



Town of West Warwick, Rhode Island

**Annual Financial Statements
For the Fiscal Year Ended June 30, 2014**



John T. Cimino, Finance Director



Frederick J. Presley, Town Manager



Prepared by: Finance Department

TOWN OF WEST WARWICK

INTRODUCTORY SECTION

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 - LIST OF TOWN OFFICIALS
-

TOWN OF WEST WARWICK, RHODE ISLAND

YEAR ENDED JUNE 30, 2014

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TOWN OF WEST WARWICK, RHODE ISLAND



TOWN COUNCIL

David Gosselin, Jr. President (Ward 2)
Edward Giroux, Vice President (Ward 3)
Angelo A. Padula, Jr. (Ward 1)
David M. Kenahan (Ward 4)
Brian E. Tucker (Ward 5)

TOWN MANAGER

Frederick J. Presley

SCHOOL COMMITTEE

Steven Lawton, Chairperson
Christopher Messier, Vice-Chairperson
Rene E. Coutu, Clerk
Patricia A. Keenan
Luis R. Colon, Jr.

DEPARTMENT DIRECTORS & OFFICIALS

Town Finance Director	John T. Cimino
Superintendent of Schools	Karen Tarasevich
Director of Financial Operations - School Department	Joseph Spagna
Town Solicitor	Timothy Williamson
Town Clerk	Marianne Kelly
Chief of Police	Colonel Richard Silva
Fire Chief	Joseph Baris, Jr.
Tax Assessor	Raymond Beattie, Jr.
Acting Director of Public Works	David Lombardi
Town Planner/Economic Development Coordinator	Mark Carruolo
Building Official	Kerry Anderson
CDBG Coordinator	Elaine Mansour
Superintendent of Sewer Treatment Plant	Bernard J. Bishop
Director of Property & Maintenance - School Department	Kenneth Townsend
Special Education Director - School Department	Paul Vigeant
Director of Technology - School Department	Jim Monti

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TOWN OF WEST WARWICK

FINANCIAL SECTION

- INDEPENDENT AUDITORS' REPORT
 - MANAGEMENT'S DISCUSSION AND ANALYSIS
 - BASIC FINANCIAL STATEMENTS
 - REQUIRED SUPPLEMENTARY INFORMATION
 - OTHER SUPPLEMENTARY INFORMATION
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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Honorable Town Council
Town of West Warwick, Rhode Island

Report of Compliance for Each Major Federal Program

We have audited the Town of West Warwick, 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 Town of West Warwick, Rhode Island's major federal programs for the year June 30, 2014. The Town of West Warwick, Rhode Island's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of West Warwick, Rhode Island, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 15 to the financial statements, the Town of West Warwick's net position of the governmental activities, business-type activities, and fund balance of the governmental funds and sewer authority fund have been restated for the correction of errors in the valuation of the capital assets and inclusion of assets in the Library Grants Fund. The Town obtained a full valuation of capital assets as of June 30, 2013 which resulted in the restatement of the net position. Our opinion was not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of Funding Progress for Pension Plans, the Schedule of Funding Progress for OPEB Plans, Schedule of Changes in Net Pension Liability and Related Ratios, and Schedule of Employer Contributions, Investment Returns, and Employer's Net Pension Liability on Pages 4 through 11, Pages 63 through 67, Page 68, Page 69, Page 70, and Page 71 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of West Warwick, Rhode Island's financial statements. The combining and individual nonmajor fund financial statements and the Schedule of Expenditures of Federal Awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Other Matters (Continued)

Other Information (Continued)

The combining and individual nonmajor fund financial statements and 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 basic 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 basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, other exhibits, and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The List of Town Officials has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 2015, on our consideration of the Town of West Warwick, Rhode Island's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of West Warwick, Rhode Island's internal control over financial reporting and compliance.

