%
Municipal police							
A	6/30/2008	\$ 29,010,871	\$ 30,776,550	\$ (1,765,679)	94.3%	\$ 4,847,955	-36.4%
	6/30/2009	\$ 29,773,835	\$ 34,272,940	\$ (4,499,105)	86.9%	\$ 4,728,198	-95.2%
B	6/30/2010	\$ 29,718,494	\$ 43,792,882	\$ (14,074,388)	67.9%	\$ 4,926,427	-285.7%
Municipal fire							
A	6/30/2008	\$ 25,287,421	\$ 24,373,728	\$ 913,693	103.7%	\$ 6,362,891	14.4%
	6/30/2009	\$ 27,011,294	\$ 26,832,008	\$ 179,286	100.7%	\$ 6,559,575	2.7%
B	6/30/2010	\$ 29,070,902	\$ 36,095,122	\$ (7,024,220)	80.5%	\$ 6,639,590	-105.8%
City Administered police & fire							
	7/1/2009	\$ 67,641,077	\$ 96,653,532	\$ (29,012,455)	70.0%	\$ 622,556	-4660.2%
	7/1/2010	\$ 67,655,825	\$ 97,860,965	\$ (30,205,140)	69.1%	\$ 374,815	-8058.7%
	7/1/2011	\$ 65,313,250	\$ 107,562,736	\$ (42,249,486)	60.7%	\$ 374,815	-11272.1%

A - The information included in this schedule of funding progress was obtained from the annual actuarial valuation report of the State of Rhode Island's Employee Retirement System for each of the dates indicated. The June 30, 2010 report is the most recent report available as of the date of the audited financial statements. The State of Rhode Island's Employee Retirement System is currently in the process of compiling the information to complete the June 30, 2011 report.

B - Subsequent to the year ended June 30, 2011 the State of RI passed legislation on Pension Reform. The changes made as a result of of this Pension Reform Legislation will have an impact on the actuarial valuation results as presented above.

CITY OF WOONSOCKET, RHODE ISLAND

**Required Supplementary Information
Schedule of Funding Progress - OPEB Plans
June 30, 2011
UNAUDITED**

	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Funding Excess (Deficit)	Funded Ratio	Covered Payroll	Funding Excess (Deficit) as a percentage of Covered Payroll
City General Fund							
OPEB plan.....	A	\$ -	\$ 126,879,850	\$ (126,879,850)	0.0%	\$ 13,690,924	-926.7%
		\$ -	\$ 137,878,611	\$ (137,878,611)	0.0%	\$ 14,497,752	-951.0%
City Wastewater Fund							
OPEB plan.....	A	\$ -	\$ 449,526	\$ (449,526)	0.0%	\$ 52,728	-852.5%
		\$ -	\$ 452,862	\$ (452,862)	0.0%	\$ 57,022	-794.2%
City User Fund							
OPEB plan.....	A	\$ -	\$ 785,007	\$ (785,007)	0.0%	N/A	N/A
		\$ -	\$ 719,494	\$ (719,494)	0.0%	N/A	N/A
City Water Fund							
OPEB plan.....	A	\$ -	\$ 5,658,519	\$ (5,658,519)	0.0%	\$ 1,037,452	-545.4%
		\$ -	\$ 6,494,760	\$ (6,494,760)	0.0%	\$ 1,025,389	-633.4%
School General Fund							
OPEB plan.....	B	\$ -	\$ 47,145,503	\$ (47,145,503)	0.0%	N/A	N/A
		\$ -	\$ 55,275,280	\$ (55,275,280)	0.0%	N/A	N/A
Total OPEB plan.....		\$ -	\$ 180,918,405	\$ (180,918,405)			
Total OPEB plan.....		\$ -	\$ 200,821,007	\$ (200,821,007)			

A - The information included in this schedule of funding progress was obtained from the actuarial valuation report dated December 23, 2011 prepared by The USI Consulting Group. The July 1, 2011 valuation is the most recent report available.

B - The information included in this schedule of funding progress was obtained from the actuarial valuation report dated December 21, 2011 prepared by The USI Consulting Group. The July 1, 2011 valuation is the most recent report available.

As of June 30, 2011 there was only two valuations completed for the OPEB liability due to fiscal 2009 being the first year in which the implementation of GASB 45 was applicable.

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CITY OF WOONSOCKET

OTHER SUPPLEMENTARY INFORMATION



CITY OF WOONSOCKET

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The following are considered Special Revenue Funds and are reported as nonmajor governmental funds.

Land and Outdoor Recreation Trust	Emergency Shelter Fund
Hamlet Ave Enhancement	Juvenile Fire Setters' Education
Planning Board Fund	Business Revolving Loan Fund
Community Development Housing	Rhode Island Home Fund Building
Library Services Fund	Harris Library Grant
Woonsocket Senior Citizens Fund	Neighborhood Crime Watch
UDAG Loan Repayment Fund	Comprehensive Planning Grant
Rivers Edge Recreation Grant	Fed & State Drug Forfeiture
Task Force on Drug & Alcohol Abuse	Bramley Bill Fund
LLEBG Grant 2004/2006	Community Development Block Grant
Building Inspection Services Fund	Hazardous Material Grant
Fire Dept. P.P.E. Grant	Special Squad Holding
Lead Hazard Control	LLEBG Grant 2002-2004
EMS Public Fund	Cops Hiring Grant
Woonsocket EMA Grant	Justice Assistance Grant 09
Library Fines and Fees	Cass Park Improvement
Hamlet Ave Economic Program	Homeland Security Fire Grant
Recovery Justice Assistance Grant 09	Recycling Coordinator Fund
Recycling Containers Fund	Lead Hazard Demo Grant
Homeland Security Police Grant	2008 Cops Technology Grant
City Clerk Records Restoration Fund	Justice Assistance Grant 07
Justice Assistance Grant 08	Wayfinding Master Plan
Brownsfield Assessment Program	Cultural Fund
Justice Assistance Grant 10	School Restricted Funds

(CONTINUED)

CITY OF WOONSOCKET

NONMAJOR GOVERNMENTAL FUNDS (Continued)

CAPITAL PROJECTS FUNDS

Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital Projects Funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments. Funding sources include debt proceeds, intergovernmental sources, third party contributions and General Fund operating transfers. The following capital project funds are reported as nonmajor governmental funds.

