

**CITY OF WOONSOCKET,
RHODE ISLAND**

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

**FOR THE YEAR ENDED
JUNE 30, 2012**

PREPARED BY: CITY'S FINANCE DEPARTMENT

CITY OF WOONSOCKET

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-

CITY OF WOONSOCKET, RHODE ISLAND

YEAR ENDED JUNE 30, 2012

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CITY OF WOONSOCKET, RHODE ISLAND

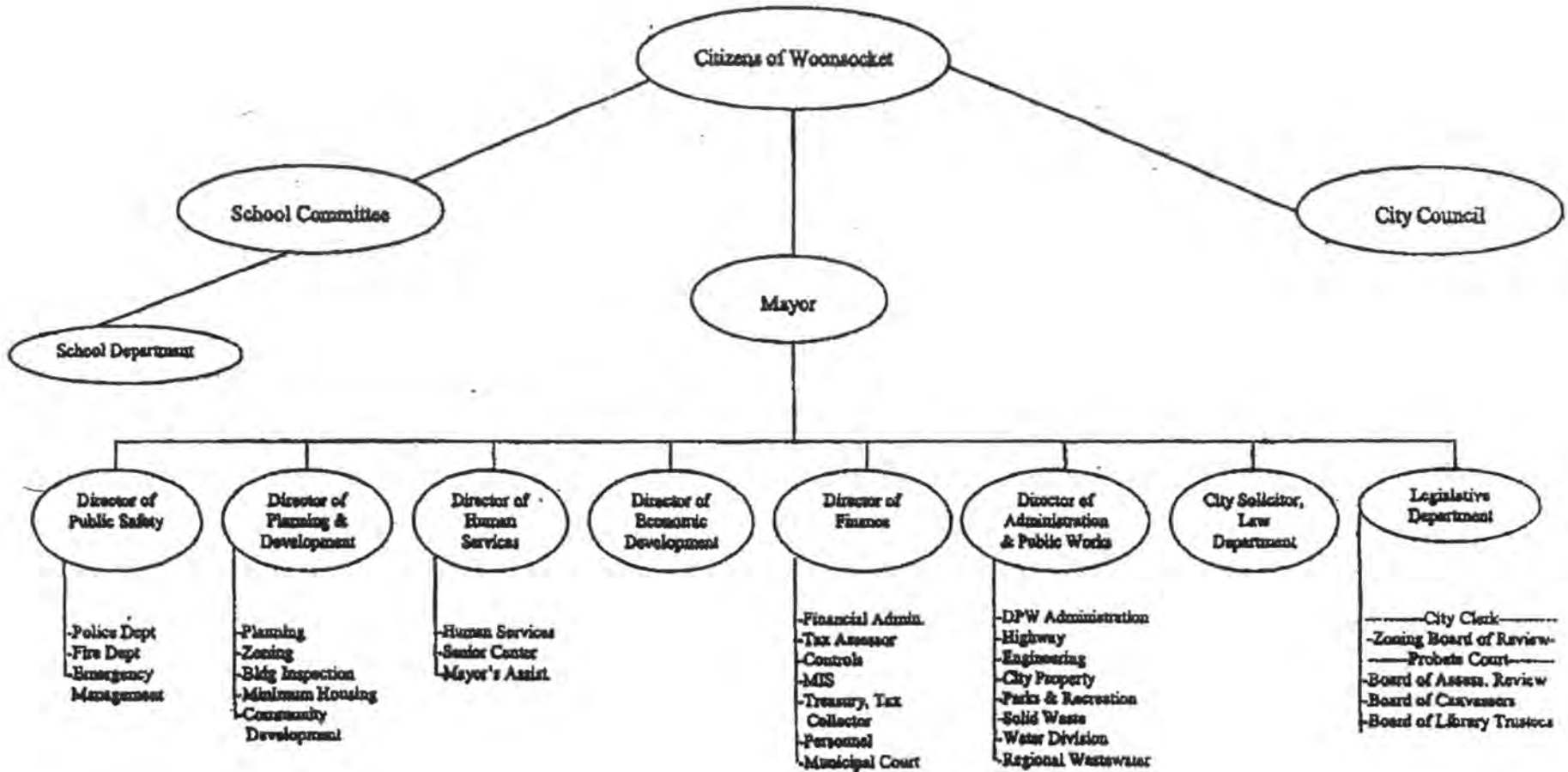
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**THE CITY OF WOONSOCKET, RHODE ISLAND
GOVERNMENT ORGANIZATIONAL CHART**



THE CITY OF WOONSOCKET, RHODE ISLAND

List of City Officials JUNE 30, 2012

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

City Council

President	John F. Ward
Vice President	Daniel M. Gendron
Councilor	Roger Jalette
Councilor	Christopher Beauchamp
Councilor	Robert Moreau
Councilor	Albert Brien
Councilor	Marc Dubois

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, 2012, 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, 2012, 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 1 to the financial statements, the City is now under the control of the Budget Commission. On May 29, 2012 the Director of Revenue established the Budget Commission under RIGL 45-9-6.

In accordance with Government Auditing Standards, we have also issued our report dated January 31, 2013 on our consideration of the City of Woonsocket, Rhode Island's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund – Budgetary Basis, School Unrestricted Fund – Budgetary Basis, Schedule of Funding Progress for Pension Plans, and Schedule of Funding Progress of OPEB Plans, on Pages 3 through 11, Pages 73 through 74, Pages 75, page 76, and Page 77, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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



Providence, Rhode Island
January 31, 2013

CITY OF WOONSOCKET, RHODE ISLAND
Management's Discussion and Analysis
For the Year Ended June 30, 2012

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, 2012.

Financial Highlights

The assets of the City of Woonsocket exceeded (were less than) its liabilities by (\$15,068,143) and (\$195,388) at June 30, 2012 and 2011, respectively. Of the amount at June 30, 2012, (\$143,980,109) is the total unrestricted deficit and the balance \$128,911,966 is invested in capital assets.

- ❖ The City's total net assets decreased by \$14,872,755 and \$11,686,267 in fiscal years 2012 and 2011, respectively. The decrease of \$14,872,755 in fiscal year 2012 was due to decreases in net assets in the Governmental activities of \$17,602,364 and an increase of \$2,729,609 in the business type activities.
- ❖ As of the close of the fiscal years 2012 and 2011 the City's governmental funds reported combined ending fund balances surplus / (deficits) of (\$2,476,444) and \$5,004,329 respectively. The unassigned portion of the fund balance at June 30, 2012 was a deficit of (\$7,276,333) while the fund balance committed, restricted and nonspendable totaled \$4,799,889. The City's General Fund had an unassigned fund balance of \$2,649,262 which represents approximately 3% of the General Fund budget for fiscal 2012.
- ❖ At the end of the current fiscal year, the general fund unassigned fund balance was \$2,649,262 or 3% of the total General Fund expenditures and other financing uses for the fiscal year ended June 30, 2012. The current fiscal year's revenue exceeded expenditures by \$293,952 (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 78-87 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 four 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.

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 88-89, and for the Private Purpose Trust Funds pages 90-91.

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 72.

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 73-77.

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 78-91.

Government-wide Financial Analysis

Analysis of the City of Woonsocket's Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Woonsocket, assets exceeded (were less than) liabilities by (\$15,068,143) and (\$195,388) as of June 30, 2012 and 2011, 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	2012 Total	Governmental Activities (Restated)	Business-Type Activities	2011 Total (Restated)
Current assets	\$ 23,518,725	\$18,289,621	\$ 41,808,346	\$ 25,909,020	\$ 13,136,601	\$ 39,045,621
Capital assets	200,252,577	54,271,609	254,524,186	204,014,665	53,563,056	257,577,721
Other assets	1,649,634	1,397,939	3,047,573	1,716,593	1,427,392	3,143,985
Total assets	<u>225,420,936</u>	<u>73,959,169</u>	<u>299,380,105</u>	<u>231,640,278</u>	<u>68,127,049</u>	<u>299,767,327</u>
Current liabilities	32,100,591	9,093,448	41,194,039	25,319,688	4,636,293	29,955,981
Long-term liabilities	249,832,506	23,421,703	273,254,209	245,230,387	24,776,347	270,006,734
Total liabilities	<u>281,933,097</u>	<u>32,515,151</u>	<u>314,448,248</u>	<u>270,550,075</u>	<u>29,412,460</u>	<u>299,962,715</u>
Net assets:						
Invested in capital assets	97,455,150	31,456,816	128,911,966	96,210,608	29,159,522	125,370,130
Unrestricted	(153,967,311)	9,987,202	(143,980,109)	(135,120,405)	9,554,887	(125,565,518)
Total net assets	<u>(\$56,512,161)</u>	<u>\$41,444,018</u>	<u>(\$15,068,143)</u>	<u>(\$38,909,797)</u>	<u>\$38,714,409</u>	<u>(\$195,388)</u>

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, 2012 and 2011. 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 2012 and 2011 includes the reporting of the impact of GASB Statement 45 OPEB requirements, implemented during fiscal 2011 for the Woonsocket Education Department

In the fiscal years ended June 30, 2012 and 2011 the Net Assets of the Governmental activities decreased by \$17,602,364 and \$15,521,206 (as originally stated) respectively. For fiscal 2012 and 2011, total net assets in the Government-wide statements decreased by \$14,872,755 and \$11,686,267 (as originally stated), respectively.

CITY OF WOONSOCKET'S CHANGES IN NET ASSETS

	Governmental Activities <u>2012</u>	Business -Type Activities <u>2012</u>	2012 <u>Total</u>	Governmental Activities <u>2011</u>	Business -Type Activities <u>2011</u>	<u>2011</u> <u>Total</u>
Revenues:						
Program revenues:						
Charges for services	\$9,888,555	\$23,372,329	\$ 33,260,884	\$ 10,087,032	\$22,617,399	\$ 32,704,431
Operating Grants and Contributions	63,547,583	0	63,547,583	69,056,919	0	69,056,919
Capital Grants and Contributions	165,572	0	165,572	417,160	0	417,160
General Revenues:						
Property taxes	55,896,272	-	55,896,272	53,820,107	-	53,280,107
Investment Earnings	2,443	133,316	135,759	6,912	123,745	130,657
Motor Veh. Phase-out	367,796		367,796	376,634		376,634
Telephone, meals etc	944,451		944,451	994,244		994,244
Host Community	2,088,216		2,088,216	653,297		653,297
Gain(Loss)Disposition		0	0	0	0	0
Unrestricted grants/aid	1,095,945	-	1,095,945	1,026,975	-	1,026,975
Transfers	0	0	0	(1,989,475)	1,989,475	0
Total revenues	133,996,833	23,505,645	157,502,478	134,449,805	24,730,619	159,180,424

	Governmental Activities <u>2012</u>	Business -Type Activities <u>2012</u>	2012 <u>Total</u>	Governmental Activities <u>2011</u>	Business -Type Activities <u>2011</u>	2011 <u>Total</u>
Expenditures:						
Legislative	1,424,654		1,424,654	1,366,402		1,366,402
Executive	127,200		127,200	141,797		141,797
Finance	1,572,842		1,572,842	1,385,553		1,385,553
Planning & Dev.	612,450		612,450	690,177		690,177
Law	487,258		487,258	620,842		620,842
Public Safety	34,890,322		34,890,322	33,637,335		33,637,335
Public Works	6,950,730		6,950,730	7,202,354		7,202,354
Human Services	262,439		262,439	334,611		334,611
Economic Develop.	1,645,254		1,645,254	2,531,324		2,531,324
Other Fixed and General Charges	9,047,074		9,047,074	8,863,842		8,863,842
Education	83,653,677		83,653,677	82,596,333		82,596,333
Interest on Long-term Debt	10,925,297		10,925,297	10,600,441		10,600,441
Water		5,764,643	5,764,643		5,843,994	5,843,994
Reg. Wastewater		5,938,863	5,938,863		6,145,985	6,145,985
User charge		6,501,521	6,501,521		6,192,121	6,192,121
Hydro		0	0		1,732	1,732
School Proprietary		2,571,009	2,571,009		2,711,848	2,711,848
Total Expenditures:	151,599,197	20,776,036	172,375,233	149,971,011	20,895,680	170,866,691
Change in Net Assets	(17,602,364)	2,729,609	(14,872,755)	(15,521,206)	3,834,939	(11,686,267)
Net Assets-beginning	(39,135,433)	38,714,409	(421,024)	(35,757,841)	35,103,600	(654,241)
Prior period adjustments	225,636	0	225,636	12,143,614	(224,130)	11,919,484
Net assets-beginning	(38,909,797)	38,714,409	(195,388)	(23,614,227)	34,879,470	11,265,243
Net assets-ending	(\$56,512,161)	\$41,444,018	(\$15,068,143)	(\$39,135,433)	\$38,714,409	(\$421,024)

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 deficit of (\$2,476,444). The General Fund reported an unassigned fund balance surplus of \$2,649,262 and a total fund balance surplus of \$2,981,600. The City Capital Projects Fund had a surplus fund balance of \$2,397,039 at June 30, 2012. The School Unrestricted Fund had a year-end unassigned fund balance deficit of (\$9,795,478).

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 \$18,364,152, User Collection Charge Fund (\$184,299), Water Fund \$23,089,984, and School Proprietary funds \$174,181.

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 73-74 and 75, respectively. At the end of the fiscal year ended June 30, 2012 the net change in fund balance was a deficit of (\$6,523,124) on a budgetary basis. The decrease was comprised of a net surplus in the City's General Fund of \$293,952 and a deficit in the School Unrestricted Fund of (\$6,817,076). 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 2012-2013 fiscal year includes a statutory maximum tax increase of 4.00%.

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 \$254,524,186 net of accumulated depreciation at June 30, 2012. 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 2012	Business-type Activities 2012	Total 2012	As Restated Governmental Activities 2011	As Restated Business-type Activities 2011	Total 2011
Land	\$ 22,307,537	\$ 570,321	\$ 22,877,858	\$ 22,307,537	\$ 570,321	\$ 22,877,858
Buildings and Improvements	213,152,873	54,311,605	267,464,478	211,819,634	54,058,260	265,877,894
Construction in Progress	645,591	4,243,839	4,889,430	1,185,329	2,398,892	3,584,221
Motor Vehicles	8,849,229	570,395	9,419,624	8,290,423	553,191	8,843,614
Furniture and Equipment	9,697,412	8,212,380	17,909,792	9,544,657	8,139,065	17,683,722
Infrastructure	63,265,192	36,539,795	99,804,987	62,871,432	36,231,571	99,103,003
Less: Accumulated Depreciation	(117,665,257)	(50,176,726)	(167,841,983)	(112,004,347)	(43,388,244)	(160,392,591)
Totals	\$200,252,577	\$54,271,609	\$254,524,186	\$204,014,665	\$53,563,056	\$257,577,721

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 \$202,275,153 and \$210,500,624 at June 30, 2012 and 2011 respectively. Of this amount \$12,213,999 and \$12,328,188 at June 30, 2012 and 2011 respectively, comprised the bonded debt for the Enterprise Funds. In addition, the Business Type Activities also had lease purchase obligations outstanding at June 30, 2012 and 2011 totaling \$12,052,703 and \$13,502,738, respectively. The Governmental Activities also had lease purchase obligations outstanding at June 30, 2012 totaling \$1,179,086 and \$1,292,622 at June 30, 2011.

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

	Governmental Activities 2012	Business-type Activities 2012	<u>Total</u> 2012	Governmental Activities 2011	Business-type Activities 2011	<u>Total</u> 2011
General obligation & bonds payable	\$190,061,154	\$12,213,999	\$202,275,153	\$198,172,436	\$12,328,188	\$210,500,624
Leases payable	1,179,086	12,052,703	13,231,789	1,292,622	13,502,738	14,795,360
Totals	<u>\$191,240,240</u>	<u>\$24,266,702</u>	<u>\$215,506,942</u>	<u>\$199,465,058</u>	<u>\$25,830,926</u>	<u>\$225,295,984</u>

The City's general obligation bond rating as assigned by Moody's Investors Service, in August of 2012, is B2 with a negative outlook and the rating by Fitch Rating Service is B with a Rating Watch Negative. (November 21, 2012)

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 \$58,084,000 at June 30, 2012. The City's outstanding general obligation debt is \$202,275,153 at year-end, of which \$36,990,153 is subject to the legal debt limits. The debt limit calculation does not include the \$83,555,000 of pension obligation bonds, \$72,055,000 of Middle School bonds, or the \$9,675,000 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 2013 is \$122,094,273 which reflects an increase of \$2,705,016 from the fiscal 2012 budget. In the City's 2013 budget, \$17,436,946 of tax revenue, or 23.9% is allocated for educational purposes and \$55,451,092 or 76.1% is budgeted for other purposes. Total Education Department budget included in the City's General Fund budget is \$66,643,181 which represents approximately 49.9% of the City's total budget.

The School Department budget for the fiscal year 2013 is \$66,643,181. The primary funding source is state aid for education. As noted above, the city's contribution to the Education Department is \$17,436,946.

Economic Factors and Next Year's Budgets and Rates

The State of Rhode Island budgeted for fiscal year 2013 to contribute \$46,135,013 to the City's education department. The amount is based on the City being considered distressed 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.

Budget Commission

The State Director of Revenue appointed a Budget Commission in May 2012 to oversee the City of Woonsocket's finances under the law know as the Act Relating to Cities and Towns-Providing Financial Stability, R.I. Gen. Laws §45-9-1, et seq. (the "Fiscal Stability Act"). Based on the requirements of the statues related to the Budget Commission, the Commission and the City have established a preliminary five year general fund fiscal plan. As of February 12, 2013, this preliminary plan projects the elimination of the unrestricted school fund deficit by Fiscal Year 2017. On February 3, 2013, the State Budget Commission provided oversight and approval of this preliminary plan which consists of significant cost reductions related to employer and retiree health insurance benefits. The plan also consists of the elimination of the cost of living adjustment in the City sponsored pension plan. These reductions are subject to the process of collective bargaining during the next two months. In addition, the commission intends to seek RI General Assembly approval of a supplemental tax levy of \$2.5 million or approximately 5% of the annual tax levy. This additional tax bill will go into the base as part of the annual tax levy in subsequent years.