Marcum LLP

Providence, Rhode Island
March 3, 2015

TOWN OF WEST WARWICK, RHODE ISLAND
Management's Discussion and Analysis
For the Year Ended June 30, 2014
(Unaudited)

As management of the Town of West Warwick, we offer readers of the Town of West Warwick's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with the Town's financial statements that follow this section.

Financial Highlights

- ❖ The Town's government-wide net position decreased by \$5,145,187 as a result of this year's current operations. Most of this decrease was due to the increases in the Town liabilities such as the net pension obligation of \$5,005,673 and the net OPEB obligation of \$1,373,693. On a government-wide basis the assets of the Town of West Warwick exceeded its liabilities at the close of the most recent fiscal year by \$7,739,681. Net position of the business-type activities decreased by \$1,156,277 or 2.3%, while the net position of Governmental Activities decreased by \$3,988,910 or 11%.
- ❖ The Town's Government-wide (governmental and business-type activities) operating expenses were \$103,712,454, a 2.8% increase from the prior year, while revenues collected were \$98,556,605, a 3.7% increase.
- ❖ As of the close of the fiscal year, the Town's governmental funds reported combined ending fund balances of \$9,130,143. Over 34.6% of this amount, \$3,158,387 is unassigned and available for use within the Town's designation and fiscal policies.
- ❖ At the end of the current fiscal year, the General Fund's unassigned fund balance was \$3,404,420 or 4.1% of the total General Fund budgetary expenditures for the fiscal year. In accordance with generally accepted accounting principles (GAAP), the current fiscal year's expenditures and transfers exceeded revenues and transfers by \$888,524. On a budgetary basis of accounting, expenditures and transfers exceeded revenues and transfers by \$377,603. The final fiscal year 2014 actual budgetary basis revenues included an allocation/use of fund balance of \$510,921 which cannot be included in the Fund Financial Statements but is included in the Budgetary Comparison Schedule.

Overview of the Financial Statements

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

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

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

TOWN OF WEST WARWICK, RHODE ISLAND
Management's Discussion and Analysis
For the Year Ended June 30, 2014
(Unaudited)

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

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

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

Both of the government-wide financial statements distinguish functions of the Town of West Warwick, which are supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The Town's governmental activities include general government, public safety, public works, public assistance, development, recreation, public libraries, education, senior center activities, and interest on long-term debt. The business-type activities of the Town include the West Warwick Sewer Authority, Municipal Court, 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 Town of West Warwick, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories-governmental funds and proprietary funds.

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

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

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

TOWN OF WEST WARWICK, RHODE ISLAND
Management's Discussion and Analysis
For the Year Ended June 30, 2014
(Unaudited)

Proprietary Funds - The Town of West Warwick's Proprietary Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town has three Enterprise Funds. The Sewer Authority, which accounts for the Town's sewer system, the Municipal Court which collects and levies fines and fees, and the School Lunch Program which accounts for the activity of the School's food service program.

The Town's internal service funds represent an accounting device used to accumulate and allocate costs internally among the Town's various functions. The Town is self-insured in its health coverage, and the Internal Service Fund reports the actual claims as well as the Town's contribution to the Fund along with employee deductions for the benefit program. The Internal Service Fund is combined with the Governmental Activities in the Government-Wide Financial Statements.

Proprietary Funds provide the same type of information as the government-wide financial statements, only in more detail. The Proprietary Fund financial statements provide separate information for the Sewer Authority, Municipal Court, and School Lunch Program since all of these funds were considered by the Town to be major funds.

The 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 Town of West Warwick's own programs. The accounting used for Fiduciary Funds is much like that used for Proprietary Funds.

The Fiduciary Fund financial statements can be found on Pages 22 through 23.

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 62.

Other Information - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information pertinent to the Town of West Warwick's operations. Required Supplementary information is presented on Pages 63 through 71.

The combining statements referred to earlier in connection with non-major governmental funds and fiduciary funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules are presented on Pages 72 through 76.

Government-wide Financial Analysis

As noted earlier, over time net position may serve as a useful indicator of a government's financial position and an important determinant of its ability to finance services in the future. In the case of the Town of West Warwick, assets exceeded liabilities by \$7,739,681 as of June 30, 2014.