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

(CONCLUDED)

CITY OF WOONSOCKET, RHODE ISLAND

**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2011**

SPECIAL REVENUE FUNDS

	Land and Outdoor Recreation Trust Fund	Emergency Shelter Fund	Hamlet Ave Enhancement	Juvenile Fire Setters' Education	Planning Board Fund	Business Revolving Loan Fund	Community Development Housing Preservation Grant Fund	Rhode Island Home Fund	Library Services Fund	Harris Library Grant	Woonsocket Senior Citizens Fund
ASSETS											
Cash and cash equivalents	\$ 126,994			\$ 937	\$ 32,787	\$ 9,888	\$ 1,507	\$ 232,088	\$ 18,896	\$ 105,621	\$ 204
Accounts receivable		\$ 17,650						155,141			
Due from other governmental units						9,562	74,905	2,781,674			
Due from issued loans											
Due from other funds											
TOTAL ASSETS	\$ 126,994	\$ 17,650	\$ -	\$ 937	\$ 32,787	\$ 19,450	\$ 76,412	\$ 3,168,903	\$ 18,896	\$ 106,421	\$ 204
LIABILITIES											
Cash overdraft		\$ 17,236						\$ 178,550		\$ 44,454	
Accounts payable											
Retainage payable											
Accrued liabilities											
Due to federal and state governments		414	\$ 1,087	\$ 1,000		\$ 158,191		19,523			\$ 800
Due to other funds						9,562	74,905	2,781,674			
Deferred revenue		17,650	1,087	1,000	-	167,753	74,905	2,979,747		44,454	800
TOTAL LIABILITIES	\$ -	\$ 17,650	\$ 1,087	\$ 1,000	\$ -	\$ 167,753	\$ 74,905	\$ 2,979,747	\$ -	\$ 44,454	\$ 800
FUND BALANCES											
Nonspendable											
Restricted											
Committed	126,994				32,787		1,507	189,156	18,896	61,967	
Unassigned			(1,087)	(63)		(148,303)					(596)
TOTAL FUND BALANCES	\$ 126,994	\$ -	\$ (1,087)	\$ (63)	\$ 32,787	\$ (148,303)	\$ 1,507	\$ 189,156	\$ 18,896	\$ 61,967	\$ (596)
TOTAL LIABILITIES AND FUND BALANCES	\$ 126,994	\$ 17,650	\$ -	\$ 937	\$ 32,787	\$ 19,450	\$ 76,412	\$ 3,168,903	\$ 18,896	\$ 106,421	\$ 204

(CONTINUED)

CITY OF WOONSOCKET, RHODE ISLAND

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2011

SPECIAL REVENUE FUNDS

	Neighborhood Crime Watch	UDAG Loan Repayment Fund	Comprehensive Planning Grant	Rivers Edge Recreation Grant	Fed & State Drug Forfeiture/ Police Special Squad Fund	Task Force on Drug and Alcohol Abuse Fund	Bramley Bill Fund	LLEBG Grant 2004/2006	Community Development Block Grant	Building Inspection Services Fund
\$	11	127	2,017	380	244,668	57,191	31,441	10,363	788	10,889
					26,622				394,322	
	11	127	2,017	380	22,702	640	3,184	10,363	158,191	10,889
					267,370	84,453	34,625	10,363	553,301	10,889
TOTAL ASSETS										

ASSETS

- Cash and cash equivalents
- Accounts receivable
- Due from other governmental units
- Due from issued loans
- Due from other funds
- TOTAL ASSETS**

LIABILITIES

- Cash overdraft
- Accounts payable
- Retainage payable
- Accrued liabilities
- Due to federal and state governments
- Due to other funds
- Deferred revenue
- TOTAL LIABILITIES**

\$	-	-	\$	-	9,253	9,097	2,738	-	425,969	-
	11	127	2,017	380	258,117	75,356	31,887	10,363	127,332	10,889
	11	127	2,017	380	258,117	75,356	31,887	10,363	127,332	10,889
	11	127	2,017	380	267,370	84,453	34,625	10,363	553,301	10,889
TOTAL LIABILITIES AND FUND BALANCES										

FUND BALANCES

- Nonspendable
- Restricted
- Committed
- Unassigned
- TOTAL FUND BALANCES**

TOTAL LIABILITIES AND FUND BALANCES

(CONTINUED)

CITY OF WOONSOCKET, RHODE ISLAND

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2011

SPECIAL REVENUE FUNDS

	Hazardous Material Grant	Fire Dept P.P.E. Grant	Special Squad Holding	Lead Hazard Control	LLEBG Grant 2002-2004	EMS Public Fund	Cops Hiring Grant	Woonsocket EMA Grant	Justice Assistance Grant 09	Library Fines and Fees	Cass Park Improvement Grant	Hamlet Ave. Economic Program
ASSETS												
Cash and cash equivalents	\$ 4,796	\$ 250	\$ 12,072	\$ 2,810	\$ 108	\$ 108,321	\$ -	\$ 43,197	\$ 11,647	\$ 88,378	\$ 97	\$ 774
Accounts receivable						687,311						
Due from other governmental units												
Due from issued loans												
Due from other funds												
TOTAL ASSETS	\$ 4,796	\$ 250	\$ 12,072	\$ 2,810	\$ 108	\$ 795,632	\$ -	\$ 43,197	\$ 11,647	\$ 88,378	\$ 97	\$ 774
LIABILITIES												
Cash overdraft												
Accounts payable	\$ 326					\$ 8,641		\$ 74	\$ 1,285	\$ 1,894	\$ 146	
Retainage payable												
Accrued liabilities												
Due to federal and state governments						98,855						
Due to other funds	579					687,311					2,700	
Deferred revenue												
TOTAL LIABILITIES	905	-	-	-	-	794,807	-	74	1,285	1,894	2,846	-
FUND BALANCES												
Nonspendable												
Restricted	3,891	250	12,072	2,810	108	825	-	43,123	10,362	86,484		774
Committed												
Unassigned												
TOTAL FUND BALANCES	3,891	250	12,072	2,810	108	825	-	43,123	10,362	86,484	(2,749)	774
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,796	\$ 250	\$ 12,072	\$ 2,810	\$ 108	\$ 795,632	\$ -	\$ 43,197	\$ 11,647	\$ 88,378	\$ 97	\$ 774