Other deficit reduction measures include consolidation of public safety functions, such as dispatch, in addition to reduced staffing in both the Police and Fire Departments. The deficit reduction plan developed, is represented by the State Budget Commission five year plan and requires the approval of the RI Auditor General.

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 ISLAND

Statement of Net Assets
June 30, 2012

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 13,866,904	\$ 6,701,122	\$ 20,568,026
Cash held in escrow		4,053,970	4,053,970
Accounts receivable, net	8,678,699	5,489,452	14,168,151
Internal balances	(1,964,302)	1,964,302	-
Due from federal and state governments	2,202,486	80,775	2,283,261
Prepays	734,938	-	734,938
Total Current Assets	23,518,725	18,289,621	41,808,346
Noncurrent Assets:			
Restricted cash		1,231,168	1,231,168
Deferred charges - bond issuance	1,649,634	166,771	1,816,405
Capital assets not being depreciated	22,953,128	4,814,160	27,767,288
Capital assets, net of accumulated depreciation	177,299,449	49,457,449	226,756,898
Total Noncurrent Assets	201,902,211	55,669,548	257,571,759
TOTAL ASSETS	225,420,936	73,959,169	299,380,105
LIABILITIES:			
Current Liabilities:			
Cash overdraft	397,952		397,952
Bond Anticipation Note	-	4,000,000	4,000,000
Accounts payable	7,637,244	2,244,829	9,882,073
Accrued liabilities	15,259,456	150,712	15,410,168
Due to federal and state governments	7,339	75,998	83,337
Unearned revenue	1,507	22,380	23,887
Current portion of claims and judgements	59,430		59,430
Current portion of notes & leases payable	376,381	1,460,529	1,836,910
Current portion of bonds payable	8,361,282	1,139,000	9,500,282
Total Current Liabilities	32,100,591	9,093,448	41,194,039
Noncurrent Liabilities:			
Bonds payable long term portion	183,275,569	11,074,999	194,350,568
Claims and judgements	118,860		118,860
Net Pension Obligation	8,485,928		8,485,928
Net OPEB Obligation	48,018,199	1,364,454	49,382,653
Notes and leases payable long term portion	802,705	10,592,174	11,394,879
Accrued compensated absences	9,131,245	390,076	9,521,321
Total Noncurrent Liabilities	249,832,508	23,421,703	273,254,209
TOTAL LIABILITIES	281,933,097	32,515,151	314,448,248
NET ASSETS:			
Invested in capital assets net of related debt	97,455,150	31,456,816	128,911,966
Unrestricted	(153,967,311)	9,987,202	(143,980,109)
TOTAL NET ASSETS	\$ (56,512,161)	\$ 41,444,018	\$ (15,068,143)

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, 2012

Functions/Programs:	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services, Fees & Licenses	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
Executive	\$ 127,200				\$ (127,200)		\$ (127,200)
Legislative	1,424,654	\$ 1,144,648			(280,006)		(280,006)
Planning & Development	612,450	205,102			(407,348)		(407,348)
Finance	1,572,842	80,168			(1,492,674)		(1,492,674)
Law	487,258	-			(487,258)		(487,258)
Public safety	34,890,322	1,271,866	\$ 1,362,602		(32,255,854)		(32,255,854)
Public works	6,950,730	1,723,286	10,500		(5,216,944)		(5,216,944)
Human services	262,439	-	277,362	\$ 165,572	180,495		180,495
Economic development	1,645,254	522,988	2,096,771		974,505		974,505
Education	83,653,677	3,585,837	54,278,557		(25,789,283)		(25,789,283)
Other fixed and general charges	9,047,074	1,354,660	191,758		(7,500,656)		(7,500,656)
Interest on long-term debt	10,925,297	-	5,330,033		(5,595,264)		(5,595,264)
Total governmental activities	151,599,197	9,888,555	63,547,583	165,572	(77,997,487)		(77,997,487)
Business-type activities:							
Water	5,764,643	7,232,680				\$ 1,468,037	1,468,037
Regional Wastewater	5,938,863	7,109,179				1,170,316	1,170,316
User Charge	6,501,521	6,527,603				26,082	26,082
School Proprietary	2,571,009	2,502,867	-			(68,142)	(68,142)
Total business-type activities	20,776,036	23,372,329	-	-	-	2,596,293	2,596,293
Total	\$ 172,375,233	\$ 33,260,884	\$ 63,547,583	\$ 165,572	(77,997,487)	2,596,293	(75,401,194)
General revenues:							
Property taxes					55,896,272		55,896,272
Motor vehicle phase-out taxes					367,796		367,796
Telephone and hotel taxes					536,448		536,448
Meals & beverage tax					408,003		408,003
Grants and aid not restricted for a specific program					1,095,945		1,095,945
Host Community agreements					2,088,216		2,088,216
Unrestricted investment earnings					2,443	133,316	135,759
Total general revenues					60,395,123	133,316	60,528,439
Change in Net assets					(17,602,364)	2,729,609	(14,872,755)
Net assets - beginning of year (as restated)					(38,909,797)	38,714,409	(195,388)
Net assets - ending of year					\$ (56,512,161)	\$ 41,444,018	\$ (15,068,143)

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

CITY OF WOONSOCKET, RHODE ISLAND

*Balance Sheet
Governmental Funds
June 30, 2012*

	General Fund	City Capital Projects	School Unrestricted Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:					
Cash and cash equivalents	\$ 6,678,397	\$ 3,117,722	\$ 1,689,594	\$ 2,381,191	\$ 13,866,904
Accounts receivable, net	3,290,615		746,915	651,897	4,689,427
Due from other governments	274,492		370,720	1,557,274	2,202,486
Other receivables, net	869,114			3,120,158	3,989,272
Prepaid expenditures	330,110		402,600		732,710
Due from other funds	553,659	270,118	3,995,284	990,848	5,809,909
Inventory at cost	2,228				2,228
TOTAL ASSETS	\$ 11,998,615	\$ 3,387,840	\$ 7,205,113	\$ 8,701,368	\$ 31,292,936
LIABILITIES AND FUND BALANCES:					
LIABILITIES:					
Cash overdraft				\$ 397,952	\$ 397,952
Accounts payable	\$ 1,137,345		\$ 5,842,533	657,366	7,637,244
Accrued expenses	2,092,489		9,616,404	-	11,708,893
Due to other funds	3,308,474	\$ 990,801	1,139,054	2,335,882	7,774,211
Deferred revenue	2,471,375			3,772,366	6,243,741
Due to other governments	7,332			7	7,339
TOTAL LIABILITIES	9,017,015	990,801	16,597,991	7,163,573	33,769,380
FUND BALANCES:					
Non-Spendable	332,338		402,600		734,938
Restricted		2,397,039		1,470,506	3,867,545
Committed				232,829	232,829
Unassigned	2,649,262		(9,795,478)	(165,540)	(7,311,756)
TOTAL FUND BALANCES	2,981,600	2,397,039	(9,392,878)	1,537,795	(2,476,444)
TOTAL LIABILITIES AND FUND BALANCES	\$ 11,998,615	\$ 3,387,840	\$ 7,205,113	\$ 8,701,368	\$ 31,292,936

(CONTINUED)

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

CITY OF WOONSOCKET, RHODE ISLAND

Balance Sheet
 Governmental Funds
 June 30, 2012

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	\$ (2,476,444)
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the Gov't Fund balance sheet	200,252,577
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.	1,649,634
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.	(258,629,599)
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.	6,242,234
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.	(3,550,563)
Total Net Assets reported in Exhibit A-1	<u>\$ (56,512,161)</u>

(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, 2012

	General Fund	City Capital Project	School Unrestricted Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:					
General property taxes	\$ 55,573,038				\$ 55,573,038
Revenue in lieu of taxes	2,839				2,839
Intergovernmental grants and contracts	7,903,797		\$ 42,973,508	\$ 12,297,590	63,174,895
Departmental revenues	3,308,114				3,308,114
Licenses, fines and fees	2,343,058				2,343,058
Interest on investments	2,147			296	2,443
Intergovernmental pension contribution			2,884,840		2,884,840
Contributions				50,107	50,107
Tuition			1,185,585		1,185,585
Medicaid			1,299,366		1,299,366
Other	1,290,512		997,446	1,402,450	3,690,408
TOTAL REVENUES	70,423,505	\$ -	49,340,745	13,750,443	133,514,693
EXPENDITURES:					
Executive	110,533			22,855	133,388
Legislative - General Government	1,270,056				1,270,056
Planning & Development	626,761				626,761
Finance	1,553,700				1,553,700
Law	487,316				487,316
Public safety	17,700,680			1,587,219	19,287,899
Public works	5,573,078				5,573,078
Human services	117,699			138,619	256,318
Economic development	17,969			1,627,285	1,645,254
Education			69,121,978	8,447,365	77,569,343
Pension expense	3,727,300				3,727,300
Other fixed and general charges	8,529,248			354,738	8,883,986
Debt Service:					
Principal	8,065,630			423,169	8,488,799
Interest and other costs	11,006,022			57,285	11,063,307
Capital:					
Capital expenditures	263,981	428,961		-	692,942
TOTAL EXPENDITURES	59,049,973	428,961	69,121,978	12,658,535	141,259,447
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)					
	11,373,532	(428,961)	(19,781,233)	1,091,908	(7,744,754)
OTHER FINANCING SOURCES (USES)					
Proceeds from bond issuance & lease purchases	263,981				263,981
Transfers in	1,695,321		12,964,157	74,725	14,734,203
Transfers out	(13,038,882)	(550,000)		(1,145,321)	(14,734,203)
TOTAL OTHER FINANCING SOURCES (USES)	(11,079,580)	(550,000)	12,964,157	(1,070,596)	263,981
NET CHANGE IN FUND BALANCES					
	293,952	(978,961)	(6,817,076)	21,312	(7,480,773)
FUND BALANCE AT BEGINNING OF YEAR (as restated)					
	2,687,648	3,376,000	(2,575,802)	1,516,483	5,004,329
FUND BALANCE AT END OF YEAR					
	\$ 2,981,600	\$ 2,397,039	\$ (9,392,878)	\$ 1,537,795	\$ (2,476,444)

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, 2012*

Net Change in Fund Balances - Total Governmental Funds (Exhibit B-2):	\$ (7,480,773)
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.	(3,762,088)
Governmental funds report proceeds from financing as other financing sources. These borrowings are not recognized as revenue in the government wide statements but instead are reported as long-term debt obligations. This is the amount of proceeds received in fiscal 2012.	(263,981)
Governmental funds report principal repayments on debt obligations as an expenditure. However, the repayment of principal has no effect on the statement of activities.	8,488,799
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
Expenditure for claims and judgments is reflected in the governmental wide statements when the liability is incurred. However this activity is not recorded in the fund statement until it is paid with current measurable and available resources. The increase from the prior year balance is reflected in the statement of activities and changes in net assets.	(178,290)
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 2011.	508,043
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, 2012 increased from the amounts reported at June 30, 2011.	254,017
Allowance for doubtful accounts on tax and EMS receivables is not reported in the governmental fund statement of revenue, expenditures and changes in fund balances. The change in the allowance is included in the fund balance sheet as a contra to tax & EMS receivables and deferred tax and EMS revenue. The increase in the allowance provision is recorded against revenue in the Statement of Activities.	(279,920)
Interest accrued on long-term debt obligations is reported in the Statement of Activities but not reported in the Fund Statements until paid. This represents the decrease in accrued interest from 2011.	133,491
Increase in Net Pension Obligation. The governmental fund reflects this activity when it will be paid with measurable and available resources. The change from prior year balances is reflected in the statement of activities and changes in net assets.	(2,577,514)
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.	(12,778,904)
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.	330,237
Change in Net Assets of Governmental Activities in the Statement of Activities (Exhibit A-2)	\$ (17,602,364)

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

CITY OF WOONSCKET, RHODE ISLAND

Statement of Net Assets
Proprietary Funds
June 30, 2012

	Business-type Activities-Enterprise Funds					Totals
	Water Fund	Regional Wastewater Fund	User Charge Fund	Hydro Fund	School Proprietary Funds	
ASSETS:						
<i>Current Assets:</i>						
Cash and cash equivalents	\$ 5,395,484	\$ 469,856	\$ 462,565	\$ -	\$ 373,217	\$ 6,701,122
Cash held in escrow		3,748,653	305,317			4,053,970
Accounts and other receivables, net	2,113,333	1,427,617	1,948,502			5,489,452
Due from federal and state governments		820			79,955	80,775
Due from other funds	1,066,064	6,052,233	2,045,259		560,916	9,724,472
Total Current Assets	8,574,881	11,699,179	4,761,643	-	1,014,088	26,049,791
<i>Noncurrent Assets:</i>						
Restricted cash	1,159,979		71,189			1,231,168
Deferred charges, bond issuance costs		138,271	28,500			166,771
Capital assets not being depreciated	2,573,815	1,263,998	976,347			4,814,160
Capital assets, net of accumulated depreciation	24,405,470	24,584,776	344,699		122,504	49,457,449
Total Noncurrent Assets	28,139,264	25,987,045	1,420,735	-	122,504	55,669,548
TOTAL ASSETS	36,714,145	37,686,224	6,182,378	-	1,136,592	81,719,339
LIABILITIES:						
<i>Current Liabilities:</i>						
Bond anticipation note		4,000,000				4,000,000
Accounts payable	202,508	963,707	470,215		608,399	2,244,829
Accrued liabilities	139,579	7,174	3,959			150,712
Due to federal and state governments	75,998					75,998
Due to other funds	150,599	2,243,056	5,012,503	-	354,012	7,760,170
Deferred revenue	22,380					22,380
Current portion of notes & leases payable		1,460,529				1,460,529
Current portion of bonds payable	1,084,000		55,000			1,139,000
Total Current Liabilities	1,675,064	8,674,466	5,541,677	-	962,411	16,853,618
<i>Noncurrent Liabilities:</i>						
Bonds payable long term portion	10,249,999		825,000			11,074,999
Notes and leases payable long term portion		10,592,174				10,592,174
Net OPEB obligation	1,356,205	8,249				1,364,454
Accrued compensated absences	342,893	47,183				390,076
Total Noncurrent Liabilities	11,949,097	10,647,606	825,000	-	-	23,421,703
TOTAL LIABILITIES	13,624,161	19,322,072	6,366,677	-	962,411	40,275,321
NET ASSETS:						
Invested in capital assets, net of related debt	16,805,265	13,682,995	846,052	-	122,504	31,456,816
Unrestricted	6,284,719	4,681,157	(1,030,351)	-	51,677	9,987,202
TOTAL NET ASSETS	\$ 23,089,984	\$ 18,364,152	\$ (184,299)	\$ -	\$ 174,181	\$ 41,444,018

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

CITY OF WOONSCKET, RHODE ISLAND

Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2012

	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	\$ 7,232,680	\$ 7,109,179	\$ 6,527,603	\$ -	\$ 411,346	\$ 21,280,808
Intergovernmental grants					2,091,521	2,091,521
Total Operating Revenues	7,232,680	7,109,179	6,527,603	\$ -	2,502,867	23,372,329
OPERATING EXPENSES:						
Salaries and benefits	1,767,305	179,147	191,399			2,137,851
Purchase services	757,844	3,773,505	1,041,012		2,536,929	8,109,290
Operating supplies	475,100	6,128	53,048			534,276
Fixed and general charges	1,611,454	262,939	5,150,625			7,025,018
Depreciation	659,759	1,049,601	45,042		34,080	1,788,482
Total Operating Expenses	5,271,462	5,271,320	6,481,126	-	2,571,009	19,594,917
OPERATING INCOME (LOSS)	1,961,218	1,837,859	46,477	-	(68,142)	3,777,412
NONOPERATING REVENUES (EXPENSES):						
Investment income	132,962	14	97		243	133,316
Interest expense	(493,181)	(647,346)	(18,495)			(1,159,022)
Amortization		(20,197)	(1,900)			(22,097)
Net Nonoperating Revenues (Expenses)	(360,219)	(667,529)	(20,298)	-	243	(1,047,803)
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-
CHANGE IN NET ASSETS	1,600,999	1,170,330	26,179	-	(67,899)	2,729,609
TOTAL NET ASSETS - BEGINNING	21,488,985	17,193,822	(210,478)	-	242,080	38,714,409
TOTAL NET ASSETS - ENDING	\$ 23,089,984	\$ 18,364,152	\$ (184,299)	\$ -	\$ 174,181	\$ 41,444,018

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

CITY OF WOONSCKET, RHODE ISLAND

**Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2012**

	Business-type Activities- Enterprise Funds					Totals
	Water Fund	Regional Wastewater Fund	User Charge Fund	Hydro Fund	School Proprietary Funds	
CASH FLOWS FROM OPERATING ACTIVITIES:						
Cash received from customers	\$ 7,384,129	\$ 6,476,420	\$ 6,339,554		\$ 411,346	\$ 20,611,449
Cash received from intergovernmental operating grants					1,887,520	1,887,520
Cash paid to suppliers for goods and services and other operating payments	(3,364,933)	(4,106,966)	(5,823,997)	\$ (94,701)	(2,429,288)	(15,819,885)
Cash paid to employees	(1,396,769)	(163,813)	(195,083)			(1,755,665)
Net cash provided (used) by operating activities	2,622,427	2,205,641	320,474	(94,701)	(130,422)	4,923,419
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Increase in due to (from) other funds	603,598	648,880	(633,374)	-	(233,092)	386,012
Net cash provided (used) by noncapital financing activities	603,598	648,880	(633,374)	-	(233,092)	386,012
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Acquisition of capital assets	(674,597)	(964,226)	(858,211)			(2,497,034)
Proceeds from issuance of long term debt		251,347	685,494			936,841
Amortization of deferred debt - issuance costs		(20,197)	(1,900)			(22,097)
Principal paid on bonds	(1,050,000)	(1,450,035)	(55,000)			(2,555,035)
Interest paid on bonds, notes and loans	(501,633)	(647,346)	(14,535)			(1,163,514)
Net cash used for capital and related financing activities	(2,226,230)	(2,830,457)	(244,152)	-	-	(5,300,839)
CASH FLOWS FROM INVESTING ACTIVITIES:						
Investment income	132,962	14	97	-	243	133,316
Net cash provided by investing activities	132,962	14	97	-	243	133,316

CITY OF WOONSOCKET, RHODE ISLAND

*Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2012*

	Business-type Activities- Enterprise Funds					Totals
	Water Fund	Regional Wastewater Fund	User Charge Fund	Hydro Fund	School Proprietary Funds	
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,132,757	24,078	(556,955)	(94,701)	(363,271)	141,908
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	5,622,706	445,778	1,090,709	94,701	736,488	7,990,382
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 6,755,463	\$ 469,856	\$ 533,754	\$ -	\$ 373,217	\$ 8,132,290
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	\$ 1,961,218	\$ 1,837,859	\$ 46,477	\$ -	\$ (68,142)	\$ 3,777,412
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation and amortization expense	659,759	1,069,798	42,982		34,080	1,806,619
Increase (decrease) in provision for doubtful accounts	-		-			-
Increase (decrease) in compensated absences	(2,296)	6,433	-			4,137
(Increase) decrease in accounts receivable	142,408	(632,759)	(188,048)		(233,352)	(911,751)
Increase (decrease) in accounts payable	(374,562)	237,656	307,732		107,581	278,407
Increase (decrease) in accrued liabilities	15,316	5,670	275			21,261
Increase (decrease) in net OPEB obligation	357,516	3,231				360,747
Increase (decrease) in due to other funds	(147,505)	(322,247)	111,056	(94,701)	29,411	(423,986)
Increase in due to federal and state governments	1,532					1,532
Increase in deferred revenue	9,041					9,041
Net cash provided by operating activities	\$ 2,622,427	\$ 2,205,641	\$ 320,474	\$ (94,701)	\$ (130,422)	\$ 4,923,419

Non-cash transactions:

During the fiscal year ended June 30, 2012 there were no non-cash investing or financing activities of the Proprietary Funds.