Listed below is a comparison of the current and prior fiscal year's statement of net position.

TOWN OF WEST WARWICK, RHODE ISLAND
Management's Discussion and Analysis
For the Year Ended June 30, 2014
(Unaudited)

TOWN OF WEST WARWICK, RHODE ISLAND
NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
ASSETS						
Current assets	\$ 17,386,935	\$ 15,313,295	\$ 10,316,500	\$ 9,432,794	\$ 27,703,435	\$ 24,746,089
Noncurrent assets	43,363,968	46,096,209	58,263,560	83,484,825	101,627,528	129,581,034
Total Assets	<u>60,750,903</u>	<u>61,409,504</u>	<u>68,580,060</u>	<u>92,917,619</u>	<u>129,330,963</u>	<u>154,327,123</u>
LIABILITIES						
Current liabilities	7,731,193	7,909,982	2,431,011	2,102,216	10,162,204	10,012,198
Noncurrent liabilities	93,353,412	88,229,879	18,075,666	19,767,088	111,429,078	107,996,967
Total Liabilities	<u>101,084,605</u>	<u>96,139,861</u>	<u>20,506,677</u>	<u>21,869,304</u>	<u>121,591,282</u>	<u>118,009,165</u>
NET POSITION						
Net Investment in Capital Assets	22,377,376	23,499,803	33,344,852	51,470,361	55,722,228	74,970,164
Restricted	1,685,214	-	-	-	1,685,214	-
Unrestricted	(64,396,292)	(58,230,160)	14,728,531	19,577,954	(49,667,761)	(38,652,206)
Total Net Position	<u>\$ (40,333,702)</u>	<u>\$ (34,730,357)</u>	<u>\$ 48,073,383</u>	<u>\$ 71,048,315</u>	<u>\$ 7,739,681</u>	<u>\$ 36,317,958</u>

The largest portion of the Town's net position \$55,722,228 reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment); less any related debt used to acquire these assets. The Town uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Analysis of the Town of West Warwick's Operations

The following analysis provides a summary of the Town's operations for the year ended June 30, 2014. The Town first implemented GASB Statement 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments for the fiscal year ended June 30, 2004. Comparative data is presented in the following schedules. Governmental activities decreased the Town's net position by \$3,988,910 for the current period, which is a decrease of 11.0% in the Town's governmental activities net position, while business-type activities decreased the Town's net position by \$1,156,277, which is a decrease of 2.3%. Overall, the Town's net position decreased by \$5,145,187.

The net change in fund balance for the fiscal year ended June 30, 2014 was an increase of \$2,311,458 for the Town's governmental fund types. In the statement of activities, expenses for capital items are not recorded as expense but shown on the balance sheet, which resulted in a decrease of \$1,607,354 net of depreciation to our net position. Governmental Funds report principal repayments on debt obligations as expenditures; however the repayment has no effect on the net position, which increased net position by \$1,593,374. Reductions in net position included an increase in the Town's net pension obligation of \$5,005,673 and the Town was required to record their liability for "Other Post Employment Benefits" per GASB 45, this liability resulted in reduction of net position of \$1,373,693. See Exhibit B-3 on Page 17 for more detailed explanation of differences between changes in fund balance of the Governmental Funds and changes in net position of the Governmental Activities.

TOWN OF WEST WARWICK, RHODE ISLAND
Management's Discussion and Analysis
For the Year Ended June 30, 2014
(Unaudited)

The following presents a summary of the Changes in Net Position for the current and prior fiscal year.