CITY OF WOONSOCKET, RHODE ISLAND

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2011

SPECIAL REVENUE FUNDS

	Homeland Security Fire Grant	Recovery Justice Assistance Grant 09	Recycling Coordinator Fund	Recycling Containers Fund	Lead Hazard Demo Grant	Homeland Security Police Grant	2008 Cops Technology Grant	City Clerk Records Restoration Fund	Justice Assistance Grant 07	Justice Assistance Grant 08	Wayfinding Master Plan Fund
ASSETS											
Cash and cash equivalents	\$ 47,848	\$ 5,705	\$ 11,748	\$ 1	\$ 12,774	\$ 1	\$ 4,107	\$ 130,987	\$ 2,610	\$ 141	\$ 1,240
Accounts receivable						34,999					
Due from other governmental units	21,839										
Due from issued loans							815				
Due from other funds	579										
TOTAL ASSETS	\$ 70,266	\$ 5,705	\$ 11,748	\$ 1	\$ 12,774	\$ 35,000	\$ 4,922	\$ 130,987	\$ 2,610	\$ 141	\$ 1,240
LIABILITIES											
Cash overdraft											
Accounts payable	\$ 75,615	\$ 9,350									\$ 10
Retainage payable											
Accrued liabilities											
Due to federal and state governments	790					\$ 35,000	4,500		\$	815	
Due to other funds											
Deferred revenue											
TOTAL LIABILITIES	\$ 76,405	\$ 9,350	\$ -	\$ -	\$ -	\$ 35,000	\$ 4,500	\$ -	\$ -	\$ 815	\$ 10
FUND BALANCES											
Nonspendable											
Restricted			11,748	1	12,774	-	422	130,987	2,610		1,230
Committed	(6,139)	(3,645)									
Unassigned	(6,139)	(3,645)	11,748	1	12,774	-	422	130,987	2,610	(674)	1,230
TOTAL FUND BALANCES	\$ 70,266	\$ 5,705	\$ 11,748	\$ 1	\$ 12,774	\$ 35,000	\$ 4,922	\$ 130,987	\$ 2,610	\$ 141	\$ 1,240

CITY OF WOONSOCKET, RHODE ISLAND

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2011

		SPECIAL REVENUE FUNDS						
	Brownsfield Assessment Program	Cultural Fund	Justice Assistance Grant 10	School Restricted Funds	Total Special Revenue Funds	School Capital Projects Fund	Total Non-Major Funds	
ASSETS								
Cash and cash equivalents	\$ 200,000	\$ 7,035	\$ 4,675	\$ 530,540	\$ 2,118,659	\$ -	\$ 2,118,659	
Accounts receivable				125	687,436		687,436	
Due from other governmental units				2,385,747	3,036,320		3,036,320	
Due from issued loans					2,866,141		2,866,141	
Due from other funds	10,500			35,932	233,343	266,818	500,161	
TOTAL ASSETS	\$ 210,500	\$ 7,035	\$ 4,675	\$ 2,952,344	\$ 8,941,899	\$ 266,818	\$ 9,208,717	
LIABILITIES								
Cash overdraft				\$ 366,400	\$ 366,400		\$ 366,400	
Accounts payable				120,000	753,355	266,818	1,020,173	
Retainage payable								
Accrued liabilities								
Due to federal and state governments				351,569	351,569		351,569	
Due to other funds	\$ 200,000			1,946,043	2,621,580		2,621,580	
Deferred revenue				4,696	3,558,148		3,558,148	
TOTAL LIABILITIES	200,000	-	-	2,788,708	7,651,052	266,818	7,917,870	
FUND BALANCES								
Nonspendable								
Restricted	10,500	7,035	4,675	169,290	1,298,377		1,298,377	
Committed				(5,654)	(168,910)		(168,910)	
Unassigned	10,500	7,035	4,675	163,636	1,290,847		1,290,847	
TOTAL FUND BALANCES	210,500	7,035	4,675	2,952,344	8,941,899	266,818	9,208,717	

(CONCLUDED)

CITY OF WOONSOCKET, RHODE ISLAND

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2011

	SPECIAL REVENUE FUNDS									
	Land and Outdoor Recreation Trust Fund	Emergency Shelter Fund	Hamlet Ave Enhancement Fund	Juvenile Fire Settlers' Education Fund	Planning Board Fund	Business Revolving Loan Fund	Community Development Housing Preservation Grant Fund	Rhode Island Home Fund	Library Services Fund	Harris Library Grant
REVENUES:										
Intergovernmental revenue		\$ 338,204			\$ 1,391			\$ 775,769	\$ 1,206	\$ 195,110
State Fiscal Stabilization Funds										
Interest income	152				39	\$ 407			33	
Contributions						5,479				
Other revenue					1,430	5,886		775,769	1,239	195,110
Total revenues	152	338,204	\$ -	\$ -	1,430	5,886	\$ -	775,769	1,239	195,110
EXPENDITURES:										
Current:										
Legislative - general government										
Public safety		338,199							15,884	
Human resources								698,961		
Economic development										
Education				337		3,321				221,771
Other fixed and general charges										
Debt Service:										
Principal										
Interest and other costs										
Capital expenditures										
Total expenditures	-	338,199	-	337	-	3,321	-	698,961	15,884	221,771
Excess (deficiency) of revenues over (under) expenditures	152	5	-	(337)	1,430	2,565	-	76,808	(14,645)	(26,661)
OTHER FINANCING SOURCES (USES)										
Proceeds from lease purchase obligation										
Transfers in										
Transfers out										
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-
Net change in fund balances	152	5	-	(337)	1,430	2,565	-	76,808	(14,645)	(26,661)
Fund balances - beginning of year	126,842	(5)	(1,087)	274	31,357	(150,868)	1,507	112,348	33,541	88,628
Fund balances - end of year	\$ 126,994	\$ -	\$ (1,087)	\$ (63)	\$ 32,787	\$ (148,303)	\$ 1,507	\$ 189,156	\$ 18,896	\$ 61,967

(CONTINUED)

CITY OF WOONSOCKET, RHODE ISLAND

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2011

SPECIAL REVENUE FUNDS

	Building Inspection Services Fund	Hazardous Material Grant	Fire Dept P.P.E. Grant	Special Squad Holding	Lead Hazard Control Grant	LLEBG Grant 2002-2004	EMS Public Fund	Cops Hiring Grant	Woonsocket EMA Grant	Justice Assistance Grant 09	Library Fines and Fees
	\$ 21,129	\$ 21,129	\$ 52,760	\$ 32,947				\$ 222,008	\$ 109,228	\$ 10,000	\$ 58,579
							\$ 1,245,718				
							1,245,718		109,228	10,000	58,666
											87

REVENUES:
 Intergovernmental revenue
 State Fiscal Stabilization Funds
 Interest income
 Contributions
 Other revenue
 Total revenues

EXPENDITURES:

Current:
 Legislative - general government
 Public safety
 Human resources
 Economic development
 Education
 Other fixed and general charges
 Debt Service:
 Principal
 Interest and other costs
 Capital expenditures
 Total expenditures
 Excess (deficiency) of revenues over
 (under) expenditures

OTHER FINANCING SOURCES (USES)

Proceeds from lease purchase obligation
 Transfers in
 Transfers out
 Total other financing sources (uses)

Net change in fund balances

Fund balances - beginning of year
 Fund balances - end of year

CITY OF WOONSOCKET, RHODE ISLAND

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2011

		SPECIAL REVENUE FUNDS									
		Cass Park Improvement Grant	Hamlet Ave. Economic Program	Homeland Security Fire Grant	Recovery Justice Assistance Grant 09	Recycling Coordinator Fund	Recycling Containers Fund	Lead Hazard Demo Grant	Homeland Security Police Grant	2008 Cops Technology Grant	City Clerk Records Restoration Fund
REVENUES:											
Intergovernmental revenue				\$ 197,028	\$ 120,000			\$ 294,562	\$ 74,579	\$ 24,403	
Slate Fiscal Stabilization Funds											
Interest income											\$ 13
Contributions											
Other revenue											
Total revenues		\$ -	\$ -	\$ 197,028	\$ 120,000	\$ -	\$ -	\$ 294,562	\$ 74,579	\$ 24,403	\$ 26,951
											\$ 26,964
EXPENDITURES:											
Current:											
Legislative - general government											20,329
Public safety				203,020	148,645			74,579		23,981	
Human resources											
Economic development							261,691				
Education											
Other fixed and general charges		2,749									
Debt Service:											
Principal											
Interest and other costs											
Capital expenditures											
Total expenditures		2,749		203,020	148,645		261,691	74,579		23,981	20,329
Excess (deficiency) of revenues over (under) expenditures		(2,749)		(5,992)	(28,645)		32,871			422	6,635
OTHER FINANCING SOURCES (USES)											
Proceeds from lease purchase obligation											
Transfers in											
Transfers out											
Total other financing sources (uses)											
Net change in fund balances		(2,749)		(5,992)	(28,645)		32,871			422	6,635
Fund balances - beginning of year			774	(147)	25,000	11,748	1	(20,097)			124,352
Fund balances - end of year		\$ (2,749)	\$ 774	\$ (6,139)	\$ (3,645)	\$ 11,748	\$ 1	\$ 12,774	\$ -	\$ 422	\$ 130,987

CITY OF WOONSOCKET, RHODE ISLAND

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2011

SPECIAL REVENUE FUNDS

	Justice Assistance Grant 07	Justice Assistance Grant 08	Wayfinding Master Plan Fund	Brownfield Assessment Program	Cultural Fund	Justice Assistance Grant 10	School Restricted Funds	Total Special Revenue Funds	School Capital Projects Fund	Total Non-Major Funds
REVENUES:										
Intergovernmental revenue	\$ 10,965		\$ 25,289	\$ -		\$ 10,000	\$ 11,853,201	\$ 16,657,239		\$ 16,657,239
State Fiscal Stabilization Funds								862		862
Interest income					\$ 10,015		174,291	10,015		10,015
Contributions								1,526,280		1,526,280
Other revenue					10,015					
Total revenues	10,965	-	25,289	-	10,015	10,000	12,027,492	18,194,396	-	18,194,396
EXPENDITURES:										
Current:										
Legislative - general government						5,325		20,329		20,329
Public safety	8,445	486						1,698,265		1,698,265
Human resources								208,147		208,147
Economic development			42,009					2,514,350		2,514,350
Education							11,957,197	11,957,534		11,957,534
Other fixed and general charges					2,980			322,682		322,682
Debt Service:										
Principal										
Interest and other costs								32,455		32,455
Capital expenditures								293,073		293,073
Total expenditures	8,445	486	42,009	-	2,980	5,325	11,957,197	16,753,762	293,073	17,046,835
Excess (deficiency) of revenues over (under) expenditures	2,520	(486)	(16,720)	-	7,035	4,675	70,295	1,440,634	(293,073)	1,147,561
OTHER FINANCING SOURCES (USES)										
Proceeds from lease purchase obligation										
Transfers in			11,514					71,514	300,395	371,909
Transfers out								(1,201,188)		(1,201,188)
Total other financing sources (uses)	-	-	11,514	-	-	-	-	(1,129,674)	300,395	(829,279)
Net change in fund balances	2,520	(486)	(5,206)	-	7,035	4,675	70,295	310,960	7,322	316,282
Fund balances - beginning of year	90	(188)	6,436	10,500	-	-	93,341	979,887	(7,322)	972,565
Fund balances - end of year	\$ 2,610	\$ (674)	\$ 1,230	\$ 10,500	\$ 7,035	\$ 4,675	\$ 163,636	\$ 1,290,847	\$ -	\$ 1,290,847

CITY OF WOONSOCKET

AGENCY FUNDS

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

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

CITY OF WOONSOCKET, RHODE ISLANDStatement of Changes in Assets and Liabilities
Agency Funds
Year ended June 30, 2011

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<u>Sidewalk Deposit Fund</u>				
ASSETS:				
Cash	\$ -	\$ -	\$ -	\$ -
TOTAL ASSETS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES:				
Deposits held in custody for others	\$ -	\$ -	\$ -	\$ -
TOTAL LIABILITIES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Curbing Deposit Fund</u>				
ASSETS:				
Cash	\$ -	\$ 337	\$ -	\$ 337
TOTAL ASSETS	<u>\$ -</u>	<u>\$ 337</u>	<u>\$ -</u>	<u>\$ 337</u>
LIABILITIES:				
Deposits held in custody for others	\$ -	\$ 337	\$ -	\$ 337
TOTAL LIABILITIES	<u>\$ -</u>	<u>\$ 337</u>	<u>\$ -</u>	<u>\$ 337</u>
<u>Construction Escrow Account</u>				
ASSETS:				
Cash	\$ 3,508	\$ 1	\$ 3,508	\$ 1
TOTAL ASSETS	<u>\$ 3,508</u>	<u>\$ 1</u>	<u>\$ 3,508</u>	<u>\$ 1</u>
LIABILITIES:				
Deposits held in custody for others	\$ 3,508	\$ 1	\$ 3,508	\$ 1
TOTAL LIABILITIES	<u>\$ 3,508</u>	<u>\$ 1</u>	<u>\$ 3,508</u>	<u>\$ 1</u>
<u>Deduction Services Fund</u>				
ASSETS:				
Cash	\$ 705,029	\$ 6,572,187	\$ 7,027,317	\$ 249,899
TOTAL ASSETS	<u>\$ 705,029</u>	<u>\$ 6,572,187</u>	<u>\$ 7,027,317</u>	<u>\$ 249,899</u>
LIABILITIES:				
Deposits held in custody for others	\$ 705,029	\$ 6,572,187	\$ 7,027,317	\$ 249,899
TOTAL LIABILITIES	<u>\$ 705,029</u>	<u>\$ 6,572,187</u>	<u>\$ 7,027,317</u>	<u>\$ 249,899</u>