(CONCLUDED)

CITY OF WOONSOCKET, RHODE ISLAND

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012

	Employee Retirement Plan	Private Purpose Trusts	Agency Funds
ASSETS			
Cash and cash equivalents	\$ 1,000,000	\$ 68,726	\$ 322,683
Accrued interest	91,968		
Investments, at fair value:			
Certificates of Deposit		20,721	
U.S. Government obligations	8,384,391		
Money market funds	22,264,256		
Equity securities	7,987,945		
Corporate and foreign bonds	5,920,423		
Municipal obligations	372,544		
Domestic mutual funds	7,964,992		
Total investments	<u>52,894,551</u>	<u>20,721</u>	<u>-</u>
TOTAL ASSETS	<u>53,986,519</u>	<u>89,447</u>	<u>322,683</u>
LIABILITIES			
Cash overdraft	205,949		
Accounts payable and accrued expenses	149,849		
Deposits held in custody for others			322,683
TOTAL LIABILITIES	<u>355,798</u>	<u>-</u>	<u>322,683</u>
NET ASSETS			
Held in trust for pension benefits and other purposes	<u>\$ 53,630,721</u>	<u>\$ 89,447</u>	<u>\$ -</u>

* Accounts payable and accrued expenses of the Employee Retirement Plan includes \$111,711 due to the City General Fund for reimbursement of pension payments made to retirees in June 2012.

CITY OF WOONSOCKET, RHODE ISLAND

**Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the year ended June 30, 2012**

	Employee Retirement Plan	Private Purpose Trusts
ADDITIONS:		
Contributions - employer	\$ 1,006,677	
Contributions - employee and other	10,684	\$ 22,859
Total contributions	<u>1,017,361</u>	<u>22,859</u>
Investment earnings:		
Net decrease in fair value of investments	(2,253,815)	
Interest and dividends	865,192	196
Total investment earnings	<u>(1,388,623)</u>	<u>196</u>
Less investment management expenses	116,183	
Net investment earnings	<u>(1,504,806)</u>	<u>196</u>
TOTAL ADDITIONS	<u>(487,445)</u>	<u>23,055</u>
DEDUCTIONS:		
Benefits paid	7,139,250	
Operating expenses		-
TOTAL DEDUCTIONS	<u>7,139,250</u>	<u>-</u>
CHANGE IN NET ASSETS	<u>(7,626,695)</u>	<u>23,055</u>
NET ASSETS - BEGINNING OF YEAR (as Restated)	61,257,416	66,392
NET ASSETS - END OF YEAR	<u>\$ 53,630,721</u>	<u>\$ 89,447</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, 2012

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.

On May 29, 2012 the Director of Revenue established a Budget Commission under RIGL 45-9-6. The purpose of the Budget Commission is to initiate and assure the implementation of appropriate measures to secure the financial stability of the City. The Budget Commission has the authority to review and approve all expenditures, regardless of source of funding, for all departments including the School Department. The Budget Commission was put in place as a result of the recurring deficits incurred by the Woonsocket Education Department and the projected budget deficits for fiscal 2013.

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 2012.

- Woonsocket Education Department
- Woonsocket Employee Retirement Plan

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

(CONTINUED)

CITY OF WOONSOCKET, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

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 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:

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.

(CONTINUED)

CITY OF WOONSOCKET, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds (Continued)

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.

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 five Enterprise Funds (including one held at the School Department) at June 30, 2012. 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, 2012. 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, 2012**

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, 2012:

- John Bellows Trust Fund
- EMS Public Fund
- Valois Animal Trust Fund
- Animal Donation Trust Fund
- Sandra H. Whipple Memorial Scholarship (School Fund)
- Arthur J. Cournoyer Memorial Scholarship (School Fund)
- Associates of Young Post Legion 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.

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CITY OF WOONSOCKET, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

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, 2008 Cops Technology Grant, City Clerk Records Restoration Fund, Justice Assistance Grant 07, Justice Assistance Grant 08, Wayfinding Master Plan, Brownsfield Assessment, Cultural Fund, Justice Assistance Grant 10,

(CONTINUED)

CITY OF WOONSOCKET, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Major and Non-Major Funds (Continued)

Non-major (Continued):

Special Revenue Funds (Continued):

War Memorial Preservation Fund, Police OT Special Squad Projects Fund, OPEB Fund 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, Race to the Top, 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, Wallace Grant, Donations, Smile Program, Reading is Fun & Walmart Literacy, Expanded Lt Grant, Big Yellow Bus, WACTC Repairs, Kiducation, I3 Grant, ELT Grant, UCOA & Financial Services, Lowe's Skills USA, RI Foundation, Feinstein Community Relief, Riverz Edge, Quota Speech, Fresh Fruits & Vegetables.

Permanent Funds:

ADA Scholarship Fund, Clara Pond Scholarship Fund, Stella Gould Scholarship 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, 2012 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, 2012**

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, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Fund Equity (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 \$6,986,300 at June 30, 2012. This allowance for uncollectible accounts includes approximately \$4,871,000 for property taxes, \$532,400 for EMS rescue runs, \$10,000 for police detail billings, \$200,000 for issued loans in revolving loan funds, \$700,000 for the Water Fund, \$566,400 for the User Charge Fund, and \$106,500 for the Regional Wastewater Fund.

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

Inventories

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

Property Taxes

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

(CONTINUED)

CITY OF WOONSOCKET, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

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, 2012**

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, 2010 and prior and are not collected within 60 days of June 30, 2012. Net deferred taxes included in the fund financial statements (City's General Fund) were approximately \$2,300,000 at June 30, 2012.

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, 2012**

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 on 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, 2012

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 \$258,629,599 are as follows:

Bonds, notes and lease obligations payable	\$192,815,937
Net Pension Obligation	8,485,928
Net OPEB Obligation	48,018,199
Claims & Judgments.....	178,290
Compensated absences	9,131,245
Total	<u>\$258,629,599</u>

(CONTINUED)

CITY OF WOONSOCKET, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

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 (\$3,762,088) difference are as follows:

Capital outlays	\$1,898,822
Depreciation expense	<u>(5,660,910)</u>
Net adjustment	<u>(\$3,762,088)</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 \$508,043 are as follows:

Deferred taxes, gross, beginning of year	(\$6,539,768)
Deferred taxes, gross, end of year	7,170,038
Deferred Trash, gross, beginning of year	(142,122)
Deferred Trash, gross, end of year	94,552
Deferred EMS, gross, beginning of year	(1,249,657)
Deferred EMS, end, beginning of year	1,183,092
Deferred Miscellaneous, gross, beginning of year ...	(85,797)
Deferred Miscellaneous, gross, end of year	<u>77,705</u>
Net adjustment	<u>\$ 508,043</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 \$254,017 difference are as follows:

Deferred revenue - ending	\$3,120,158
Deferred revenue – beginning	<u>(2,866,141)</u>
Net adjustment	<u>\$ 254,017</u>

Recently Issued Accounting Standards

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.
- 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.

(CONTINUED)

CITY OF WOONSOCKET, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Standards (Continued)

- 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. 65 – Items Previously Reported as Assets and Liabilities, effective for the fiscal year ending June 30, 2014.
- GASB Statement No. 66 – Technical Corrections – 2012 – an Amendment of GASB Statement No.10 and No. 62, effective for the fiscal year ending June 30, 2014.
- GASB Statement No. 67 – Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25, effective for the fiscal year ending June 30, 2014.
- GASB Statement No. 68 – Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27, effective for the fiscal year ending June 30, 2015.

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

During the fiscal year ended June 30, 2012 the City implemented the following governmental accounting standards:

- GASB Statement No. 64 – Derivative Instruments: Application of hedge accounting Termination Provisions – an amendment to GASB Statement No. 53. The adoption of this Statement did not have an impact on the City's financial statements.

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 no later than June 15th of each year.

The City Council shall hold a public hearing on the budgets no 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, 2012**

2. BUDGETARY PROCESS (Continued)

(b) General Fund (Continued)

REVENUES

**Total General Fund revenues and other financing sources,
from Exhibit B-2.....** \$ 72,382,807

Adjustments:

Restricted receipts for education department reported in General Fund for budget .. 46,455,905
Reimbursement for debt service reported as revenue for budget purposes 505,575
Less proceeds from lease purchase obligations..... (263,981)
Settlement of claims and judgments by applying credit to tax revenue (59,430)
Total budgetary basis revenues, from Exhibit RSI - 1..... \$ 119,020,876

EXPENDITURES

**Total General Fund expenditures
from Exhibit B-2** \$ 59,049,973

Adjustments:

Reimbursement of debt service reported as revenue for budget purposes..... 505,575
Transfer to other funds reported as expenditures for budget purposes..... 74,725
Claims & Judgments costs not considered a budgetary basis expenditure (59,430)
Less capital outlays related to lease purchase obligation..... (263,981)
Education department expenditures reported in General Fund for budget..... 53,272,981
Total budgetary basis expenditures, from Exhibit RSI - 1 \$ 112,579,843

Note: There were no encumbrances outstanding at June 30, 2012 or 2011.

(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..... \$ 49,340,745

Adjustments:

State on behalf pension contribution not budgeted (2,884,840)
Total budgetary basis revenues, from Exhibit RSI - 2..... \$ 46,455,905

(CONTINUED)

CITY OF WOONSOCKET, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

2. BUDGETARY PROCESS (Continued)

(c) Special Revenue Funds (Continued)

EXPENDITURES

Total School Unrestricted Fund expenditures, from Exhibit B-2	\$ 69,121,978
Adjustments:	
State on behalf pension contribution not budgeted	<u>(2,884,840)</u>
Total budgetary basis expenditures from Exhibit RSI-2	<u>\$ 66,237,138</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, 2012 was \$21,586,702 (including Private Purpose Trust Funds and Agency Funds) while the bank balance was \$23,235,959. The carrying amount is presented as follows – cash and cash equivalents of \$20,959,435, restricted cash \$1,231,168, and cash overdrafts of (\$603,901 which includes \$205,949 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, 2012. Of the bank balance of approximately \$23,236,000, the amount covered by federal depository insurance was approximately \$18,435,000 and the uninsured balance was approximately \$4,801,000. Management ensures that the uninsured balance is covered under collateralization agreements with various financial institutions.

Restricted cash at June 30, 2012 totaled \$1,231,168 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.

Funds held in escrow of \$4,053,970 reported in Proprietary Funds at June 30, 2012 represents cash held on deposit with the Rhode Island Clean Water Finance Agency for wastewater system and sewer project.

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, 2012 the City held investments with a fair value of \$52,915,272 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, 2012

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, 2012 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, 2012 consisted of the following (including Fiduciary Fund Investments):

	Fair Value	Interest Rate	Maturity	Rating
Money Market Mutual Funds.....	\$ 21,381,229	0%-0.05%	47days(WMA)	AAAm
Certificate of Deposits	20,721	0.1%-1.25	various	n/a
Common Stock & Mutual Funds....	15,952,843	n/a	n/a	n/a
United State Securities	3,871,391	0.0%-6.875%	9/2013-4/2056	Aaa
Corporate and Foreign Bonds	208,816	0.50%-5.731%	9/2014-8/2040	Aaa
Corporate and Foreign Bonds	259,701	0.95%-6.82%	5/2015-7/2045	Aa3
Corporate and Foreign Bonds	186,303	1.75%-5.834%	2/2019-7/2042	Aa2
Corporate and Foreign Bonds	91,286	5.00%-6.138%	7/2022-12/2049	Aa1
Corporate and Foreign Bonds	1,024,143	1.75%-8.50%	4/2013-3/2042	A3
Corporate and Foreign Bonds	629,983	1.35%-6.548%	4/2014-12/2041	A2
Corporate and Foreign Bonds	448,889	3.485%-6.637%	4/2015-10/2057	A1
Corporate and Foreign Bonds	661,659	1.611%-9.80%	4/2014-9/2041	Baa1
Corporate and Foreign Bonds	1,190,604	2.70%-10.75%	3/2013-12/2087	Baa2
Corporate and Foreign Bonds	293,470	2.95%-10.35%	6/2015 - 5/2042	Baa3
Mortgage Backed Securities	5,293,704	0.819%-7.0%	7/2012-5/2062	Aaa
Asset Backed Securities.....	268,275	0.59%-4.74%	3/2014-8/2016	Aaa
Asset Backed Securities.....	35,663	2.33%	9/2016	Aa2
Commercial Mtge. Backed Sec.	479,144	2.717%-5.822%	11/2017-2/2051	Aaa
Commercial Mtge. Backed Sec.	22,332	5.55%	4/2038	Aa3
Commercial Mtge. Backed Sec.	74,798	4.97%-5.378%	4/2040-8/2048	Aa2
Commercial Mtge. Backed Sec.	46,263	2.90%-5.73%	10/2030-3/2049	Aa1
Commercial Mtge. Backed Sec.	85,661	5.734%-5.874%	7/2038-2/2049	A3
Commercial Mtge. Backed Sec.	91,703	5.31%-5.378%	12/2039-6/2050	A1
Commercial Mtge. Backed Sec.	45,392	5.60%	4/2049	Baa2
Emerging Markets	13,260	5.00%	3/2022	A3
Emerging Markets	48,095	4.38%	6/2022	A1
Emerging Markets	160,829	5.75%-6.75%	3/2018-4/2040	Baa2
Emerging Markets	29,115	6.25%	2/2017	Baa1
Total Investments	<u>\$52,915,272</u>			

(CONTINUED)

CITY OF WOONSOCKET, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

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, 2010. 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 2011 tax roll certification prepared by the City's tax assessor as of December 31, 2010 presents the taxes assessed on approximately July 1, 2011 for the fiscal year ended June 30, 2012. The net assessed value of the property was \$1,764,151,337 and the net tax levy was approximately \$52,984,558. In addition, there were additional taxes levied of approximately \$3,109,219 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, 2012 was approximately \$56,093,777. As of June 30, 2012 total collections were approximately \$53,011,889 (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, 2012; residential property \$25.10, commercial property \$36.10, fixtures and equipment \$46.58, and motor vehicles \$46.58.

In addition to the assessment of taxes the City also received \$367,800 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, 2012. 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, 2012 were approximately \$7,989,278 and are recorded as a receivable, net of an allowance for uncollectible property taxes of approximately \$4,870,920 (net property taxes receivable recorded on the Balance Sheet, Exhibit B-1, on June 30, 2012 was \$3,118,358). Those net property taxes receivable which were not collected within the 60 days immediately following June 30, 2012 are recorded as deferred revenue and amounted to approximately \$2,299,100 at June 30, 2012. Accordingly, property taxes recognized as revenue on the Fund statements for the fiscal year ended June 30, 2012 (due to their collection within the 60 days immediately following June 30, 2012) amounted to approximately \$819,241.