TOWN OF WEST WARWICK, RHODE ISLAND
Changes in Net Position

	Governmental Activities			Business-Type Activities		
	2014	2013	Change	2014	2013	Change
Revenues						
Program revenues						
Charges for services	\$ 5,006,773	\$ 4,397,189	\$ 609,584	\$ 6,798,107	\$ 7,548,206	\$ (750,099)
Operating grants and contributions	26,502,284	25,778,506	723,778	1,184,391	837,425	346,966
Capital grants and contributions	202,664	273,865	(71,201)	-	-	-
General revenues						
Property taxes	57,124,066	54,310,102	2,813,964	-	-	-
Unrestricted investment earnings	12,540	34,348	(21,808)	10,662	9,755	907
State Aid	1,308,124	1,435,664	(127,540)	-	-	-
Miscellaneous	394,835	366,504	28,331	-	-	-
Total Revenues	90,551,286	86,596,178	3,955,108	7,993,160	8,395,386	(402,226)
Expenses						
General government	10,801,190	12,610,886	(1,809,696)	-	-	-
Public safety	20,420,240	17,269,670	3,150,570	-	-	-
Public works	3,634,335	3,309,699	324,636	-	-	-
Education	54,098,197	53,656,059	442,138	-	-	-
Public assistance, development, recreation, and senior center	3,746,984	3,614,988	131,996	-	-	-
Community development	-	-	-	-	-	-
Public libraries	946,609	947,933	(1,324)	-	-	-
Interest on long-term debt	892,641	968,389	(75,748)	-	-	-
Sewer Authority	-	-	-	7,807,913	7,226,098	581,815
Municipal Court	-	-	-	180,332	172,185	8,147
School Lunch Program	-	-	-	1,161,192	1,130,374	30,818
Total Expenses	94,540,196	92,377,624	2,162,572	9,149,437	8,528,657	620,780
Increase (Decrease) in Net Position	(3,988,910)	(5,781,446)	1,792,536	(1,156,277)	(133,271)	(1,023,006)
Transfers	-	-	-	-	-	-
Increase (Decrease) in Net Position	(3,988,910)	(5,781,446)	1,792,536	(1,156,277)	(133,271)	(1,023,006)
Net Positions - beginning	(34,730,357)	(28,948,911)	(5,781,446)	71,048,315	71,181,586	(133,271)
Restatement	(1,614,435)	-	(1,614,435)	(21,818,655)	-	(21,818,655)
Net Positions - ending	\$ (40,333,702)	\$ (34,730,357)	\$ (5,603,345)	\$ 48,073,383	\$ 71,048,315	\$ (22,974,932)

Financial Analysis of the Town of West Warwick's Funds

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

TOWN OF WEST WARWICK, RHODE ISLAND
Management's Discussion and Analysis
For the Year Ended June 30, 2014
(Unaudited)

At the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$9,130,143. Approximately 34.6% of the total amount, or \$3,156,678 constituted unassigned fund balances. The remainder of the fund balance is non-spendable, restricted, and committed to specific purposes.

For a more detailed review of changes in fund balances, see the statement of revenues, expenditures and changes in fund balances on Page 16 and Note 7 on Pages 45 through 47.

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

Unrestricted net position of the enterprise funds totaled \$14,728,531 while the net investment in capital assets was \$33,344,852 for a total net position of \$48,073,383. This net position consisted of \$47,024,828 for the Sewer Authority, \$130,702 for the Municipal Court, and \$917,853 for the School Lunch Program.

General Fund Budgetary Highlights

For the year ended June 30, 2014, the General Fund revenues before other financing sources were under budget by \$50,135 or .06%. Revenues and other financing sources were over budget projections by \$291,975 or 0.35%. General Fund expenditures and other financing uses were over budget by \$669,578, or 0.80%. This resulted in a \$377,603 budgetary deficit in the General Fund for the year ended June 30, 2014. See details on Pages 63-66.

Revenues

General property taxes - were under budget by \$407,918 due to a decrease in collections of delinquent taxes during the operating year.

Intergovernmental revenues - were over budget by \$258,965 due to conservative budgeting for state aid revenues based on the Governor's Budget.

Departmental revenues - were over budget by \$91,278 due to increases in building permit fees and DPW revenues collected.

Other funding sources - were over budget by \$342,110 due to the fund transfers that were not anticipated during the budget process but occurred during the fiscal year.