(CONTINUED)

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<u>Fire Dental Plan</u>				
ASSETS:				
Cash	\$ 349,240	\$ 187,037	\$ 511,922	\$ 24,355
TOTAL ASSETS	<u>\$ 349,240</u>	<u>\$ 187,037</u>	<u>\$ 511,922</u>	<u>\$ 24,355</u>
LIABILITIES:				
Deposits held in custody for others	\$ 349,240	\$ 187,037	\$ 511,922	\$ 24,355
TOTAL LIABILITIES	<u>\$ 349,240</u>	<u>\$ 187,037</u>	<u>\$ 511,922</u>	<u>\$ 24,355</u>
<u>Fire Dental Level II</u>				
ASSETS:				
Cash	\$ 32,567	\$ 2,503	\$ 35,041	\$ 29
TOTAL ASSETS	<u>\$ 32,567</u>	<u>\$ 2,503</u>	<u>\$ 35,041</u>	<u>\$ 29</u>
LIABILITIES:				
Deposits held in custody for others	\$ 32,567	\$ 2,503	\$ 35,041	\$ 29
TOTAL LIABILITIES	<u>\$ 32,567</u>	<u>\$ 2,503</u>	<u>\$ 35,041</u>	<u>\$ 29</u>
<u>Woonsocket School Dept. Agency Funds</u>				
ASSETS:				
Cash	\$ 92,530	\$ 189,517	\$ 211,542	\$ 70,505
TOTAL ASSETS	<u>\$ 92,530</u>	<u>\$ 189,517</u>	<u>\$ 211,542</u>	<u>\$ 70,505</u>
LIABILITIES:				
Deposits held in custody for others	\$ 92,530	\$ 189,517	\$ 211,542	\$ 70,505
TOTAL LIABILITIES	<u>\$ 92,530</u>	<u>\$ 189,517</u>	<u>\$ 211,542</u>	<u>\$ 70,505</u>
<u>Thundermist/Putnam Hydro</u>				
ASSETS:				
Cash	\$ 37	\$ -	\$ -	\$ 37
TOTAL ASSETS	<u>\$ 37</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37</u>
LIABILITIES:				
Deposits held in custody for others	\$ 37	\$ -	\$ -	\$ 37
TOTAL LIABILITIES	<u>\$ 37</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37</u>
<u>Total - All Agency Funds</u>				
ASSETS:				
Cash	\$ 1,182,911	\$ 6,951,582	\$ 7,789,330	\$ 345,163
TOTAL ASSETS	<u>\$ 1,182,911</u>	<u>\$ 6,951,582</u>	<u>\$ 7,789,330</u>	<u>\$ 345,163</u>
LIABILITIES:				
Deposits held in custody for others	\$ 1,182,911	\$ 6,951,582	\$ 7,789,330	\$ 345,163
TOTAL LIABILITIES	<u>\$ 1,182,911</u>	<u>\$ 6,951,582</u>	<u>\$ 7,789,330</u>	<u>\$ 345,163</u>

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

(CONCLUDED)

CITY OF WOONSOCKET

PRIVATE PURPOSE TRUST FUNDS

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

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

CITY OF WOONSOCKET, RHODE ISLAND

**Combining Statement of Fiduciary Net Assets
Private Purpose Trust Funds
June 30, 2011**

	John S. Bellows Trust	EMS Public Fund	Valois Animal Trust	Education Dept. Private Purpose Trust Funds	Total Private Purpose Trust Funds
ASSETS					
Cash and Cash Equivalents	\$ 19,597	\$ 304	\$ 22,280	\$ 128,377	\$ 170,558
Investments				121,470	121,470
Total Assets	<u>19,597</u>	<u>304</u>	<u>22,280</u>	<u>249,847</u>	<u>292,028</u>
LIABILITIES					
	-	-	-	-	-
NET ASSETS					
Held in trust for other purposes	\$ 19,597	\$ 304	\$ 22,280	\$ 249,847	\$ 292,028

CITY OF WOONSOCKET, RHODE ISLAND

**Combining Statement of Changes in Fiduciary Net Assets
Private Purpose Trust Funds
For The Year Ended June 30, 2011**

	John S. Bellows Trust	EMS Public Fund	Valois Animal Trust	Education Dept. Private Purpose Trust Funds	Total Private Purpose Trust Funds
ADDITIONS:					
Contributions		\$ 50			\$ 50
Investment Income	24	-	27	1,605	1,656
Total Additions	<u>24</u>	<u>-</u>	<u>77</u>	<u>1,605</u>	<u>1,706</u>
DEDUCTIONS:					
Operating expenses				2,382	2,382
Total Deductions	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,382</u>	<u>2,382</u>
Change in Net Assets	24	-	77	(777)	(676)
Net assets at beginning of year	19,573	304	22,203	250,624	292,704
Net assets at end of year	<u>\$ 19,597</u>	<u>\$ 304</u>	<u>\$ 22,280</u>	<u>\$ 249,847</u>	<u>\$ 292,028</u>