(CONTINUED)

CITY OF WOONSOCKET, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

4. PROPERTY TAXES AND OTHER RECEIVABLES (Continued)

Accounts and Other Receivables at June 30, 2012 consisted of the following:

Governmental Activities:

	General Fund	School Unrestricted Fund	Other Non-Major Funds	Total
Tax receivables.....	\$7,989,278			\$7,989,278
Medicaid and tuition reimbursements.....		\$746,915		746,915
Revolving loan programs.....			\$3,320,229	3,320,229
Other receivables.....	1,051,371		1,125	1,052,496
EMS rescue billings.....			1,183,092	1,183,092
Total receivables.....	9,040,649	746,915	4,504,446	14,292,010
Less allowance provision loans & other ..	(10,000)	0	(200,000)	(210,000)
Less allowance provision taxes and EMS	(4,870,920)	0	(532,391)	(5,403,311)
Net receivables	\$4,159,729	\$746,915	\$ 3,772,055	\$8,678,699

Other receivables of the General Fund include \$111,711 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.....	\$2,813,333	\$1,534,103	\$2,514,870	\$6,862,306
Less allowance provision.....	(700,000)	(106,486)	(566,368)	(1,372,854)
Net receivables	\$2,113,333	\$1,427,617	\$1,948,502	\$5,489,452

5. CAPITAL ASSETS

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

	Balance 6/30/11	Additions	Retirements & Disposals	Balance 6/30/12
Governmental Activity:				
Nondepreciable Assets				
Land.....	\$ 22,307,537			\$ 22,307,537
Construction in progress.....	1,185,329	\$ 150,714	\$ 690,452	645,591
Depreciable Assets:				
Buildings and improvements.....	211,819,634	1,333,239		213,152,873
Equipment.....	9,544,657	152,755		9,697,412
Vehicles.....	8,290,423	558,806		8,849,229
Infrastructure.....	62,871,432	393,760		63,265,192
Total cost.....	316,019,012	2,589,274	690,452	317,917,834
Accumulated Depreciation:				
Buildings and improvements.....	(65,509,733)	(3,646,133)		(69,155,866)
Equipment.....	(8,229,625)	(231,092)		(8,460,717)
Vehicles.....	(6,760,459)	(523,713)		(7,284,172)
Infrastructure.....	(31,504,530)	(1,259,972)		(32,764,502)
Total accumulated depreciation.....	(112,004,347)	(5,660,910)	0	(117,665,257)
Net capital assets	\$ 204,014,665	\$(3,071,636)	\$ 690,452	\$200,252,577

(CONTINUED)

CITY OF WOONSOCKET, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

5. CAPITAL ASSETS (Continued)

	Balance <u>7/1/11</u>	<u>Additions</u>	Retirements & <u>Disposals</u>	Balance <u>6/30/12</u>
Business-type Activities:				
Nondepreciable Assets:				
Land.....	\$ 570,321			\$ 570,321
Construction in progress.....	2,398,892	\$ 1,844,947		4,243,839
Depreciable Assets				
Buildings & improvements	54,058,260	253,345		54,311,605
Equipment.....	8,139,065	73,315		8,212,380
Vehicles	553,191	17,204		570,395
Infrastructure	<u>36,231,571</u>	<u>308,224</u>		<u>36,539,795</u>
Total cost.....	<u>101,951,300</u>	<u>2,497,035</u>		<u>104,448,335</u>
Accumulated Depreciation:				
Buildings and improvements.....	(28,868,820)	(1,046,160)		(29,914,980)
Equipment.....	(6,407,005)	(127,571)		(6,534,576)
Vehicles	(560,695)	(21,319)		(582,014)
Infrastructure.....	<u>(12,551,724)</u>	<u>(593,432)</u>		<u>(13,145,156)</u>
Total accumulated depreciation.....	<u>(48,388,244)</u>	<u>(1,788,482)</u>		<u>(50,176,726)</u>
Net capital assets	<u>\$ 53,563,056</u>	<u>\$ 708,553</u>	<u>\$ (0)</u>	<u>\$ 54,271,609</u>

Depreciation expense for the year ended June 30, 2012 was charged to the following functions/programs of the City:

Governmental Activities:

Legislative.....	\$ 116,599
Education.....	3,484,696
Public safety.....	686,141
Public works.....	1,345,601
Recreation.....	27,873
Total	<u>\$5,660,910</u>

Business-type Activities:

Water Fund.....	\$ 659,758
Regional Wastewater Fund	1,049,601
User Fund	45,043
School Cafeteria Fund.....	34,080
Total	<u>\$1,788,482</u>

The following is a summary of Construction in Progress for the Governmental Activities at June 30, 2012:

Public Works	\$ 423,466
School Department	222,125
Total governmental activities	<u>\$ 645,591</u>

The following is a summary of Construction in Progress for the Business-Type Activities at June 30, 2012:

Water	<u>\$ 4,243,839</u>
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(CONTINUED)

CITY OF WOONSOCKET, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

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, 2012:

	<u>Due From</u>	<u>Due To</u>
General Fund:		
State of Rhode Island	\$ 274,492	\$ 7,332
School Unrestricted Fund:		
Federal Government	370,720	0
Other Governmental Funds:		
Federal Government & State of Rhode Island (pass through)	1,557,274	7
Water Fund:		
State of Rhode Island	0	75,998
Regional Wastewater Fund:		
State of Rhode Island	820	0
School Proprietary Funds:		
State of Rhode Island (pass through)	79,955	0
Total all fund types	<u>\$ 2,283,261</u>	<u>\$ 83,337</u>

7. TAX & BOND ANTICIPATION NOTES

In fiscal 2012 the City entered into a Wastewater System Revenue Bond Anticipation Note in the amount of \$4,000,000 dated August 30, 2011 with a maturity date of August 29, 2012. The note had an interest rate of 1.65% plus fees of .5%.

<u>Balance</u> <u>7/1/2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/2012</u>
<u>\$0</u>	<u>\$4,000,000</u>	<u>\$0</u>	<u>\$4,000,000</u>

On August 29, 2012 the City entered into a Wastewater System Revenue Bond Anticipation Note in the amount of \$5,000,000. The Note is due on August 29, 2013 and bears interest at 2.00%.

The \$5,000,000 bond anticipation note was used to pay off the Wastewater System Revenue Bond Anticipation Note that matured on August 29, 2012.

(CONTINUED)

CITY OF WOONSOCKET, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

8. LONG-TERM DEBT

(a) At June 30, 2012, the City's long-term debt outstanding and activity consisted of the following:

Description	Date Issued	Original Principal	Maturity Date	Interest Rate	Outstanding June 30, 2011	Additions	Retirements	Outstanding June 30, 2012	Due Within One Year
Governmental Activities:									
General obligation bonds:									
Revaluation settlement	07/15/96	\$ 3,650,000	06/30/12	5.415%	\$ 300,000		\$ 300,000	\$ 0	\$ 0
GO Highway and road improvements..	06/30/99	12,000,000	06/30/20	4.0% - 6.5%	6,880,000		620,000	6,260,000	655,000
GO Library and school	10/01/00	17,940,000	10/01/20	5.0% - 6.0%	11,435,000		890,000	10,545,000	940,000
Davidson Avenue Landfill	05/26/05	5,000,000	03/01/35	4.07% - 4.42%	4,585,000		110,000	4,475,000	115,000
Pension Obligation Bonds.....	01/15/03	90,000,000	06/30/33	2.3% - 5.71%	85,475,000		1,920,000	83,555,000	2,030,000
GO Promac Settlement.....	03/06/09	2,450,000	06/03/19	4.25%	1,947,436		251,282	1,696,154	251,282
GO Middle School.....	01/12/09	74,000,000	06/30/34	2.0% - 6.00%	74,000,000		1,945,000	72,055,000	1,945,000
108 Hud Loan Middle School.....	07/21/10	2,050,000	08/21/19	1.9%	2,050,000		250,000	1,800,000	250,000
GO Deficit Bond	03/10/11	<u>11,500,000</u>	06/15/16	7.125%	11,500,000		1,825,000	9,675,000	2,175,000
Premium on Bond Issuance.....					1,647,175		71,478	1,575,697	0
Total general obligations bonds....		\$218,590,000			199,819,611	\$ 0	8,182,760	191,636,851	8,361,282
Lease Purchase obligations:									
Recycling Container lease	10/15/07	\$ 1,300,000	10/15/14	3.92%	669,674		157,775	511,899	164,029
John Deere Equipment lease.....	04/15/08	132,260	4/15/14	4.75%	59,683		18,957	40,726	19,879
Elgin Sweeper Equipment lease.....	03/17/09	140,178	3/17/14	4.72%	57,273		27,976	29,297	29,297
Fire Apparatus lease.....	02/15/12	263,981	2/15/17	4.09%	0	263,981	52,762	211,219	38,927
Fire Apparatus lease.....	10/15/08	857,626	10/15/14	3.50%	505,992		120,047	385,945	124,249
Total lease purchase obligations ..		\$ 2,694,045			1,292,622	263,981	377,517	1,179,086	376,381
Net Pension Obligation					5,908,414	2,577,514	0	8,485,928	
Net OPEB Obligation City					29,550,314	10,463,943	0	40,014,257	
Net OPEB Obligation School					5,688,981	2,314,961	0	8,003,942	
Claims & Judgments.....						237,720	59,430	178,290	
Compensated absences - City.....					7,817,671	0	614,912	7,202,759	
Compensated absences - School					1,643,811	2,625,969	2,341,294	1,928,486	
Governmental activities long-term Liabilities					\$251,721,424	\$18,484,088	\$11,575,913	\$258,629,599	\$8,737,663

(CONTINUED)

CITY OF WOONSOCKET, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

8. LONG-TERM DEBT (Continued)

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

<u>Description</u>	<u>Date Issued</u>	<u>Original Principal</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Outstanding June 30, 2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Outstanding June 30, 2012</u>	<u>Due Within One Year</u>
Business Type Activities:									
General obligation bonds:									
Water fund	05/26/05	\$ 3,755,000	03/01/14	3.25%-5.0%	\$ 1,385,000		\$ 445,000	\$ 940,000	\$ 460,000
RI Clean Water – Water Fund.....	05/13/03	10,165,250	09/01/24	3.49%	7,785,000		435,000	7,350,000	450,000
RI Clean Water – Water Fund.....	03/23/05	4,000,000	09/01/25	2.704%	3,213,999		170,000	3,043,999	174,000
RI Clean Water – User Fund.....	12/12/07	1,100,000	09/01/27	1.538%	(55,811)	\$990,811	55,000	880,000	55,000
Total bonds		\$ 19,020,250			12,328,188	990,811	1,105,000	12,213,999	1,139,000
Lease purchase obligations payable:									
Wastewater lease	02/15/11	\$320,841	2/15/13	0.0% - 0.0%	267,368		160,420	106,948	106,948
Wastewater lease	07/29/03	21,151,452	7/29/19	5.0% - 5.95%	13,235,370		1,289,615	11,945,755	1,353,581
Total lease purchase obligations ..		\$ 21,472,293			13,502,738	0	1,450,035	12,052,703	1,460,529
Net OPEB Obligation					1,003,707	360,747	0	1,364,454	
Compensated absences					385,939	4,137	0	390,076	
Business-type activities, long-term liabilities					\$27,220,572	\$1,355,695	\$2,555,035	\$26,021,232	\$2,599,529

(CONTINUED)

CITY OF WOONSOCKET, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

8. LONG-TERM DEBT (Continued)

(b) Additional Debt Information

Of the City's \$202,275,153 total bonds payable (including bonds payable of the water fund and Clean Water obligations), approximately \$36,990,153 may be subject to its legal debt limits. The pension obligation bonds of \$83,555,000, \$72,055,000 of Middle school bonds, and \$9,675,000 for the Deficit Reduction Bond are exempt from the legal debt limit under Rhode Island Public Law. The \$36,684,836 outstanding does not exceed the City's legal debt limit of approximately \$58,084,000, which is 3% of the assessed value (\$1,546,486,000) 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 2.3% of the assessed value of the taxable property of the City at June 30, 2012.

(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>	
2013.....	\$ 8,698,736	\$ 10,641,535	\$ 2,599,528	\$ 991,269	\$ 22,931,068
2014.....	9,071,278	10,207,512	2,600,719	882,201	22,761,710
2015.....	9,501,717	9,694,011	2,211,187	765,527	22,172,442
2016.....	9,711,282	9,141,573	2,311,150	668,023	21,832,028
2017.....	7,361,282	8,597,509	2,414,782	565,484	18,939,057
2018 – 2022.....	37,790,945	36,775,820	8,735,336	1,339,159	84,641,260
2023 – 2027.....	37,600,000	26,707,101	3,339,000	213,390	67,859,491
2028 – 2032.....	50,525,000	13,430,815	55,000	476	64,011,291
2033 – 2037.....	20,980,000	1,091,865	0	0	22,071,865
Total.....	<u>\$191,240,240</u>	<u>\$126,287,741</u>	<u>\$24,266,702</u>	<u>\$5,425,529</u>	<u>\$347,220,212</u>

(CONTINUED)

CITY OF WOONSOCKET, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

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, 2012 is presented for the reader's informational purposes only:

	<u>Water Fund</u>	<u>Regional Wastewater Fund</u>	<u>User Fund</u>	<u>School Proprietary Funds</u>	<u>Total</u>
Operating revenues	\$7,232,680	\$7,109,179	\$6,527,603	\$ 2,502,867	\$ 23,372,329
Depreciation and amortization expense	659,759	1,049,601	40,042	34,080	1,783,482
Operating income (loss).....	1,961,218	1,837,859	46,477	(68,142)	3,777,412
Change in net assets	1,600,999	1,170,330	26,179	(67,899)	2,729,609
Fixed asset additions	674,598	964,226	858,211	0	2,497,035
Net working capital	6,899,817	3,076,661	(780,034)	174,181	9,370,625
Total assets.....	36,714,145	37,686,224	6,182,378	1,136,592	81,719,339
Bonds payable	11,333,999		880,000	0	12,213,999
Notes and leases payable	0	16,052,703	0	0	16,052,738
Total net assets (deficiency)	23,089,984	18,364,152	(184,299)	174,181	41,444,018

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, 2012 Non-Spendable Fund Balance consisted of the following:

MAJOR GOVERNMENTAL FUNDS:

General Fund:

Prepays.....	\$ 330,110
Inventory	<u>2,228</u>
Total Non-Spendable General Fund	<u>\$ 332,338</u>

School Unrestricted Fund:

Prepays.....	<u>\$ 402,600</u>
Total Non-Spendable School Unrestricted Fund	<u>\$ 402,600</u>

(CONTINUED)

CITY OF WOONSOCKET, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

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

(a) **Fund Balances (Continued)**

At June 30, 2012 Restricted Fund Balance consisted of the following:

Capital Project Funds:

City Capital Projects Funds:

Middle School Construction, bond proceeds \$ 2,397,039

Other Governmental Funds:

Special Revenue Funds:

Community Development	\$ 206,371
Library Operations	105,263
Economic Development.....	12,913
Parks and Recreation	28,275
Law Enforcement.....	258,637
Senior Services.....	2,611
Environmental.....	55,388
Fire Equipment	54,028
Middle School Environmental Cleanup.....	110
Housing Rehabilitation.....	109,725
City Record Preservation.....	131,174
Public Services	11,756
Public Safety.....	11
OPEB.....	24,613
Scholarships	239,084
Education	<u>230,547</u>
Total Restricted fund balance	<u>\$1,470,506</u>

At June 30, 2012 Committed Fund Balance consisted of the following:

Other Governmental Funds:

Special Revenue Funds:

Land & Recreation Development.....	\$127,049
Planning and Development.....	32,840
Historic Preservation.....	7,441
OPEB.....	64,725
Economic Development.....	<u>774</u>
Total Committed fund balance	<u>\$232,829</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, 2012**

10. FUND EQUITY BALANCES (DEFICITS) (Continued)

(b) Fund Deficits

The following funds had deficit fund equity balances at June 30, 2012:

Major Governmental Fund:

School Unrestricted Fund \$9,392,878

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 62
Business Revolving Loan Fund..... 151,226
Task Force on Drug & Alcohol Abuse 3,084
Fire P.P.E. Grant 816
Homeland Security Grant 833
2008 Cops Technology Grant 3,684
Justice Assistance Grant 2008..... 673
Total non-major governmental funds..... \$161,465

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

Business-Type Funds:

User Fund \$184,299
Total deficits Business-Type Activities \$184,299

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, 2012:

Major Governmental Activities:

City Capital Project Fund \$ 978,961

Major Governmental Fund:

School Unrestricted Fund \$6,817,076

(CONTINUED)

CITY OF WOONSOCKET, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

10. FUND EQUITY BALANCES (DEFICITS) (Continued)

(b) Fund Deficits (Continued)

The following individual funds had deficits for the year ending June 30, 2012 (Continued):

Non-major Governmental Activities:

Special Revenue Funds:

Business Revolving Loan Fund	\$ 2,923
Rhode Island Home Fund.....	79,431
Harris Library Grant	49,652
Drug Forfeiture Police Special Squad Fund	97,859
Task Force on Drug & Alcohol Abuse Fund	78,440
Bramley Bill Fund.....	22,234
Hazardous Material Grant	3,121
Fire P.P.E. Grant	1,066
EMS Public Fund	825
Recovery Justice Assistance Grant 09	3,934
Library Fines & Fees.....	13,772
2008 Cops Technology Grant.....	4,106
Brownsfield Assessment Program.....	1,230
Wayfinding Master Plan Fund	10,390
Total deficits non-major governmental activities	<u>\$ 368,983</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, 2012 is as follows:

<u>Transfer Out</u>	<u>General Fund</u>	<u>School Unrestricted Fund</u>	<u>Non-major Governmental Funds</u>	<u>Total Transfer Out</u>
General Fund		\$12,964,157	\$ 74,725	\$13,038,882
Capital Projects	\$ 550,000			550,000
Non-major Governmental Funds...	1,145,321			1,145,321
Total transfer in	<u>\$1,695,321</u>	<u>\$12,964,157</u>	<u>\$74,725</u>	<u>\$ 14,734,203</u>

(CONTINUED)

CITY OF WOONSOCKET, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

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, 2012 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	\$ 553,659	\$ 3,308,474
School Unrestricted Fund	3,995,284	1,139,054
Capital Projects Funds.....	270,118	990,801
<i>Non-major Governmental Funds:</i>		
School Restricted Funds.....	777,960	1,822,021
OPEB Fund.....	14,725	0
Hamlet Ave Enhancement	0	1,087
Juvenile Fire Setters' Education Fund.....	0	1,000
Homeland Security Grant	0	730
Business Revolving Loan Fund	0	158,191
Rhode Island Home Fund.....	0	13,411
Woonsocket EMA Grant	10,087	0
Task Force on Drugs/Alcohol	0	3,184
Cops Hiring Grant	0	55,502
Police Department Special Squad Fund.....	22,702	7,184
Bramley Bill	6,368	0
Community Development Block Grant	158,191	63,794
Fire P.P.E. Grant	0	2,350
Justice Assistance Grant 08	0	815
Cops Technology Grant.....	815	4,500
Justice Assistance Grant 09	0	2,113
Brownsfield Assessment Program.....	0	200,000
<i>Total governmental funds</i>	<u>5,809,909</u>	<u>7,774,211</u>
<i>Proprietary Funds:</i>		
Water Fund	1,066,064	150,599
Wastewater Fund.....	6,052,233	2,243,056
User Charge Fund	2,045,259	5,012,503
Hydro Fund	0	0
School Proprietary Fund.....	560,916	354,012
<i>Total proprietary funds</i>	<u>9,724,472</u>	<u>7,760,170</u>
 TOTAL ALL FUNDS	 <u>\$ 15,534,381</u>	 <u>\$ 15,534,381</u>

(CONTINUED)

CITY OF WOONSOCKET, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

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, 2012 was approximately \$5,423,900 and the City wide payroll (including School Department) was approximately \$65,890,000.