Expenditures

Public Safety - was over budget by \$221,810 due to covering long-term vacancies.

Public Works – was under budget by \$69,071 due to unfilled positions.

Town Miscellaneous - was over budget by \$642,865 due to primarily to additional contributions made to fund the Town's pension plan.

Municipal Capital Improvements – was under budget by \$655,947 due to project time constraints.

The Town of West Warwick's Capital Assets

The Town of West Warwick's investment in capital assets for its governmental and business-type activities as of June 30, 2014 amounts to \$93,892,102 (net of accumulated depreciation). The investment in capital assets includes land, buildings, improvements, machinery and equipment, vehicles, plant facilities, infrastructure, extensions and mains, and construction in progress.

TOWN OF WEST WARWICK, RHODE ISLAND
Management's Discussion and Analysis
For the Year Ended June 30, 2014
(Unaudited)

TOWN OF WEST WARWICK, RHODE ISLAND
Capital Assets (Net of Accumulated Depreciation) (in 000's)

	Governmental Activities		Business-Type Activities		Totals	
	<u>(Restated)</u>		<u>(Restated)</u>		<u>(Restated)</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Land	\$ 9,400	\$ 9,400	\$ 302	\$ 302	\$ 9,702	\$ 9,702
Land Improvements	-	-	579	624	579	624
Buildings and improvements	15,582	16,064	29,663	30,470	45,245	46,534
Machinery, Equipment and Vehicles	1,799	1,947	7,967	8,810	9,766	10,757
Infrastructure	16,583	17,561	12,017	12,761	28,600	30,322
Cafeteria Equipment	-	-	-	-	-	-
Plant facilities and equipment	-	-	-	-	-	-
Extensions and mains	-	-	-	-	-	-
Net Capital Assets	\$ 43,364	\$ 44,972	\$ 50,528	\$ 52,967	\$ 93,892	\$ 97,939

Additional information on the Town of West Warwick's capital assets is located in Note 5 of the notes to the financial statements on Pages 41-42.

The Town of West Warwick's Debt Administration

At the end of the current fiscal year, the Town of West Warwick's Governmental Activities had a total bonded debt of \$20,653,000. Of this amount, 100% comprises bonded debt backed by the full faith and credit of the government. The following is a summary of the Town's long-term debt.

TOWN OF WEST WARWICK, RHODE ISLAND
Bonds, Notes, and Lease Purchase Obligations (in 000's)

	Governmental Activities		Business-Type Activities		Totals	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	General Obligation Bonds	\$ 20,653	\$ 22,188			\$ 20,653
Lease Purchase Obligations	123	181			123	181
General Revenue Notes	-	-	\$ 19,386	\$ 21,112	19,386	21,112
Totals	\$ 20,776	\$ 22,369	\$ 19,386	\$ 21,112	\$ 40,162	\$ 43,481

Note 6, Pages 42-45 provide additional information on the Town's long-term debt obligations.

The Town's general obligation bond rating as assigned by Moody's Investors Service in 2012 is Baa2 and while Fitch Rating Service is BBB-. The State of Rhode Island imposes a limit of 3 percent of the fair value of all taxable Town property on the general obligation debt that a municipality can issue. The Town of West Warwick's limit is approximately \$61,200,000 at year-end. The Town's outstanding general obligation debt is \$20,653,000 at year-end, of which none is subject to the legal debt margin.

TOWN OF WEST WARWICK, RHODE ISLAND
Management's Discussion and Analysis
For the Year Ended June 30, 2014
(Unaudited)

Economic Factors, Next Year's Budgets and Rates, and Other Important Developments

The Town of West Warwick's total General Fund budget for fiscal year 2015 amounts to \$86,356,099 which reflects an increase of \$3,309,811 or 3.99% above the fiscal year 2014 budget of \$83,046,288. Of the Town's 2015 budget, 61% is budgeted for education expenditures and 39% is budgeted for general government. The State of Rhode Island is budgeted to contribute \$20,891,055 to the Town's education department based on State Aid in fiscal 2015.