CITY OF WOONSOCKET

OTHER EXHIBITS



CITY OF WOONSOCKET, RHODE ISLAND
SCHEDULE OF PROPERTY TAXES RECEIVABLE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Year	Mill Rate	Property Taxes Receivable July 1, 2010	Current Year Assessment	Transfers Addendums (Net)	Abatements and Adjustments	Amount to be Collected	Collections Net of Refunds	Property Taxes Receivable June 30, 2011
2010	\$23.63	\$ 1,835,457	\$ 53,782,047	\$ 416,781	\$ 651,689	\$ 53,547,139	\$ 51,074,130	\$ 2,473,009
2009	22.36	694,559	323	106,253	1,729,527	1,164,089	1,164,089	565,438
2008	13.23	486,760	233	26,654	668,138	178,734	178,734	489,404
2007	12.88	424,784	232	21,439	465,553	25,878	25,878	439,675
2006	12.40	333,679		2,108	422,676	21,695	21,695	400,981
2005	23.85	307,775		2,797	330,882	11,503	11,503	319,379
2004	23.85	301,325		791	306,984	10,455	10,455	296,529
2003	23.30	285,041		713	300,612	7,526	7,526	293,086
2002	29.00	292,349		585	284,456	1,666	1,666	282,790
2001	29.00	236,278		245	292,104	1,218	1,218	290,886
2000	24.10	265,931		89,919	146,359	343	343	146,016
1999	24.10	302,185		117,590	148,341	210	210	148,131
1998	24.10	276,203		159,584	142,601	450	450	142,151
1997	24.10	236,392		141,182	135,021	149	149	134,872
1996	24.10	218,693		121,351	115,041	309	309	114,732
1995	24.10	707,170		116,218	102,475	216	216	102,259
1986-1994	21.96			337,830	369,340	309	309	369,031
Subtotal		7,204,581	\$ 53,782,047	\$ 417,569	\$ 1,896,948	\$ 59,507,249	\$ 52,498,880	7,008,369
Less: estimated allowance for uncollectable accounts		<u>5,369,124</u>						<u>4,561,045</u>
Net property taxes receivable		\$ 1,835,457						\$ 2,447,324

(CONTINUED)

CITY OF WOONSOCKET, RHODE ISLAND

**SCHEDULE OF PROPERTY TAXES RECEIVABLE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Description of Property	Schedule of Net Assessed Property Value by Category		Reconciliation of Current Year Property Tax Revenue	
	Assessed December 31, 2009	Valuations	Lewy	Current year collections
Real property	\$ 1,938,041,678	\$	39,460,884	\$ 52,498,880
Motor vehicles	207,270,691		7,890,965	468,602
Tangible property	75,477,447		3,515,745	52,967,482
Wholesale and retail inventory	-		-	
Total	2,220,789,816		50,867,594	(413,081)
Exemptions and adjustments	(450,714,565)		-	\$ 52,554,401
Additional Revenue due to pilot			3,115,228	
Net assessed value	\$ 1,770,075,251	\$	53,982,822	

CITY OF WOONSOCKET

SINGLE AUDIT SECTION

This section contains information regarding federal grant activity for the year ended June 30, 2011, which was audited in accordance with generally accepted auditing standards and "Government Auditing Standards" issued by the Comptroller General of the United States and under the guidelines of the Single Audit Act of 1984 as amended by the Single Audit Act Amendments of 1996 and the United States Office of Management and Budget's Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations."

CITY OF WOONSOCKET, RHODE ISLAND

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011**

Federal Grantor	Federal	
Pass-Through Grantor	CFDA	
<u>Program title</u>	<u>Number</u>	<u>Expenditures</u>
U.S. Department of Health		
Substance Abuse and Mental Health Services - Projects of Regional, etc.	93.243	\$ 189,124
Total U.S. Department of Health		<u>189,124</u>
U.S. Department of Housing and Urban Development		
Community Development Block Grants/Entitlement Grants	14.218	1,543,181
Emergency Shelter Grants Program	14.231	47,189
Homeless Prevention Rapid Re-Housing	14.XXX	291,010
Lead Hazard Reduction Demonstration Grant Program	14.905	261,691
Home Investment Partnership Program	14.239	698,962
Total U.S. Department of Housing and Urban Development		<u>2,842,033</u>
U.S. Department of Interior		
Save America's Treasures	15.929	42,009
U.S. Department of Transportation		
Rhode Island Department of Environmental Management		
Interagency Hazardous Materials Public Sector Training & Planning Grants	20.703	24,561
U.S. Department of Homeland Security		
Homeland Security Grant Program	97.067	203,020
Assistance to Firefighters Grant	97.044	74,110
Disaster Grants - Public Assistance	97.036	45,518
Emergency Management Performance Grant	97.042	166,440
Total U.S. Department of Homeland Security		<u>489,088</u>
U.S. Department of Justice		
Edward Byrne Memorial Justice Assistance Grant (JAG) Program	16.738	43,672
Enforcing Underage Drinking Laws Program	16.727	40,783
Local Law Enforcement Block Grant	16.592	2,995
Recovery Act - Edward Byrne Memorial JAG Program - Grants to Local Govt.	16.804	148,645
Recovery Act - Edward Byrne Memorial JAG Program - Grants to States	16.803	26,200
Public Safety Partnership and Community Policing Grants	16.710	245,989
Total U.S. Department of Justice		<u>508,284</u>
U.S. Department of Education		
RI Department of Education		
Title I Grants to Local Education Agencies	84.010	3,455,844
Title I Grants to Local Education Agencies - ARRA	84.389	1,178,752
English Language Acquisition Grants	84.365	100,745
Improving Teacher Quality State Grants	84.367	866,500
Safe and Drug-Free Schools & Communities State Grants	84.186	25,650
Education for Homeless Children and Youth	84.196	40,000
Education Technology State Grants	84.318	148,000
Special Education Grants to States	84.027	2,089,581
Special Education Grants to States - ARRA	84.391	1,534,024
Special Education Preschool Grants	84.173	62,448
Special Education Preschool Grants - ARRA	84.392	38,594
Career and Technical Education - Basic Grants to States	84.048	478,348
Even Start State Education Agencies	84.213	66,542
WIA Youth Activities	17.259	290,774
Twenty First Century Community Learning Centers	84.287	690,165
Education Jobs Fund	84.410	2,034,796
State Fiscal Stabilization Fund - Education State Grants - ARRA	84.394	1,072,017
Total U.S. Department Education		<u>14,172,780</u>
U.S. Department of Agriculture		
Rhode Island Department of Education		
National School Lunch Program	10.555	** 2,254,574
Total U.S. Department of Agriculture		<u>2,254,574</u>
Total Federal Expenditures		<u>\$ 20,522,453</u>

**- Includes commodities valued at approximately \$148,391

CITY OF WOONSOCKET, RHODE ISLAND

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2011**

1. General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the City of Woonsocket, Rhode Island. All federal awards received from federal agencies are included on the Schedule of Expenditures of Federal Awards. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements. An example is the National School Lunch Program where the schedule of federal expenditures includes \$148,391 for the value of food commodities received. These commodities are not recorded in the basic financial statements.