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.

In November 2011, the State enacted The Rhode Island Retirement Security Act of 2011 (the Act) as described in S1111A and H6319A. The Act makes significant changes to the Employees' Retirement System and becomes effective July 1, 2012. Two of the most significant changes resulting from the act are a change in structure from a defined benefit plan to a hybrid plan that includes a smaller defined benefit plan and a supplemental defined contribution plan. In addition, there was a re-amortization of the Unfunded Actuarial Accrued Liability to 25 years from the current 19 year schedule as of June 30, 2010.

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, 2009. The significant actuarial valuation assumptions used for the June 30, 2009 valuation were as follows: Entry age normal cost method; 20 year amortization period remaining utilizing level percent of payroll closed method; 8.25% investment rate of return; 4.5% to 8.5% projected salary increases; 3% inflation; and 3% cost of living adjustments non-compounded with a few exceptions.

The annual required contribution for the City which equals the annual pension cost for the year ended June 30, 2012 was approximately \$186,600 for general employees. This contribution represents 3.44% of covered payroll. General municipal employees were required to contribute approximately \$379,700. This contribution represents 7% of covered payroll for the period July 1, 2011 to June 30, 2012.

(CONTINUED)

CITY OF WOONSOCKET, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

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>
2010	\$ 280,700	100%	\$0
2011	\$ 81,200	100%	\$0
2012	\$ 186,600	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, 2011 annual financial report, which may be obtained from the administrative offices of the State of Rhode Island Retirement Board, 50 Service Ave, Warwick, Rhode Island. This report is the most recent report available from the State, who administers the Plan.

Funded Status of Plan Updated

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, 2011 which is the most recent report available from the State who administers this plan.

- Actuarial value of assets - \$59,804,141
- Actuarial accrued liability - \$61,964,902
- Funded Excess (Deficit) – (\$2,160,761)
- Funded Ratio – 96.5%
- Annual covered payroll - \$11,689,416
- Funding Excess (Deficit) as percentage of payroll – (18.5%)

(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, 2012 was approximately \$5,632,400, and the City wide payroll (including School Department) was approximately \$65,890,000.

(CONTINUED)

CITY OF WOONSOCKET, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

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, 2009. The significant actuarial valuation assumptions used for the June 30, 2009 valuation were as follows: Entry age normal cost method; 20 year amortization period remaining utilizing level percent of payroll closed method; 8.25% investment rate of return; 4.75% to 14.75% projected salary increases; 3% inflation; and 3% cost of living adjustments non-compounded with a few exceptions.

The annual required contribution for the City which equals the annual pension cost for the year ended June 30, 2012 was approximately \$1,083,000. This contribution represents 19.22% of covered payroll for the fiscal year ended June 30, 2012. Employees were required to contribute approximately \$507,000 or 9% of the covered payroll for the fiscal year ended June 30, 2012.

The most recent actuarial assumptions reduced the investment rate of return from 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, 2012**

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>
2010	\$ 700,000	100%	\$0
2011	\$ 734,000	100%	\$0
2012	\$1,083,000	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, 2011 annual financial report, which may be obtained from the administrative offices of the State of Rhode Island Retirement Board, 50 Service Ave, Warwick, 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, 2011 which is the most recent report available from the State who administers this plan.

- Actuarial value of assets - \$29,867,859
- Actuarial accrued liability - \$38,936,114
- Funded Excess (Deficit) – (\$9,068,255)
- Funded Ratio – 76.7%
- Annual covered payroll - \$5,180,533
- Funded Excess (Deficit) as percentage of payroll – (175.0%)

(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, 2012 was approximately \$7,009,400, and the City wide payroll (including School Department) was approximately \$65,890,000.

(CONTINUED)

CITY OF WOONSOCKET, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

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, 2009. The significant actuarial valuation assumptions used for the June 30, 2009 valuation were as follows: Entry age normal cost method; 20 year amortization period remaining utilizing level percent of payroll closed method; 8.25% investment rate of return; 4.75% to 14.75% projected salary increases; 3% inflation; and 3% cost of living adjustments non-compounded with a few exceptions.

The annual required contribution for the City which equals the annual pension cost for the year ended June 30, 2012 was approximately \$914,700. This contribution represents 13.05% of covered payroll for the fiscal year ended June 30, 2012. Employees were required to contribute approximately \$560,800 or 8% of the covered payroll for the fiscal year ended June 30, 2012.

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, 2012

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>
2010	\$848,200	100%	\$0
2011	\$787,300	100%	\$0
2012	\$914,700	100%	\$0

Trend information showing the System's progress (see RSI – 3) in accumulating sufficient assets to pay benefits when due is presented in the State of Rhode Island's Employee Retirement System's June 30, 2011 annual financial report, which may be obtained from the administrative offices of the State of Rhode Island Retirement Board, 50 Service Ave, Warwick, 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, 2011 which is the most recent report available from the State who administers this plan.

- Actuarial value of assets - \$31,214,052
- Actuarial accrued liability - \$30,626,681
- Funded Excess (Deficit) – \$587,371
- Funded Ratio – 101.9%
- Annual covered payroll - \$7,019,562
- Funded Excess (Deficit) as percentage of payroll – 8.4%

(CONTINUED)

CITY OF WOONSOCKET, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

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 Pension Plan		Municipal Fire & Police Pension Plan
Valuation Date	6/30/11		6/30/11
Actuarial Cost Method	Entry Age Normal Cost		Entry Age Normal Cost
Amortization Method	Level Percent Closed – 25 years from 6/30/2010		Level Percent Closed–25 years from 6/30/10
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.....	2% per annum. Actual COLA based on five year average investment rate of return less 5.5% & will range from 0% to 4%.		Same as General Plan
Participant Information (June 30, 2011).	Active Employees	355	Police:
	Retirees and beneficiaries	<u>333</u>	Active Employees
		<u>688</u>	Retirees and beneficiaries
			<u>146</u>
		Fire:	
		Active Employees	118
		Retirees and beneficiaries	<u>15</u>
			<u>133</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, 2012**

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, 2012 was approximately \$37,318,400. The School Department's total payroll was approximately \$43,187,000. The City wide payroll for the year ended June 30, 2012 was approximately \$65,890,000.

Plan Description

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

Schedule A Benefits: Schedule A benefits are available to members who possess 10 years or more of contributory service on or before July 1, 2005. Schedule A provides unreduced benefits of 1.7% of earnings for each of the first ten years of service; 1.9% for each of the next ten years of service; 3.0% per year for each of the next fourteen years; and 2% for the 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, 2012**

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, 2011 which can be found at www.ersri.org.

In November 2011, the State enacted The Rhode Island Retirement Security Act of 2011 (the Act) as described in S1111A and H6319A. The Act makes significant changes to the Employees' Retirement System and becomes effective July 1, 2012. Two of the most significant changes resulting from the act are a change in structure from a defined benefit plan to a hybrid plan that includes a smaller defined benefit plan and a supplemental defined contribution plan. In addition, there was a re-amortization of the Unfunded Actuarial Accrued Liability to 25 years from the current 19 year schedule as of June 30, 2010; and teacher personnel not covered by Social Security will participate in additional defined contribution allocations equal to 2% member plus 2% employer.

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 13.25%, 11.25%, and 11.25% for all full-time employees for fiscal years 2012, 2011, and 2010, 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. (As noted above, effective June 30, 2011 the amortization period has been revised to be 25 years from June 30, 2010.) Normal cost is determined using the entry age normal cost method with frozen initial liability. A variety of significant actuarial assumptions are used to determine the standardized measure of the pension benefit obligation and these assumptions are summarized below:

- (a) **Mortality** – RP-2000 Combined 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** – 2.0%

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 2012, 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 9.09% of non-federally reimbursable payrolls totaling \$2,884,840 for the fiscal year ended June 30, 2012. The School Department contributed the remaining 13.23% of the required 22.32%. The City's contribution for certified employees paid under federal grants was 22.32%.

(CONTINUED)

CITY OF WOONSOCKET, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

12. DEFINED BENEFIT PENSION PLANS (Continued)

(d) Teacher's Pension Plan (Continued)

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>
2012	\$3,545,211	\$4,198,727	100%
2011	\$3,397,071	\$4,448,044	100%
2010	\$3,363,814	\$4,335,982	100%

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, 2011 annual financial report, which may be obtained from the administrative offices of the State of Rhode Island Retirement Board, 50 Service Ave, Warwick, 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, 2012. The payroll for employees covered by the plan for the year ended June 30, 2012 was approximately \$269,600 while the City-wide payroll for the year ended June 30, 2011 was approximately \$65,890,000.

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.

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CITY OF WOONSOCKET, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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, 2012 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, 2012 was approximately \$269,600. Contributions to the plan were approximately \$1,017,400 for the fiscal year ended June 30, 2012. These contributions were comprised of employer contributions of \$1,006,700 and employee contributions of \$10,700.

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, 2012 was estimated to be \$3,610,195 and assumes a 30 year amortization of the unfunded accrued liability. However, the enabling legislation of the State of Rhode Island which authorized the issuance of the pension obligations bonds required the City to amortize an unfunded actuarial accrued liability over 5 years (see Note 17).

Market value of assets as a percentage of the present value of accumulated benefits (calculated at an assumed rate of 7.25%) decreased from 57.56% as of July 1, 2011 to 53.56% as of July 1, 2012.

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CITY OF WOONSOCKET, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

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, 2011 was used to determine the City's annual required contribution for the fiscal year ended June 30, 2012. The City's annual required contribution for the fiscal year ended June 30, 2012 was \$3,610,195 (using a thirty year amortization period) while the actual contributions made were \$1,006,677. This employer required contribution represents approximately 3,063% 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, 2012 was as follows:

Annual required contribution (ARC).....	\$3,610,195
Interest on NPO	518,131
Adjustments to ARC	<u>(544,135)</u>
Annual pension cost (APC).....	3,584,191
City contributions made	<u>(1,006,677)</u>
Increase in net pension obligation	2,577,514
Net pension benefit obligation, June 30, 2011	<u>5,908,414</u>
Net pension benefit obligation, June 30, 2012.....	<u>\$8,485,928</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>
6/30/2012	\$1,006,677	\$3,584,191	28.1%	\$8,485,928
6/30/2011	\$1,011,371	\$2,769,240	36.5%	\$5,908,414
6/30/2010	\$ 15,612	\$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, 2012, 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, 2012 which is the most recent report available from the City who administers this plan.

- Actuarial value of assets - \$55,902,219
- Actuarial accrued liability - \$98,519,344
- Funded Excess (Deficit) – (\$42,617,125)
- Funded Ratio – 56.7%
- Annual covered payroll - \$65,494
- Funded Excess (Deficit) as percentage of payroll – (65,070.3%)

(CONTINUED)

CITY OF WOONSOCKET, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

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, 2012 the City of Woonsocket (including the School Department) used predominately a cost plus basis financing plan to finance the cost of its health insurance benefits provided to City employees.

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, 2012 were estimated to be approximately \$975,000 and are included as a liability in the City' General Fund (\$388,000) and School Unrestricted Fund (\$587,000) 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, 2012. 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, 2012. 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, 2012 and 2011.

	<u>2012</u>	<u>2011</u>
IBNR at beginning of year.....	\$ 730,000	\$ 692,000
Approximate claims incurred year ended June 30 ..	18,238,000	16,104,000
Approximate claims paid year ended June 30	<u>(17,993,000)</u>	<u>(16,066,000)</u>
IBNR at June 30	\$ 975,000	\$ 730,000

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, 2012**

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, 2012, the expenditure incurred under the terms of this operating lease was approximately \$23,000.

In September 2008 the City entered into a lease agreement for copier equipment. The lease is for 60 months and requires monthly payment of approximately \$500. The lease contains a bargain purchase option of \$1 at the termination of the lease and therefore meets the conditions of a capital lease. However, due to the immaterial amount of the lease and the likelihood that the equipment will be fully depreciated at the end of the lease term, management has elected to treat the lease as an operating lease. Total expenditures incurred under this lease agreement was approximately \$7,600 for the year ended June 30, 2012.

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>	
2013.....	\$6,000
2014.....	<u>1,500</u>
Total.....	<u>\$7,500</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, 2012 approximately 482 retirees were eligible for these post employment benefits. Total other post employment benefits expenditures incurred during the fiscal year ended June 30, 2012 for School Department employees was approximately \$2,341,000.

The City of Woonsocket paid post employment benefits totaling approximately \$4,409,000 in accordance with terms of the various union contracts. These benefits were comprised of the following: approximately \$1,064,000 for 110 municipal employees; approximately \$1,326,000 for 92 fire department retirees; and approximately \$2,019,000 for 274 police department retirees.

(CONTINUED)

CITY OF WOONSOCKET, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

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, 2012.

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: 7/1/2011-6/30/2012

Medical: City, Police and Firefighters – Healthmate - Individual - \$541 Family - \$1,348

Police – Healthmate – Individual - \$544 Family \$1,354

Police – Classic – Individual \$720 Family \$1,532

Firefighters – Healthmate – Individual \$534 Family \$1,330

Firefighters – Classic – Individual \$595 Family \$1,263

City – Classic – Individual \$594 Family \$1,504

City – Plan 65 - Individual \$158

City – Blue Chip - \$190

School – Healthmate effective 7/1/2011 – Individual \$572; Family \$1,407

School – Classic Blue effective 7/1/2011 – Individual \$784; Family \$1,820

School – Plan 65 - Individual \$523

Dental: Individual varies from \$31 to \$32 Family varies from \$98 to \$107.

Life Insurance: Effective 7/1/2011: \$.44 per Thousand of coverage.

(CONTINUED)

CITY OF WOONSOCKET, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

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>2012</u>
Annual Required Contribution (ARC)	\$14,730,859
Interest on net OPEB Obligation	1,182,012
Adjustment to ARC	<u>(1,355,890)</u>
Annual OPEB Cost	14,556,981
Contributions made **	<u>(4,093,038)</u>
Increase in net OPEB Obligation	10,463,943
Net OPEB Obligation at beginning of year	<u>29,550,314</u>
Net OPEB Obligation at end of year	<u>\$40,014,257</u>

School Unrestricted Fund:

	<u>2012</u>
Annual Required Contribution (ARC)	\$4,580,611
Interest on net OPEB Obligation	227,559
Adjustment to ARC	<u>(259,657)</u>
Annual OPEB Cost	4,548,513
Contributions made **	<u>(2,233,551)</u>
Increase in net OPEB Obligation	2,314,962
Net OPEB Obligation at beginning of year	<u>5,688,980</u>
Net OPEB Obligation at end of year	<u>\$8,003,942</u>

Wastewater Fund:

	<u>2012</u>
Annual Required Contribution (ARC)	\$ 26,464
Interest on net OPEB Obligation	201
Adjustment to ARC	<u>(230)</u>
Annual OPEB Cost	26,435
Contributions made **	<u>(23,204)</u>
Increase in net OPEB Obligation	3,231
Net OPEB Obligation at beginning of year	<u>5,018</u>
Net OPEB Obligation at end of year	<u>\$ 8,249</u>

Water Fund:

	<u>2012</u>
Annual Required Contribution (ARC)	\$637,266
Interest on net OPEB Obligation	39,948
Adjustment to ARC	<u>(45,824)</u>
Annual OPEB Cost	631,390
Contributions made **	<u>(273,874)</u>
Increase in net OPEB Obligation	357,516
Net OPEB Obligation at beginning of year	<u>998,689</u>
Net OPEB Obligation at end of year	<u>\$1,356,205</u>

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

(CONTINUED)

CITY OF WOONSOCKET, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

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>
6/30/2010	\$13,494,043	26.4%	\$19,484,531
6/30/2011	\$14,222,451	29.2%	\$29,550,314
6/30/2012	\$14,556,980	28.1%	\$40,014,257

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>
6/30/2010	\$3,838,076	50.4%	\$3,814,851
6/30/2011	\$4,007,641	50.4%	\$5,688,981
6/30/2012	\$4,548,513	49.1%	\$8,003,942

Wastewater Fund:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>% of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2010	\$24,639	92.5%	\$4,747
6/30/2011	\$25,297	98.9%	\$5,018
6/30/2012	\$26,435	87.8%	\$8,249

Water Fund:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>% of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2010	\$557,877	39.5%	\$668,065
6/30/2011	\$584,899	43.5%	\$998,689
6/30/2012	\$631,390	43.4%	\$1,356,205

(CONTINUED)

CITY OF WOONSOCKET, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

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 - \$147,704,602
- Unfunded actuarial accrued liability (UAAL) - \$147,704,602
- Funded Ratio - 0.00% - Annual covered payroll - \$14,860,196
- UAAL as percentage of covered payroll - 994.0%

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 - \$453,328
- Unfunded actuarial accrued liability (UAAL) - \$453,328
- Funded Ratio - 0.00% - Annual covered payroll - \$58,448
- UAAL as percentage of covered payroll - 775.6%

Water Fund:

- Actuarial value of assets - \$-0- - Actuarial accrued liability - \$6,821,081
- Unfunded actuarial accrued liability (UAAL) - \$6,821,081
- Funded Ratio - 0.00% - Annual covered payroll - \$1,051,024
- UAAL as percentage of covered payroll - 649.0%

User Fund:

- Actuarial value of assets - \$-0- - Actuarial accrued liability - \$691,023
- Unfunded actuarial accrued liability (UAAL) - \$691,023
- 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 employees) 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, 2012**

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

On June 18, 2012 the City of Woonsocket entered into an agreement for contract to perform capital improvements, operations and maintenance of the Wastewater Treatment Facility. In accordance with the terms of the agreement the City received (and recognized as revenue in the General Fund) a \$1,500,000 Host Fee upon execution of this agreement. The City is scheduled to receive an additional host fee of \$500,000 within a year 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.

In April of 2011 the City reached a settlement with a taxpayer with regards to the City's over assessment of property taxes. A settlement was reached in the amount of \$237,720. The City will apply a credit to the taxpayer's tax bill over the next four years in the amount of \$59,430 per year. During Fiscal Year 2012, \$59,430 was applied to the 2012 taxes and as of June 30, 2012 the balance outstanding on this obligation was \$178,290.

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, 2012 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:

(CONTINUED)

CITY OF WOONSOCKET, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

16. COMMITMENTS AND CONTINGENCIES (Continued)

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, tax grievances, and claims against the Woonsocket Police Department. Due to the status of many of these claims at June 30, 2012 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, 2012.

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.

17. VIOLATION OF FINANCE RELATED PROVISION

In 2003 the City of Woonsocket issued pension obligation bonds in the amount of \$90 million to finance the unfunded pension obligations of the City administered police and fire pension plan. The pension obligations were issued pursuant to an act passed in General Assembly by the State of Rhode Island in January 2002 under 2002-S 2082 Substitute A as Amended. One of the provisions of the legislation requires that the City fund any unfunded pension obligations over a period of not more than five (5) years. The net pension obligation information presented in the audited financial statements reflects the estimated obligation utilizing a thirty (30) year amortization period for the unfunded accrued liability. This methodology is acceptable in accordance with governmental accounting standards however it is in violation of the enabling State legislation. The financial impact of this violation, on the government-wide financial statements, is not known. However, for 2012 the annual required contribution was \$3,610,195 using a 30 year amortization period versus \$10,484,317 using a 5 year amortization.

18. RESTATEMENT

The 2011 Fund balance for the Non-major Governmental Funds and the Fiduciary Funds have been restated to reflect the classification of fund type. The following reflects the restatement of the net assets at the beginning of the year:

Fiduciary Funds:

Private Purpose Trust Funds	
Fund balance at June 30, 2011 as originally stated	\$ 292,028
Reclassification of net assets to School Permanent Funds	<u>(225,636)</u>
Net assets at June 30, 2011 as restated	<u>\$ 66,392</u>

Nonmajor Governmental Funds:

School Permanent Funds	
Fund balance at June 30, 2011 as originally stated	\$ 0
Reclassification of net assets from Private Purpose Trust Funds	<u>225,636</u>
Net assets at June 30, 2011 as restated	<u>\$ 225,636</u>

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CITY OF WOONSOCKET

REQUIRED SUPPLEMENTARY INFORMATION



CITY OF WOONSOCKET, RHODE ISLAND

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

For the Year Ended June 30, 2012

	Adopted Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Property taxes:				
Current taxes	\$ 54,077,258	\$ 54,077,258	\$ 53,880,491	\$ (196,767)
Prior taxes	805,000	805,000	949,386	144,386
Total taxes current and prior	54,882,258	54,882,258	54,829,877	(52,381)
Interest on taxes	590,000	590,000	683,731	93,731
Payment in lieu of taxes	12,000	12,000	2,839	(9,161)
Total property taxes	55,484,258	55,484,258	55,516,447	32,189
State aid - City:				
Telephone tax	467,996	467,996	495,674	27,678
Meals and beverage tax	503,734	503,734	408,003	(95,731)
Distressed communities	887,201	887,201	881,782	(5,419)
Chapter 28 - school housing	5,620,876	5,620,876	5,330,033	(290,843)
State library construction	165,572	165,572	165,572	-
Private hospital & colleges	152,545	152,545	147,213	(5,332)
Civil defense	66,950	66,950	66,950	-
State motor vehicle phase-out	373,623	373,623	367,796	(5,827)
Hotel tax	40,000	40,000	40,774	774
Total state aid - City	8,278,497	8,278,497	7,903,797	(374,700)
Licenses, fees and rents:				
Business licenses and fees	1,150,000	1,150,000	1,091,483	(58,517)
Trash collection fee	980,000	980,000	1,056,113	76,113
Interest - Trash Pickup	30,500	30,500	35,017	4,517
Rental of city properties	110,000	110,000	160,445	50,445
Total licenses, fees and rents	2,270,500	2,270,500	2,343,058	72,558
Investment Income - short term	6,500	6,500	2,147	(4,353)
Departmental revenues:				
Community Development	294,936	294,936	267,387	(27,549)
Home Reimbursemt - Staff	57,951	57,951	80,168	22,217
W.H.A. Reimbursement - Police	45,000	45,000	35,085	(9,915)
Special Assessments	10,000	10,000	-	(10,000)
Host Community	401,358	401,358	588,216	186,858
Host Fees - Veiolia & CH2M Hill	1,000,000	1,000,000	1,500,000	500,000
Wastewater department	158,000	158,000	158,000	-
Water department	826,027	826,027	826,027	-
Solid waste program	153,704	153,704	153,704	-
Federal Housing	136,186	136,186	205,102	68,916
Total departmental revenues	3,083,162	3,083,162	3,813,689	730,527
Restricted receipts:				
Education department - General Fund	46,676,444	46,676,444	46,455,905	(220,539)
Miscellaneous revenues:				
City Pension Administration	70,000	70,000	70,000	-
Remaining Bond Proceeds	1,730,000	1,730,000	550,000	(1,180,000)
RI DEM Grant	-	-	10,500	10,500
Miscellaneous - City	1,789,896	1,789,896	2,355,333	565,437
Total miscellaneous	3,589,896	3,589,896	2,985,833	(604,063)
Total revenues	119,389,257	119,389,257	119,020,876	(368,381)

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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, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Expenditures:				
General government:				
Office of the Mayor	123,082	123,082	110,533	12,549
City Council	91,500	91,500	75,023	16,477
City Clerk	148,831	148,831	150,472	(1,641)
Probate Court	9,600	9,600	9,114	486
Board of Assessment Review	1,050	1,050	1,050	-
Board of Canvassers	152,362	154,924	158,636	(3,712)
Zoning Board of Review	18,930	19,041	11,021	8,020
Board of Library Trustees	876,886	876,886	864,740	12,146
Personnel administration	176,388	176,388	177,699	(1,311)
City Solicitor	194,175	194,175	487,318	(293,141)
Finance department	1,559,354	1,559,744	1,553,700	6,044
Economic Development	22,050	22,050	17,969	4,081
Planning Department	660,909	661,634	626,761	34,873
Total general government	4,035,117	4,038,905	4,244,034	(205,129)
Public safety:				
Police Division	7,862,356	7,864,369	7,868,632	(4,263)
Fire Division	8,781,610	9,547,699	9,773,930	(226,231)
Emergency Mgmt Division	66,950	58,118	58,118	-
Total public safety	16,710,916	17,470,186	17,700,680	(230,494)
Public works:				
Office of the Director	481,893	521,282	529,172	(7,890)
Engineering Division	267,770	270,020	196,936	73,084
Highway Division	2,432,303	2,408,803	1,651,712	757,091
City Property Division	632,481	655,256	489,274	185,982
Thundermist Hydro	10,000	10,000	5,244	4,756
Parks and Recreation Division	174,650	174,650	132,011	42,639
Solid Waste Disposal Division	2,632,182	2,632,182	2,587,686	44,496
Total public works	6,631,279	6,672,193	5,592,035	1,080,158
Education Department Expenditures	46,676,444	46,676,444	53,272,981	(6,596,537)
Miscellaneous:				
Insurance	643,043	642,605	497,850	144,755
Claims & Judgements	97,500	97,500	42,523	54,977
Contingency	205,202	202,640	-	202,640
Contribution to City Funds	7,955,655	7,209,070	7,896,685	(687,615)
Pension	3,866,918	3,812,531	3,742,025	70,508
Miscellaneous	70,000	70,000	32,760	37,240
Total miscellaneous	12,838,318	12,034,346	12,211,843	(177,497)
Debt Service	19,533,026	19,533,026	19,558,270	(25,244)
Total expenditures	106,425,100	106,425,100	112,579,843	(6,154,743)
Excess of revenues over expenditures before other financing sources (uses)	12,964,157	12,964,157	6,441,033	(6,523,124)
Other financing sources (uses):				
Operating transfers:				
Transfers to school department	(12,964,157)	(12,964,157)	(12,964,157)	-
Total other financing uses	(12,964,157)	(12,964,157)	(12,964,157)	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ -	\$ (6,523,124)	\$ (6,523,124)
Budgetary basis deficiency is comprised of the following:				
City General Fund			\$ 293,952	
School Department Unrestricted Fund			(6,817,076)	
Total budgetary basis deficiency of revenues under expenditures			\$ (6,523,124)	

(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, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
State aid	\$ 42,973,258	\$ 42,973,258	\$ 42,973,508	\$ 252
Tuition career center and other	905,000	905,000	1,185,585	280,585
RF Harris Fund	18,085	18,085	11,707	(4,378)
Evening and Summer School	40,000	40,000	38,015	(1,985)
Athletic Receipts	12,000	12,000	11,848	(152)
Facility Rentals	50,000	50,000	41,855	(8,145)
Miscellaneous	320,000	320,000	421,511	101,511
SAFFA	62,590	62,590	58,316	(6,274)
Indirect cost	87,410	87,410	0	(87,410)
Medicaid	1,400,000	1,400,000	1,299,366	(100,634)
Housing aid	517,644	517,644	416,194	(101,450)
Total revenues	46,383,985	46,383,985	46,455,905	71,920
Expenditures:				
Salaries	33,839,930	33,839,930	37,857,345	(4,017,415)
Fringe and fixed charges	16,751,018	16,751,018	17,442,658	(691,640)
Purchased services	6,639,146	6,639,146	8,537,061	(1,897,915)
Supplies and materials	1,691,785	1,691,785	2,271,642	(579,857)
Equipment/Capital outlay	413,263	413,263	96,280	316,983
Miscellaneous	13,000	13,000	32,152	(19,152)
Total expenditures	59,348,142	59,348,142	66,237,138	(6,888,996)
Excess of revenues over (under) expenditures before other financing sources (uses)	(12,964,157)	(12,964,157)	(19,781,233)	(6,817,076)
Other financing sources (uses):				
Operating transfer from City of Woonsocket General Fund	12,964,157	12,964,157	12,964,157	-
Total other financing sources (uses)	12,964,157	12,964,157	12,964,157	-
Deficiency of revenues and other financing sources under expenditures and other financing uses	\$ -	\$ -	\$ (6,817,076)	\$ (6,817,076)

CITY OF WOONSCKET, RHODE ISLAND

Required Supplementary Information
 Schedule of Funding Progress for Pension Plans
 June 30, 2012
 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
<i>General municipal employees pension plan.....</i>	6/30/2009	\$ 64,835,107	\$ 59,703,241	\$ 5,131,866	108.6%	\$ 11,960,719	42.9%
	6/30/2010	\$ 62,059,325	\$ 69,257,290	\$ (7,197,965)	89.6%	\$ 12,024,784	-59.9%
	A 6/30/2011	\$ 59,804,141	\$ 61,964,902	\$ (2,160,761)	96.5%	\$ 11,689,416	-18.5%
<i>Municipal police pension plan.....</i>	6/30/2009	\$ 29,773,835	\$ 34,272,940	\$ (4,499,105)	86.9%	\$ 4,728,198	-95.2%
	6/30/2010	\$ 29,718,494	\$ 43,792,882	\$ (14,074,388)	67.9%	\$ 4,926,427	-285.7%
	A 6/30/2011	\$ 29,867,859	\$ 38,936,114	\$ (9,068,255)	76.7%	\$ 5,180,533	-175.0%
<i>Municipal fire pension plan.....</i>	6/30/2009	\$ 27,011,294	\$ 26,832,008	\$ 179,286	100.7%	\$ 6,559,575	2.7%
	6/30/2010	\$ 29,070,902	\$ 36,095,122	\$ (7,024,220)	80.5%	\$ 6,639,590	-105.8%
	A 6/30/2011	\$ 31,214,052	\$ 30,626,681	\$ 587,371	101.9%	\$ 7,019,562	8.4%
<i>City Administered police & fire pension plan.....</i>	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%
	7/1/2012	\$ 55,902,219	\$ 98,519,344	\$ (42,617,125)	56.7%	\$ 65,494	-65070.3%

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, 2011 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, 2012 report.

CITY OF WOONSOCKET, RHODE ISLAND

Required Supplementary Information
 Schedule of Funding Progress - OPEB Plans
 June 30, 2012
 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.....	7/1/2009	\$ -	\$ 126,879,850	\$ (126,879,850)	0.0%	\$ 13,690,924	-926.7%
	A 7/1/2011	\$ -	\$ 137,878,611	\$ (137,878,611)	0.0%	\$ 14,497,752	-951.0%
	A 7/1/2012	\$ -	\$ 147,704,602	\$ (147,704,602)	0.0%	\$ 14,860,196	-994.0%
City Wastewater Fund							
OPEB plan.....	7/1/2009	\$ -	\$ 449,526	\$ (449,526)	0.0%	\$ 52,728	-852.5%
	A 7/1/2011	\$ -	\$ 452,862	\$ (452,862)	0.0%	\$ 57,022	-794.2%
	A 7/1/2012	\$ -	\$ 453,328	\$ (453,328)	0.0%	\$ 58,448	-775.6%
City User Fund							
OPEB plan.....	7/1/2009	\$ -	\$ 785,007	\$ (785,007)	0.0%	N/A	N/A
	A 7/1/2011	\$ -	\$ 719,494	\$ (719,494)	0.0%	N/A	N/A
	A 7/1/2012	\$ -	\$ 691,023	\$ (691,023)	0.0%	N/A	N/A
City Water Fund							
OPEB plan.....	7/1/2009	\$ -	\$ 5,658,519	\$ (5,658,519)	0.0%	\$ 1,037,452	-545.4%
	A 7/1/2011	\$ -	\$ 6,494,760	\$ (6,494,760)	0.0%	\$ 1,025,389	-633.4%
	A 7/1/2012	\$ -	\$ 6,821,081	\$ (6,821,081)	0.0%	\$ 1,051,024	-649.0%
School General Fund							
OPEB plan.....	7/1/2009	\$ -	\$ 47,145,503	\$ (47,145,503)	0.0%	N/A	N/A
	B 7/1/2011	\$ -	\$ 55,275,280	\$ (55,275,280)	0.0%	N/A	N/A
	B 7/1/2012	\$ -	\$ 57,310,469	\$ (57,310,469)	0.0%	N/A	N/A
Total OPEB plan.....							
	7/1/2009	\$ -	\$ 180,918,405	\$ (180,918,405)			
	7/1/2011	\$ -	\$ 200,821,007	\$ (200,821,007)			
	7/1/2012	\$ -	\$ 212,980,503	\$ (212,980,503)			

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.

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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
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
War Memorial Preservation Fund	Police OT Special Projects
OPEB Fund	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 Permanent Fund - These funds are used to account for the school scholarship award activity maintained by the Woonsocket Education Department.

Sandra H. Whipple Memorial Scholarship
Arthur J Cournoyer Memorial Scholarship
Associates of Young Post Legion Memorial Scholarship

(CONCLUDED)

CITY OF WOONSOCKET, RHODE ISLAND

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012

	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	\$ 127,049	\$ 33,608		\$ 938	\$ 32,840	\$ 6,965	\$ 1,507	\$ 115,858	\$ 20,236	\$ 35,673	\$ 10,331
Accounts receivable											
Due from other governmental units		10,148						176,324			
Due from issued loans						9,562	74,905	3,035,691			
Due from other funds											
TOTAL ASSETS	\$ 127,049	\$ 43,756	\$ -	\$ 938	\$ 32,840	\$ 16,527	\$ 76,412	\$ 3,327,873	\$ 20,236	\$ 35,673	\$ 10,331
LIABILITIES											
Cash overdraft											
Accounts payable		\$ 43,756						\$ 169,046		\$ 23,358	\$ 7,720
Retainage payable											
Accrued liabilities											
Due to federal and state governments			\$ 1,087	\$ 1,000		\$ 158,191		13,411			
Due to other funds						9,562	\$ 74,905	3,035,691			
Deferred revenue											
TOTAL LIABILITIES	\$ -	\$ 43,756	\$ 1,087	\$ 1,000	\$ -	\$ 167,753	\$ 74,905	\$ 3,218,148	\$ -	\$ 23,358	\$ 7,720
FUND BALANCES											
Nonspendable											
Restricted							1,507	109,725	20,236	12,315	2,611
Committed	127,049				32,840						
Unassigned			(1,087)	(62)		(151,226)					
TOTAL FUND BALANCES	127,049	-	(1,087)	(62)	32,840	(151,226)	1,507	109,725	20,236	12,315	2,611
TOTAL LIABILITIES AND FUND BALANCES	\$ 127,049	\$ 43,756	\$ -	\$ 938	\$ 32,840	\$ 16,527	\$ 76,412	\$ 3,327,873	\$ 20,236	\$ 35,673	\$ 10,331

(CONTINUED)

CITY OF WOONSOCKET, RHODE ISLAND

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2012

	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
ASSETS										
Cash and cash equivalents	\$ 11	\$ 127	\$ 2,018	\$ 1,965	\$ 158,236	\$ 5,697	\$ 10,952	\$ 10,369	\$ 105,662	\$ 10,895
Accounts receivable										
Due from other governmental units					1,565		3,184		84,504	
Due from issued loans										
Due from other funds					22,702		6,368		158,191	
TOTAL ASSETS	\$ 11	\$ 127	\$ 2,018	\$ 1,965	\$ 182,503	\$ 5,697	\$ 20,504	\$ 10,369	\$ 348,357	\$ 10,895
LIABILITIES										
Cash overdraft										
Accounts payable					\$ 15,061	\$ 5,597	\$ 10,851		\$ 79,826	
Retainage payable										
Accrued liabilities										
Due to federal and state governments										
Due to other funds					7,184	3,184			63,794	
Deferred revenue										
TOTAL LIABILITIES	\$ -	\$ -	\$ -	\$ -	22,245	8,781	10,851	\$ -	143,620	\$ -
FUND BALANCES										
Nonspendable										
Restricted	11	127	2,018	1,965	160,258		9,653	10,369	204,737	10,895
Committed										
Unassigned						(3,084)				
TOTAL FUND BALANCES	11	127	2,018	1,965	160,258	(3,084)	9,653	10,369	204,737	10,895
TOTAL LIABILITIES AND FUND BALANCES	\$ 11	\$ 127	\$ 2,018	\$ 1,965	\$ 182,503	\$ 5,697	\$ 20,504	\$ 10,369	\$ 348,357	\$ 10,895