2. Basis of Accounting

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

3. Determination of Major Programs

The determination of major federal financial assistance programs was based upon the overall level of expenditures for all federal programs for the City of Woonsocket, Rhode Island. As such, the threshold for determining Type A and Type B programs is defined as those with program expenditures greater than \$300,000 or 3 percent of total expenditures when the total expenditures are over \$10,000,000. For the fiscal year ended June 30, 2011, the following programs were considered a major program:

Community Development Block Grants/ Entitlement Grants	CFDA #14.218
Home Investment Partnerships Program	CFDA #14.239
Title I	CFDA #84.010
Title I, ARRA.....*	CFDA #84.389
Title II – Improving Teacher Quality State Grants	CFDA #84.367
State Fiscal Stabilization Fund – Education State Grants, ARRA.....	CFDA #84.394
Special Education – Grants to States (IDEA Part B).....**	CFDA #84.027
Special Education – Preschool Grants (IDEA Preschool)	CFDA #84.173
Special Education – Grants to States (IDEA Part B), ARRA	CFDA #84.391
Special Education – Preschool Grants (IDEA Preschool), ARRA	CFDA #84.392
Education Jobs Fund	CFDA #84.410

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

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Woonsocket, Rhode Island as of and for the year ended June 30, 2011, which collectively comprise the City of Woonsocket, Rhode Island's basic financial statements and have issued our report thereon dated December 30, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs (noted as items 2011-1 through 2011-4) to be material weaknesses.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Needham

Boston

Concord

Taunton

Compliance and Other Matters

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

We noted certain matters that we reported to management of the City of Woonsocket, Rhode Island in a separate letter titled *Communication of Matters Prescribed by Statement on Auditing Standards #115* and dated December 30, 2011.

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

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



Providence, Rhode Island
December 30, 2011

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

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

Compliance

We have audited the City of Woonsocket, Rhode Island's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Woonsocket, Rhode Island's major federal programs for the year ended June 30, 2011. The City of Woonsocket, Rhode Island's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Woonsocket, Rhode Island's management. Our responsibility is to express an opinion on the City of Woonsocket, Rhode Island's compliance based on our audit.

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

As described in items 2011-5 through 2011-7 in the accompanying schedule of findings and questioned costs, the City of Woonsocket (including the Woonsocket Education Department) did not comply with the requirements regarding allowable costs and in some cases cash management that are applicable to its Community Development Block Grant Program, HOME Investment Partnership Program, Title I, Title I – ARRA, Special Education – Grants to States, Special Education Grants to States – ARRA, Special Education – Preschool Grants, Special Education – Preschool Grants, ARRA, Title II, and State Fiscal Stabilization Fund. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the City of Woonsocket complied in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Needham

Boston

Concord

Taunton

Internal Control Over Compliance

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

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control which we consider to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention to those charged with governance. We consider items 2011-5 and 2011-7 to be the result of a significant deficiency in internal control over compliance related to Title I, Title I – ARRA, Special Education – Grants to States, Special Education Grants to States – ARRA, Special Education – Preschool Grants, Special Education – Preschool Grants, ARRA, Title II, and State Fiscal Stabilization Fund.

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



Providence, Rhode Island
December 30, 2011

CITY OF WOONSOCKET, RHODE ISLAND

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011**

A. SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expressed an unqualified opinion on the basic financial statements of the City of Woonsocket, Rhode Island.
2. Four deficiencies in internal control over financial reporting have been identified and are described in Part B below as items 2011-1 through 2011-4. We consider items 2011-1 through 2011-4 to be material weaknesses.
3. No instances of noncompliance material to the financial statements of the City of Woonsocket, Rhode Island were disclosed during the audit.
4. Two instances of significant deficiencies in internal control over compliance with requirements applicable to major federal programs were identified and are listed as items 2011-5 and 2011-7 in Part C below.
5. The auditors' report on compliance for the major federal award programs for the City of Woonsocket, Rhode Island expresses a qualified opinion.
6. Audit findings relative to the major federal award programs for the City of Woonsocket are reported in Part C of this schedule.
7. The programs tested as major programs were:

Community Development Block Grants/ Entitlement Grants	CFDA #14.218
Home Investment Partnerships Program	CFDA #14.239
Title I	CFDA #84.010
Title I, ARRA	CFDA #84.389
Title II – Improving Teacher Quality State Grants	CFDA #84.367
State Fiscal Stabilization Fund – Education State Grants, ARRA	CFDA #84.394
Special Education – Grants to States (IDEA Part B)	CFDA #84.027
Special Education – Preschool Grants (IDEA Preschool)	CFDA #84.173
Special Education – Grants to States (IDEA Part B), ARRA	CFDA #84.391
Special Education – Preschool Grants (IDEA Preschool), ARRA	CFDA #84.392
Education Jobs Fund	CFDA #84.410

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

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

(CONTINUED)

CITY OF WOONSOCKET, RHODE ISLAND

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011**

B. FINDINGS -- RELATED TO AUDIT OF FINANCIAL STATEMENTS

Current Year Findings:

- 2011-1:** The general ledger accounting records maintained by the City should include all accounts and funds maintained by the City. During our audit process we noted that the general ledger accounting records did not include the balances or financial activity of an account maintained by the Clerk's office for maintenance and restoration of records, and the City's Employee Retirement Plan for police and fire department personnel. In addition, the City does not maintain a general ledger for reporting long-term debt obligation balances and the activity of these debt obligations during the fiscal year.
- 2011-2:** The City's Finance Department and the School's Business Office currently do not have formal policies or procedures in place for reviewing and approving account reconciliations, journal entries, and trial balances prepared by finance personnel. We noted that certain School Department and City finance personnel are responsible for maintaining the general ledger accounting records and completing many of the account reconciliations. There are no policies or procedures in place for approving the reconciliations or journal entries prepared by these individuals. Failure to establish a formal policy for reviewing and approving work performed by finance personnel may allow errors or irregularities to occur and go undetected for extended periods of time.
- 2011-3:** The Woonsocket Education Department has a lack of controls over the maintenance of the general ledger accounting records. The Education Department does not have policies or procedures in place for reviewing the general ledger accounting records and completing account reconciliations on a monthly or periodic basis. We noted instances where the Department did not maintain documentation or reconciliations of certain accounts and therefore the balances at June 30, 2011 were not readily determinable.
- 2011-4:** During our audit we noted a lack of controls over the valuation of the accrued compensated absence liability of the Woonsocket Education Department. We noted instances where the valuation of the vested benefits was not in compliance with the contractual obligations for certain employees.