(CONTINUED)

CITY OF WOONSOCKET, RHODE ISLAND

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012

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	\$ 770	\$ 2,270	\$ 22,770	\$ 2,812	\$ 108	\$ 58,056		\$ 44,626	\$ 9,675	\$ 73,631	\$ -	\$ 774
Accounts receivable						650,701				71		
Due from other governmental units							\$ 55,502					
Due from issued loans												
Due from other funds								10,087				
TOTAL ASSETS	\$ 770	\$ 2,270	\$ 22,770	\$ 2,812	\$ 108	\$ 708,757	\$ 55,502	\$ 54,713	\$ 9,675	\$ 73,702	\$ -	\$ 774
LIABILITIES												
Cash overdraft												
Accounts payable		\$ 735				\$ 58,056		\$ 685	\$ 1,135	\$ 990	\$ -	
Retainage payable												
Accrued liabilities												
Due to federal and state governments												
Due to other funds		2,351					\$ 55,502		2,112			
Deferred revenue						650,701						
TOTAL LIABILITIES	\$ -	3,086	-	\$ -	\$ -	708,757	55,502	685	3,247	990	-	\$ -
FUND BALANCES												
Nonspendable												
Restricted	770		22,770	2,812	108			54,028	6,428	72,712		
Committed												774
Unassigned		(816)										
TOTAL FUND BALANCES	770	(816)	22,770	2,812	108	-	-	54,028	6,428	72,712	-	774
TOTAL LIABILITIES AND FUND BALANCES	\$ 770	\$ 2,270	\$ 22,770	\$ 2,812	\$ 108	\$ 708,757	\$ 55,502	\$ 54,713	\$ 9,675	\$ 73,702	\$ -	\$ 774

(CONTINUED)

CITY OF WOONSOCKET, RHODE ISLAND

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012

SPECIAL REVENUE FUNDS

	Homeland Security Fire Grant	Recovery Justice Assistance Grant 09	Recycling Coordinator Fund	Recycling Containers Fund	Lead Hazard Demo Grant	Cops Technology Grant	2008 Technology Grant	City Clerk Records Restoration Fund	Justice Assistance Grant 07	Justice Assistance Grant 08	Wayfinding Master Plan Fund	Brownfield Assessment Program
ASSETS												
Cash and cash equivalents	\$ 547	\$ 32,812	\$ 11,755	\$ 1	\$ 51,806	\$ 1	\$ 131,174	\$ 2,612	\$ 142	\$ -	\$ 200,110	
Accounts receivable												
Due from other governmental units												
Due from issued loans												
Due from other funds							815					
TOTAL ASSETS	\$ 547	\$ 32,812	\$ 11,755	\$ 1	\$ 51,806	\$ 816	\$ 131,174	\$ 2,612	\$ 142	\$ -	\$ 200,110	
LIABILITIES												
Cash overdraft												
Accounts payable	\$ 650										\$ -	
Retainage payable												
Accrued liabilities												
Due to federal and state governments												
Due to other funds	730					\$ 4,500			\$ 815			\$ 200,000
Deferred revenue												
TOTAL LIABILITIES	1,380	-	\$ -	\$ -	\$ -	4,500	\$ -	\$ -	815	-	200,000	
FUND BALANCES												
Nonspendable												
Restricted		32,812	11,755	1	51,806		131,174	2,612			-	110
Committed												
Unassigned	(833)					(3,684)			(673)			
TOTAL FUND BALANCES	(833)	32,812	11,755	1	51,806	(3,684)	131,174	2,612	(673)	-	110	
TOTAL LIABILITIES AND FUND BALANCES	\$ 547	\$ 32,812	\$ 11,755	\$ 1	\$ 51,806	\$ 816	\$ 131,174	\$ 2,612	\$ 142	\$ -	\$ 200,110	

(CONTINUED)

CITY OF WOONSOCKET, RHODE ISLAND

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2012

	SPECIAL REVENUE FUNDS								
	Cultural Fund	Justice Assistance Grant 10	War Memorial Preservation Fund	Police OT Special Projects	OPEB Fund	School Restricted Funds	Total Special Revenue Funds	School Permanent Fund	Total Non-Major Funds
ASSETS									
Cash and cash equivalents	\$ 26,310	\$ 8,627	\$ 17,301	\$ 5,000	\$ 74,613	\$ 672,867	\$ 2,142,107	\$ 239,084	\$ 2,381,191
Accounts receivable						1,125	651,897		651,897
Due from other governmental units						1,226,047	1,557,274		1,557,274
Due from issued loans							3,120,158		3,120,158
Due from other funds					14,725	777,960	990,848		990,848
TOTAL ASSETS	\$ 26,310	\$ 8,627	\$ 17,301	\$ 5,000	\$ 89,338	\$ 2,677,999	\$ 8,462,284	\$ 239,084	\$ 8,701,368
LIABILITIES									
Cash overdraft						\$ 397,952	\$ 397,952		\$ 397,952
Accounts payable			\$ 9,860			230,040	657,366		657,366
Retainage payable							-		-
Accrued liabilities							-		-
Due to federal and state governments						7	7		7
Due to other funds						1,822,021	2,335,882		2,335,882
Deferred revenue						1,507	3,772,366		3,772,366
TOTAL LIABILITIES	\$ -	\$ -	\$ 9,860	\$ -	\$ -	\$ 2,451,527	\$ 7,163,573	\$ -	\$ 7,163,573
FUND BALANCES									
Nonspendable							-		-
Restricted	26,310	8,627		5,000	24,613	230,547	1,231,422	239,084	1,470,506
Committed			7,441		64,725		232,829		232,829
Unassigned						(4,075)	(165,540)		(165,540)
TOTAL FUND BALANCES	26,310	8,627	7,441	5,000	89,338	226,472	1,298,711	239,084	1,537,795
TOTAL LIABILITIES AND FUND BALANCES	\$ 26,310	\$ 8,627	\$ 17,301	\$ 5,000	\$ 89,338	\$ 2,677,999	\$ 8,462,284	\$ 239,084	\$ 8,701,368

(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, 2012

	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
REVENUES:										
Intergovernmental revenue		\$ 284,703			\$ 1,040			\$ 632,675	\$ 3,620	\$ 191,758
State Fiscal Stabilization Funds										
Interest income	\$ 55			\$ 1	14	-			9	
Contributions										
Other revenue										
Total revenues	55	284,703	\$ -	1	1,054	\$ -	\$ -	632,675	3,629	191,758
EXPENDITURES:										
Current:										
Legislative - general government										
Public safety		284,703								
Human resources									2,289	
Economic development					1,001			712,106		
Education										
Other fixed and general charges						2,923				241,410
Debt Service:										
Principal										
Interest and other costs										
Capital expenditures										
Total expenditures	-	284,703	-	-	1,001	2,923	-	712,106	2,289	241,410
Excess (deficiency) of revenues over (under) expenditures	55	-	-	1	53	(2,923)	-	(79,431)	1,340	(49,652)
OTHER FINANCING SOURCES (USES)										
Proceeds from lease purchase obligation										
Transfers in										
Transfers out										
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-
Net change in fund balances	55	-	-	1	53	(2,923)	-	(79,431)	1,340	(49,652)
Fund balances - beginning of year (as Restated)	126,994	-	(1,087)	(63)	32,787	(148,303)	1,507	189,156	18,896	61,967
Fund balances - end of year	\$ 127,049	\$ -	\$ (1,087)	\$ (62)	\$ 32,840	\$ (151,226)	\$ 1,507	\$ 109,725	\$ 20,236	\$ 12,315

(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, 2012

	SPECIAL REVENUE FUNDS									
	Woonsocket Senior Citizens Fund	Neighborhood Crime Watch	UDAG Loan Repayment Fund	Comprehensive Planning Grant	River's Edge Recreation Complex	Fed & State Drug Forfeiture/ Police Special Squad Fund	Task Force on Drug and Alcohol Abuse Fund	Bramley Bill Fund	LLEBG Grant 2004/2006	Community Development Block Grant
REVENUES:										
Intergovernmental revenue	\$ 12,625					\$ 149,030	\$ 228,747	\$ 38,207		\$ 1,460,307
State Fiscal Stabilization Funds										
Interest income				\$ 1	\$ 1	44			\$ 6	
Contributions										
Other revenue					1,584					
Total revenues	<u>12,625</u>	<u>\$ -</u>	<u>\$ -</u>	<u>1</u>	<u>1,585</u>	<u>149,074</u>	<u>228,747</u>	<u>38,207</u>	<u>6</u>	<u>1,460,307</u>
EXPENDITURES:										
Current:										
Legislative - general government										
Public safety						246,933	307,187	60,441	-	
Human resources	69,418									
Economic development										902,448
Education										
Other fixed and general charges										
Debt Service:										
Principal										423,169
Interest and other costs										57,285
Capital expenditures										
Total expenditures	<u>69,418</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>246,933</u>	<u>307,187</u>	<u>60,441</u>	<u>-</u>	<u>1,382,902</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(56,793)</u>	<u>-</u>	<u>-</u>	<u>1</u>	<u>1,585</u>	<u>(97,859)</u>	<u>(78,440)</u>	<u>(22,234)</u>	<u>6</u>	<u>77,405</u>
OTHER FINANCING SOURCES (USES)										
Proceeds from lease purchase obligation										
Transfers in	60,000									
Transfers out										
Total other financing sources (uses)	<u>60,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>3,207</u>	<u>-</u>	<u>-</u>	<u>1</u>	<u>1,585</u>	<u>(97,859)</u>	<u>(78,440)</u>	<u>(22,234)</u>	<u>6</u>	<u>77,405</u>
Fund balances - beginning of year (as Restated)	<u>(596)</u>	<u>11</u>	<u>127</u>	<u>2,017</u>	<u>380</u>	<u>258,117</u>	<u>75,356</u>	<u>31,887</u>	<u>10,363</u>	<u>127,332</u>
Fund balances - end of year	<u>\$ 2,611</u>	<u>\$ 11</u>	<u>\$ 127</u>	<u>\$ 2,018</u>	<u>\$ 1,965</u>	<u>\$ 160,258</u>	<u>\$ (3,084)</u>	<u>\$ 9,653</u>	<u>\$ 10,369</u>	<u>\$ 204,737</u>

(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, 2012

	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
REVENUES:											
Intergovernmental revenue		\$ 2,664	\$ 171,427	\$ 29,014				\$ 222,008	\$ 111,450	\$ 21,934	\$ 53,114
State Fiscal Stabilization Funds											
Interest income	\$ 6				\$ 2						26
Contributions											
Other revenue						\$ 1,198,778					
Total revenues	6	2,664	171,427	29,014	2	\$ -	1,198,778	222,008	111,450	21,934	53,140
EXPENDITURES:											
Current:											
Legislative - general government											
Public safety		5,785	172,493	18,316			54,282	222,008		25,868	66,912
Human resources											
Economic development											
Education											
Other fixed and general charges								100,545			
Debt Service:											
Principal											
Interest and other costs											
Capital expenditures											
Total expenditures	-	5,785	172,493	18,316	-	-	54,282	222,008	100,545	25,868	66,912
Excess (deficiency) of revenues over (under) expenditures	6	(3,121)	(1,066)	10,698	2	-	1,144,496	-	10,905	(3,934)	(13,772)
OTHER FINANCING SOURCES (USES)											
Proceeds from lease purchase obligation											
Transfers in											
Transfers out							(1,145,321)				
Total other financing sources (uses)	-	-	-	-	-	-	(1,145,321)	-	-	-	-
Net change in fund balances	6	(3,121)	(1,066)	10,698	2	-	(825)	-	10,905	(3,934)	(13,772)
Fund balances - beginning of year (as Restated)	10,889	3,891	250	12,072	2,810	108	825	-	43,123	10,362	86,484
Fund balances - end of year	\$ 10,895	\$ 770	\$ (816)	\$ 22,770	\$ 2,812	\$ 108	\$ -	\$ -	\$ 54,028	\$ 6,428	\$ 72,712

(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, 2012

	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	2008 Cops Technology Grant	City Clerk Records Restoration Fund
REVENUES:									
Intergovernmental revenue	\$ 2,749		\$ 130,842	\$ 71,000			\$ 39,032		
State Fiscal Stabilization Funds									
Interest income					\$ 7				\$ 12
Contributions									
Other revenue									23,030
Total revenues	2,749	\$ -	130,842	71,000	7	\$ -	39,032	\$ -	23,042
EXPENDITURES:									
Current:									
Legislative - general government									22,855
Public safety			125,536	34,543			4,106		
Human resources									
Economic development									
Education									
Other fixed and general charges									
Debt Service:									
Principal									
Interest and other costs									
Capital expenditures									
Total expenditures	-	-	125,536	34,543	-	-	4,106	-	22,855
Excess (deficiency) of revenues over (under) expenditures	2,749	-	5,306	36,457	7	-	39,032	(4,106)	187
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	-	5,306	36,457	7	-	39,032	(4,106)	187
Fund balances - beginning of year (as Restated)	(2,749)	774	(6,139)	(3,645)	11,748	1	12,774	422	130,987
Fund balances - end of year	\$ -	\$ 774	\$ (833)	\$ 32,812	\$ 11,755	\$ 1	\$ 51,806	\$ (3,684)	\$ 131,174

(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, 2012

	SPECIAL REVENUE FUNDS												
	Justice Assistance Grant 07	Justice Assistance Grant 08	Wayfinding Master Plan Fund	Brownsfield Assessment Program	Cultural Fund	Justice Assistance Grant 10	War Memorial Preservation Fund	Police OT Special Projects	OPEB Fund	School Restricted Funds	Total Special Revenue Funds	School Permanent Fund	Total Non-Major Funds
REVENUES:													
Intergovernmental revenue		\$ 3,471	-			\$ 25,500		\$ 5,000		\$ 8,405,673	\$ 12,297,590		\$ 12,297,590
State Fiscal Stabilization Funds													
Interest income	\$ 2			\$ 110							296		296
Contributions					\$ 19,275		\$ 17,301				36,576	\$ 13,531	50,107
Other revenue									\$ 74,613	103,440	1,401,445	1,005	1,402,450
Total revenues	2	3,471	\$ -	110	19,275	25,500	17,301	5,000	74,613	8,509,113	13,735,907	\$ 14,536	13,750,443
EXPENDITURES:													
Current:													
Legislative - general government											22,855		22,855
Public safety		3,470				21,548					1,587,219		1,587,219
Human resources											138,619		138,619
Economic development			1,230	10,500							1,627,285		1,627,285
Education										8,446,277	8,446,277	1,088	8,447,365
Other fixed and general charges							9,860				354,738		354,738
Debt Service:													
Principal											423,169		423,169
Interest and other costs											57,285		57,285
Capital expenditures													
Total expenditures	-	3,470	1,230	10,500	-	21,548	9,860	-	-	8,446,277	12,657,447	1,088	12,656,535
Excess (deficiency) of revenues over (under) expenditures	2	1	(1,230)	(10,390)	19,275	3,952	7,441	5,000	74,613	62,836	1,078,460	13,448	1,091,903
OTHER FINANCING SOURCES (USES)													
Proceeds from lease purchase obligation													
Transfers in									14,725	-	74,725	-	74,725
Transfers out											(1,145,321)		(1,145,321)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	14,725	-	(1,070,596)	-	(1,070,596)
Net change in fund balances	2	1	(1,230)	(10,390)	19,275	3,952	7,441	5,000	89,338	62,836	7,864	13,448	21,312
Fund balances - beginning of year (as Restated)	2,610	(674)	1,230	10,500	7,035	4,675	-	-	-	163,636	1,290,847	225,636	1,516,483
Fund balances - end of year	\$ 2,612	\$ (673)	\$ -	\$ 110	\$ 26,310	\$ 8,627	\$ 7,441	\$ 5,000	\$ 89,338	\$ 226,472	\$ 1,298,711	\$ 239,084	\$ 1,537,795

(CONCLUDED)

CITY OF WOONSOCKET

AGENCY FUNDS

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

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

CITY OF WOONSOCKET, RHODE ISLANDStatement of Changes in Assets and Liabilities
Agency Funds
Year ended June 30, 2012

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<u>Sidewalk Deposit Fund</u>				
ASSETS:				
Cash	\$ -	\$ 5,279	\$ 2,123	\$ 3,156
TOTAL ASSETS	<u>\$ -</u>	<u>\$ 5,279</u>	<u>\$ 2,123</u>	<u>\$ 3,156</u>
LIABILITIES:				
Deposits held in custody for others	\$ -	\$ 5,279	\$ 2,123	\$ 3,156
TOTAL LIABILITIES	<u>\$ -</u>	<u>\$ 5,279</u>	<u>\$ 2,123</u>	<u>\$ 3,156</u>
<u>Curbing Deposit Fund</u>				
ASSETS:				
Cash	\$ 337	\$ 2,158	\$ 395	\$ 2,100
TOTAL ASSETS	<u>\$ 337</u>	<u>\$ 2,158</u>	<u>\$ 395</u>	<u>\$ 2,100</u>
LIABILITIES:				
Deposits held in custody for others	\$ 337	\$ 2,158	\$ 395	\$ 2,100
TOTAL LIABILITIES	<u>\$ 337</u>	<u>\$ 2,158</u>	<u>\$ 395</u>	<u>\$ 2,100</u>
<u>Construction Escrow Account</u>				
ASSETS:				
Cash	\$ 1	\$ -	\$ -	\$ 1
TOTAL ASSETS	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1</u>
LIABILITIES:				
Deposits held in custody for others	\$ 1	\$ -	\$ -	\$ 1
TOTAL LIABILITIES	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1</u>
<u>Deduction Services Fund</u>				
ASSETS:				
Cash	\$ 249,899	\$ 6,141,201	\$ 6,309,758	\$ 81,342
TOTAL ASSETS	<u>\$ 249,899</u>	<u>\$ 6,141,201</u>	<u>\$ 6,309,758</u>	<u>\$ 81,342</u>
LIABILITIES:				
Deposits held in custody for others	\$ 249,899	\$ 6,141,201	\$ 6,309,758	\$ 81,342
TOTAL LIABILITIES	<u>\$ 249,899</u>	<u>\$ 6,141,201</u>	<u>\$ 6,309,758</u>	<u>\$ 81,342</u>

(CONTINUED)

CITY OF WOONSOCKET, RHODE ISLANDStatement of Changes in Assets and Liabilities
Agency Funds
Year ended June 30, 2012

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<u>Fire Dental Plan</u>				
ASSETS:				
Cash	\$ 24,355	\$ 330,523	\$ 211,886	\$ 142,992
TOTAL ASSETS	<u>\$ 24,355</u>	<u>\$ 330,523</u>	<u>\$ 211,886</u>	<u>\$ 142,992</u>
LIABILITIES:				
Deposits held in custody for others	\$ 24,355	\$ 330,523	\$ 211,886	\$ 142,992
TOTAL LIABILITIES	<u>\$ 24,355</u>	<u>\$ 330,523</u>	<u>\$ 211,886</u>	<u>\$ 142,992</u>
<u>Fire Dental Level II</u>				
ASSETS:				
Cash	\$ 29	\$ 418,204	\$ 418,233	\$ -
TOTAL ASSETS	<u>\$ 29</u>	<u>\$ 418,204</u>	<u>\$ 418,233</u>	<u>\$ -</u>
LIABILITIES:				
Deposits held in custody for others	\$ 29	\$ 418,204	\$ 418,233	\$ -
TOTAL LIABILITIES	<u>\$ 29</u>	<u>\$ 418,204</u>	<u>\$ 418,233</u>	<u>\$ -</u>
<u>Woonsocket School Dept. Agency Funds</u>				
ASSETS:				
Cash	\$ 70,505	\$ 185,227	\$ 162,677	\$ 93,055
TOTAL ASSETS	<u>\$ 70,505</u>	<u>\$ 185,227</u>	<u>\$ 162,677</u>	<u>\$ 93,055</u>
LIABILITIES:				
Deposits held in custody for others	\$ 70,505	\$ 185,227	\$ 162,677	\$ 93,055
TOTAL LIABILITIES	<u>\$ 70,505</u>	<u>\$ 185,227</u>	<u>\$ 162,677</u>	<u>\$ 93,055</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	\$ 345,163	\$ 7,082,592	\$ 7,105,072	\$ 322,683
TOTAL ASSETS	<u>\$ 345,163</u>	<u>\$ 7,082,592</u>	<u>\$ 7,105,072</u>	<u>\$ 322,683</u>
LIABILITIES:				
Deposits held in custody for others	\$ 345,163	\$ 7,082,592	\$ 7,105,072	\$ 322,683
TOTAL LIABILITIES	<u>\$ 345,163</u>	<u>\$ 7,082,592</u>	<u>\$ 7,105,072</u>	<u>\$ 322,683</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
 - Animal Donation 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, 2012***

	John S. Bellows <u>Trust</u>	EMS Public <u>Fund</u>	Valois Animal <u>Trust</u>	Animal Donation <u>Trust</u>	Education Dept. Private Purpose <u>Trust Funds</u>	Total Private Purpose <u>Trust Funds</u>
ASSETS						
Cash and Cash Equivalents	\$ 19,605	\$ 304	\$ 22,289	\$ 50	\$ 26,478	\$ 68,726
Investments					20,721	20,721
Total Assets	19,605	304	22,289	50	47,199	89,447
LIABILITIES						
	-	-	-	-	-	-
NET ASSETS						
Held in trust for other purposes	\$ 19,605	\$ 304	\$ 22,289	\$ 50	\$ 47,199	\$ 89,447

CITY OF WOONSOCKET, RHODE ISLAND

***Combining Statement of Changes in Fiduciary Net Assets
Private Purpose Trust Funds
For The Year Ended June 30, 2012***

	John S. Bellows Trust	EMS Public Fund	Valois Animal Trust	Animal Donation Trust	Education Dept. Private Purpose Trust Funds	Total Private Purpose Trust Funds
ADDITIONS:						
Contributions				\$ 50	\$ 22,809	\$ 22,859
Investment Income	\$ 8	\$ -	\$ 9		179	196
Total Additions	<u>8</u>	<u>-</u>	<u>9</u>	<u>50</u>	<u>22,988</u>	<u>23,055</u>
DEDUCTIONS:						
Operating expenses						-
Total Deductions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Assets	8	-	9	50	22,988	23,055
Net assets at beginning of year (as restated)	19,597	304	22,280	-	24,211	66,392
Net assets at end of year	<u>\$ 19,605</u>	<u>\$ 304</u>	<u>\$ 22,289</u>	<u>\$ 50</u>	<u>\$ 47,199</u>	<u>\$ 89,447</u>

CITY OF WOONSOCKET

OTHER EXHIBITS



CITY OF WOONSOCKET, RHODE ISLAND

SCHEDULE OF PROPERTY TAXES RECEIVABLE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Year	Mill Rate	Property Taxes Receivable July 1, 2011	Current Year Assessment	Transfers Addendums (Net)	Abatements and Adjustments	Amount to be Collected	Collections Net of Refunds	Property Taxes Receivable June 30, 2012
2011	\$25.10		\$ 55,897,287	\$ 169,873	\$ 579,813	\$ 55,487,347	\$ 53,011,889	\$ 2,475,458
2010	23.63	\$ 2,473,009			35,818	2,437,191	1,295,003	1,142,188
2009	22.36	565,438			37,452	527,986	55,769	472,217
2008	13.23	489,404			1,106	488,298	10,393	477,905
2007	12.88	439,675			34	439,641	16,061	423,580
2006	12.40	400,981			23	400,958	10,024	390,934
2005	23.85	319,379			-	319,379	10,014	309,365
2004	23.85	296,529			311	296,218	6,060	290,158
2003	23.30	293,086			547	292,539	6,650	285,889
2002	29.00	282,790			873	281,917	3,863	278,054
2001	29.00	290,886			-	290,886	1,328	289,558
2000	29.00	146,016			-	146,016	24	145,992
1999	24.10	148,131			-	148,131	89	148,042
1998	24.10	142,151			-	142,151	351	141,800
1997	24.10	134,872			-	134,872	50	134,822
1996	24.10	114,732			-	114,732	38	114,694
1995	24.10	102,259			-	102,259	-	102,259
1986-1994	21.96	369,031			2,707	366,324	(39)	366,363
Subtotal		7,008,369	\$ 55,897,287	\$ 169,873	\$ 658,684	\$ 62,416,845	\$ 54,427,567	7,989,278
Less: estimated allowance for uncollectable accounts		4,561,045						4,870,920
Net property taxes receivable		<u>\$ 2,447,324</u>						<u>\$ 3,118,358</u>

(CONTINUED)

CITY OF WOONSOCKET, RHODE ISLAND
SCHEDULE OF PROPERTY TAXES RECEIVABLE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Schedule of Net Assessed Property Value by Category			Reconciliation of Current Year Property Tax Revenue	
<u>Description of Property</u>	<u>Assessed December 31, 2010</u>			
	Valuations	Levy		
Real property	\$ 1,940,021,899	\$ 41,634,604	Current year collections	\$ 54,427,567
Motor vehicles	208,036,930	7,832,720	Revenue received 60 days subsequent to fiscal year ending June 30, 2012	819,241
Tangible property	75,509,367	3,517,234	Subtotal	<u>55,246,808</u>
Wholesale and retail inventory	-	-	Prior year revenue received in current year (2010 60 day rule)	(468,602)
Total	2,223,568,196	52,984,558	<i>Current year property tax revenue</i>	<u>\$ 54,778,206</u>
Exemptions and adjustments	(459,416,859)	-		
Additional Revenue due to pilot		3,109,219		
<i>Net assessed value</i>	<u>\$ 1,764,151,337</u>	<u>\$ 56,093,777</u>		

(CONCLUDED)

CITY OF WOONSOCKET

SINGLE AUDIT SECTION

This section contains information regarding federal grant activity for the year ended June 30, 2012, 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 WOONSCKET, RHODE ISLAND

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012**

<i>Federal Grantor</i>	Federal	
<i>Pass-Through Grantor</i>	CFDA	
<u>Program title</u>	<u>Number</u>	<u>Expenditures</u>
<i>U.S. Department of Health</i>		
Substance Abuse and Mental Health Services - Projects of Regional, etc.	93.243	\$ 228,747
<i>U.S. Department of Housing and Urban Development</i>		
Community Development Block Grants/Entitlement Grants	14.218	1,381,416
Emergency Shelter Grants Program	14.231	32,975
Homeless Prevention Rapid Re-Housing	14.257	192,690
Homeless Emergency Assistance and Rapid Transition to Housing (HEARTH)	14.268	59,039
Home Investment Partnership Program	14.239	483,671
<i>Total U.S. Department of Housing and Urban Development</i>		<u>2,149,791</u>
<i>U.S. Department of Transportation</i>		
Rhode Island Department of Environmental Management		
Interagency Hazardous Materials Public Sector Training & Planning Grants	20.703	2,664
<i>U.S. Department of Homeland Security</i>		
Homeland Security Grant Program	97.067	130,842
Assistance to Firefighters Grant	97.044	171,427
Emergency Management Performance Grant	97.042	111,450
<i>Total U.S. Department of Homeland Security</i>		<u>413,719</u>
<i>U.S. Department of Justice</i>		
Edward Byrne Memorial Justice Assistance Grant (JAG) Program	16.738	47,273
Enforcing Underage Drinking Laws Program	16.727	38,207
Recovery Act - Edward Byrne Memorial JAG Program - Grants to Local Govt.	16.804	71,000
Public Safety Partnership and Community Policing Grants	16.710	222,008
<i>Total U.S. Department of Justice</i>		<u>378,488</u>
<i>U.S. Department of Education</i>		
RI Department of Education		
Title I Grants to Local Education Agencies	84.010	3,577,593
Title I Grants to Local Education Agencies - ARRA	84.389	246,694
English Language Acquisition Grants	84.365	77,863
Improving Teacher Quality State Grants	84.367	510,544
Even Start Family Literacy Program	84.213	340
Education for Homeless Children and Youth	84.196	48,205
Education for Homeless Children and Youth	84.389	990
Education Technology State Grants	84.318	21,293
Education Technology State Grants - ARRA	84.386	25,192
Special Education Grants to States	84.027	1,937,838
Special Education Grants to States - ARRA	84.391	309,928
Special Education Preschool Grants	84.173	61,594
Special Education Preschool Grants - ARRA	84.392	331
Career and Technical Education - Basic Grants to States	84.048	442,805
Race to The Top Grants	84.395	13,797
Twenty First Century Community Learning Centers	84.287	653,495
Education Jobs Fund - ARRA	84.410	31,724
State Fiscal Stabilization Fund - Education State Grants - ARRA	84.394	928
<i>Total U.S. Department Education</i>		<u>7,961,154</u>
<i>U.S. Department of Agriculture</i>		
Rhode Island Department of Education		
National School Lunch Program	10.555	2,089,540
Child Nutrition Discretionary Grant - Food Commodities	10.579	133,598
<i>Total U.S. Department of Agriculture</i>		<u>2,223,138</u>
<i>Total Federal Expenditures</i>		<u>\$ 13,357,701</u>

CITY OF WOONSOCKET, RHODE ISLAND

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2012**

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 Child Nutrition Discretionary Grant – Food Commodities where the schedule of federal expenditures includes \$133,598 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 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. Type A programs included those programs expending \$400,731 or more during fiscal 2012. For the fiscal year ended June 30, 2012, the following programs were considered major programs:

Community Development Block Grants/ Entitlement Grants	CFDA #14.218
Home Investment Partnerships Program	CFDA #14.239
Title I Grants to Local Education Agencies.....*	CFDA #84.010
Title I Grants to Local Education Agencies – ARRA	CFDA #84.389
Improving Teacher Quality State Grants.. Special Education – Grants to States (IDEA Part B).....**	CFDA #84.367
Special Education – Preschool Grants (IDEA Preschool)	CFDA #84.027
Special Education – Grants to States (IDEA Part B), ARRA	CFDA #84.173
Special Education – Preschool Grants (IDEA Preschool), ARRA	CFDA #84.391
National School Lunch Program.....***	CFDA #84.392
Child Nutrition Discretionary Grant – Food Commodities	CFDA #10.555
Career and Technical Education – Basic Grants to States	CFDA #10.579
Twenty First Century Community Learning Centers.....	CFDA #84.048
	CFDA #84.287

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

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, 2012, which collectively comprise the City of Woonsocket, Rhode Island's basic financial statements and have issued our report thereon dated January 31, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the 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 2012-1 through 2012-3) to be material weaknesses.

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

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 one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2012-4.

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 January 31, 2013.

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
January 31, 2013

***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, 2012. 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 item 2012-5 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 activities and allowable costs that are applicable to its Title II – Improving Teacher Quality State Grant program and its Perkins – Career and Technical Education – Basic Grants to States program. 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, 2012.

Internal Control Over Compliance

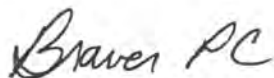
Management of the City of Woonsocket, Rhode Island is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City 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 item 2012-5 to be the result of a significant deficiency in internal control over compliance related to Title II – Improving Teacher Quality State Grant program and Perkins – Career and Technical Education – Basic Grants to States program.

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



Providence, Rhode Island
January 31, 2013

CITY OF WOONSOCKET, RHODE ISLAND

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012**

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. Three deficiencies in internal control over financial reporting have been identified and are described in Part B below as items 2012-1 through 2012-3. We consider items 2012-1 through 2012-3 to be material weaknesses.
3. One instance of noncompliance material to the financial statements of the City of Woonsocket, Rhode Island was disclosed during the audit and is identified as item 2012-4 in Part B below.
4. One instance of a significant deficiency in internal control over compliance with requirements applicable to major federal programs was identified and is listed as item 2012-5 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 Grants to Local Education Agencies	* CFDA #84.010
Title I Grants to Local Education Agencies – ARRA.....	* CFDA #84.389
Improving Teacher Quality State Grants 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
National School Lunch Program	*** CFDA #10.555
Child Nutrition Discretionary Grant – Food Commodities	*** CFDA #10.579
Career and Technical Education – Basic Grants to States.....	CFDA #84.048
Twenty First Century Community Learning Centers	CFDA #84.287

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

(CONTINUED)

CITY OF WOONSOCKET, RHODE ISLAND

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012**

A. SUMMARY OF AUDITORS' RESULTS (Continued)

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, 2012**

B. FINDINGS -- RELATED TO AUDIT OF FINANCIAL STATEMENTS

Current Year Findings:

- 2012-1:** 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 for reporting long-term debt obligation balances and the activity of these debt obligations during the fiscal year.
- 2012-2:** 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 the 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 reconciliation's 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.
- 2012-3:** 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, 2012 were not readily determinable.
- 2012-4:** In 2003 the City of Woonsocket issued pension obligation bonds in the amount of \$90 million to finance the unfunded pension obligations of the City administered police and fire pension plan. The pension obligations were issued pursuant to an act passed in General Assembly by the State of Rhode Island in January 2002 under 2002-S 2082 Substitute A as Amended. One of the provisions of the legislation requires that the City fund any unfunded pension obligations over a period of not more than five years. The legislation states that "if an annual report discloses that the assets of the plan are not sufficient to fund the City's obligations to the pension plan, the City shall make annual appropriations over a period not to exceed five (5) years from the date of the annual report in order to amortize that liability. The net pension obligation information presented in the audited financial statements reflects the estimated obligation utilizing a 30 year amortization period for the unfunded accrued liability. This methodology is acceptable in accordance with governmental accounting standards however it is in violation of the State legislation. The annual required contribution for fiscal 2012 utilizing a 30 year amortization period was \$3,610,195. If the City were to comply with the five year provision of the pension bond legislation the annual required contribution for fiscal 2012 would have been \$10,484,317. The impact of the difference between the two amortization methods would have a material effect on the City's government-wide financial statements.

(CONTINUED)

CITY OF WOONSOCKET, RHODE ISLAND

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012**

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

Prior 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. **Status: See current year finding 2012-1.**
- 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 the 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 reconciliation's 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. **Status: See current year finding 2012-2.**
- 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. **Status: See current year finding 2012-3.**
- 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. **Status: This finding was cleared in fiscal 2012.**

(CONTINUED)

CITY OF WOONSOCKET, RHODE ISLAND

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012**

C. FINDINGS AND QUESTIONED COSTS RELATING TO FEDERAL AWARDS

Current Year Findings:

2012-5: Title II – Improving Teacher Quality State Grants – CFDA #84.367 and Perkins – Career and Technical Education – Basic Grants to States – CFDA #84.048

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 \$9,700 for the Title II program (CFDA #84.367) and \$2,300 for the Perkins program (CFDA #84.048). Based on the results of our testing we calculated likely questioned cost of approximately \$356,600 for the Title II program (CFDA #84.367) and \$32,400 for the Perkins program (CFDA #84.048).

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 Controller 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 Controller will prohibit the department from submitting requisitions for drawdown of federal funds.

(CONCLUDED)

CITY OF WOONSOCKET, RHODE ISLAND

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2012**

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

Prior 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.

Status: See current year finding 2012-5.

(CONTINUED)

CITY OF WOONSOCKET, RHODE ISLAND

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2012**

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

Prior 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.

Status: This finding was cleared in fiscal 2012.

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.

Status: This finding was cleared in fiscal 2012.

(CONCLUDED)