(CONTINUED)

CITY OF WOONSOCKET, RHODE ISLAND

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011**

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

Prior Year Findings:

- 2010-1:** The auditors' report for the fiscal year ended June 30, 2010 presented an adverse opinion on the governmental activities of the City of Woonsocket. The adverse opinion was rendered as a result of the City's failure to maintain adequate capital asset records to support the value of capital assets, primarily infrastructure assets, and the failure to comply with GASB Statement #45 relating to OPEB for the Woonsocket Education Department. **Status: This finding was cleared in fiscal 2011.**
- 2010-2:** The general ledger accounting records maintained by the City should include all accounts and funds maintained by the City. During our audit process we noted that the general ledger accounting records did not include the balances or financial activity of an account maintained by the Clerk's office for maintenance and restoration of records, and the City's Employee Retirement Plan for police and fire department personnel. In addition, the City does not maintain a general ledger for reporting long-term debt obligation balances and the activity of these debt obligations during the fiscal year. **Status: See current year finding 2011-1.**
- 2010-3:** During our audit of the financial records maintained by the Woonsocket Education Department we noted weaknesses in controls over the maintenance of the accounting records. We noted that there was a lack of formal policies and procedures requiring all significant accounts to be reconciled on a monthly basis or in a timely manner. We noted that bank accounts, accounts payable, encumbrances, accrued expenditures, and interfund balances were not reconciled on a periodic basis. In addition, our audit procedures resulted in the recording of several material audit adjustments (approved by management) to the financial position and results of operations of the School Unrestricted Fund. We believe that these audit adjustments were the direct result of a lack of controls over maintenance, review, and approval of the general ledger accounting records. **Status: See current year finding 2011-3.**
- 2010-4:** The Woonsocket Education Department's general ledger accounting system currently maintains one fund (Fund 20) to account for all of the activities of the various restricted special revenue/grant funds (approximately 40 funds). Management takes the activity from Fund 20 and prepares computerized spreadsheets allocating the activity to the respective individual funds. During our audit we noted that the activity in the spreadsheets is not reconciled to the activity in Fund 20 on an ongoing basis. We also noted that the various interfund balances and the cash account was not reconciled in a timely manner. It is our understanding that the maintenance of these accounting records has historically been the responsibility of primarily one individual, the Accounting Supervisor. We believe that this individual is solely responsible for maintaining the general ledger, and reconciling all applicable accounts. **Status: This finding was cleared in fiscal 2011 as separate funds are maintained in the general ledger accounting system.**

(CONTINUED)

CITY OF WOONSOCKET, RHODE ISLAND

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011**

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

Prior Year Findings (continued):

2010-5: The City and School Department receive a number of grants from various federal and state agencies. Many of these grants are considered to be expenditure reimbursement grants. As the name implies, funding of these grants is generally reimbursed to the City and School Department once the expenditure has been incurred and or paid by the City or School Department. During our audit we noted instances where we believe the City and School Department may have immaterial instances of noncompliance with the cash management requirements of these federal and state grants. Lack of compliance could result in loss of grant revenue. **Status: See current year finding 2011-6.**

(CONTINUED)

CITY OF WOONSOCKET, RHODE ISLAND

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011**

C. FINDINGS AND QUESTIONED COSTS RELATING TO FEDERAL AWARDS

Current Year Findings:

2011-5: Title I – CFDA #84.010, Title I, ARRA – CFDA #84.389, Title II – Improving Teacher Quality State Grants – CFDA #84.367, Special Education – Grants to States (IDEA Part B) – CFDA #84.027, Special Education Preschool Grants (IDEA Preschool) – CFDA #84.173, Special Education – Grants to States (IDEA Part B), ARRA – CFDA #84.391, and Special Education Preschool Grants (IDEA Preschool), ARRA – CFDA #84.392

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

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

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

Questioned Costs: The results of our testing identified known questioned costs of approximately \$37,800 for the Title I program cluster (CFDA #s 84.010 and 84.389), \$37,000 for the IDEA program cluster (CFDA #s 84.027, 84.173, 84.391, and 84.392), and \$14,900 for Title II (CFDA #84.867).

Recommendation: We recommend that the management of the School Department develop and enforce a policy requiring detailed time records to be completed and maintained in accordance with the requirements of OMB Circular A-87. In addition, this policy should include an internal audit function requiring someone independent of the federal program to review time records and salary reimbursements on a periodic basis for compliance.

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

(CONTINUED)

CITY OF WOONSOCKET, RHODE ISLAND

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011**

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

Current Year Findings (Continued):

2011-6: Community Development Block Grant – CFDA #14.218 and Home Investment Partnership Program – CFDA #14.239

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

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

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

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

2011-7: State Fiscal Stabilization Fund – State Education Grants, ARRA – CFDA #84.394

Criteria: The Woonsocket School Department is not adequately maintaining documentation for all disbursements made using federal funds.

Condition: The City of Woonsocket does not have adequate controls in place to ensure compliance with the allowable costs requirement over federal funds. During our audit we noted a disbursement that could not be substantiated as the School Department was not able to provide any supporting documentation.

Questioned Costs: The results of our testing identified known questioned costs of \$28,050.

Recommendation: We recommend the City develop a policy and implement procedures to ensure compliance with the allowable costs requirements of the federal program. In addition, we recommend that the City develop a more efficient system of consistently maintaining documentation pertaining to federal expenditures.

Corrective Action - Management Response: The School Department's Finance Director will develop a policy and implement procedures to strengthen controls surrounding disbursements of federal funds. All disbursements of federal awards will be maintained in file with adequate supporting documentation to ensure that the allowability of disbursements can be substantiated.

(CONTINUED)

CITY OF WOONSOCKET, RHODE ISLAND

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2011**

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

Prior Year Findings:

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

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

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

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

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

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

Status: See current year finding 2011-5.

(CONTINUED)

CITY OF WOONSOCKET, RHODE ISLAND

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2011**

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

Prior Year Findings (Continued):

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

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

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

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

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

Status: See current year finding 2011-6.

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

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

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

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

(CONTINUED)

CITY OF WOONSOCKET, RHODE ISLAND

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2011**

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

Prior Year Findings (Continued):

2010-8: Homeland Security Grant Program – CFDA #97.067 (continued)

Corrective Action - Management Response: The City of Woonsocket will implement the inclusion of all employees with overtime pay charged to the federal program on their invoice billings. This will allow every dollar of overtime charged to the federal program to be traceable to payroll records – i.e. timesheets and payroll registers. This procedure has already been implemented in fiscal year 2011.

Status: During our 2011 testing we reviewed an invoice charged to the federal program for overtime pay and found that the City implemented the new format of including the backfill firefighters who are filling in for those that attend the Homeland Security training sessions.

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

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

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

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

Status: During our 2011 testing we reviewed several loan repayments and noted that the City properly segregated the program income pertaining to the Home Program upon receipt. Therefore, we can conclude that this condition has been corrected in 2011.

(CONCLUDED)

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