The Town's tax rate for fiscal year 2015 is \$25.39 per \$1,000 of assessed value with 40% allocated for general government and 60% allocated for education. For fiscal year 2014 the Town's tax rate was \$24.67 per \$1,000 of assessed value with 39% allocated for general government and 61% allocated for education.

In fiscal 2014, Management worked in conjunction with the State of Rhode Island Department of Revenue, in an unofficial capacity, to develop a Five Year Budget Plan and Pension Funding Improvement Plan (FIP) based on successfully negotiated concessions from its labor groups and retirees, as well as voter approved tax increases. The Five Year Budget Plan, FIP, Five Year Union Contracts, and an agreement with the retirees were all approved and adopted by the Town Council.

The Town has also made broad changes to its health plans and negotiated higher employee and future retiree contributions. The pension and health care reforms were part of the Town's plan to reduce its long-term liabilities and achieve full funding of the annual required contribution (ARC) for its' Town administered pension plan. The Town plan was only 17% funded as of July 1, 2013 and had an unfunded liability of \$128 million. The agreed upon reforms, including suspension of cost-of-living adjustments (COLAs) for the next five fiscal years, resulted in a reduction of the ARC from \$10.7 million to \$8 million for fiscal 2015 and lowered the future annual rate of growth in the ARC. The reduction allowed the Town to achieve 100% funding of the ARC in Fiscal 2015. Additionally, an increase in the Town's annual funding of other post-employment benefit (OPEB) costs above pay-as-you-go is expected for Fiscal 2016 and future years as part of the Five Year Budget Plan. The pension and OPEB changes were part of five-year employment contracts with its labor groups, effective July 1, 2014. Employees agreed to no salary increases over this period, with wage re-opener clauses in years four and five in the event the Town meets certain financial improvement thresholds.

On June 10, 2014, Fitch Ratings affirmed the Town's BBB- rating and removed the Town's GO rating from Rating Watch Negative and assigned a Stable Rating Outlook. In their words, "Management was recently successful in achieving substantial employee and retiree concessions to rein in increasing long-term retiree costs. Voters approved the changes along with the Town's fiscal 2015 budget last month."

On June 17, 2014, Moody's affirmed the Town's Baa2 rating and revised the outlook to stable from negative. According to their Press Release, "The stable outlook incorporates recent strides made to reduce pension and health care costs and the adoption of a five-year recovery plan. The outlook further reflects the expectation that the town will return to fully funding required pension contributions, and stabilize its financial position in both the General Fund and School Unrestricted Fund.

Request for Information

The financial report is designed to provide our citizens, taxpayers and creditors with a general overview of the Town's finances and to show the Town's accountability for the tax dollars received. If you have questions about this report or need additional financial information, contact the Finance Director's Office, Town of West Warwick, 1170 Main Street, West Warwick, RI 02893.

John T. Cimino
Finance Director

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TOWN OF WEST WARWICK

BASIC FINANCIAL STATEMENTS



TOWN OF WEST WARWICK, RHODE ISLAND

Statement of Net Position
June 30, 2014

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 9,527,618	\$ 3,646,889	\$ 13,174,507
Restricted cash	-	2,202,718	2,202,718
Investments	1,684,041	-	1,684,041
Accounts receivable, net	3,798,828	2,379,730	6,178,558
Internal balances	(2,087,163)	2,087,163	-
Due from federal and state governments	3,522,551	-	3,522,551
Prepays	941,060	-	941,060
Total Current Assets	17,386,935	10,316,500	27,703,435
Noncurrent Assets:			
Assessment and fees receivable	-	2,652,934	2,652,934
Municipal debt service assessment receivables	-	5,082,492	5,082,492
Capital assets not being depreciated	9,399,514	301,600	9,701,114
Capital assets, net of accumulated depreciation	33,964,454	50,226,534	84,190,988
Total Noncurrent Assets	43,363,968	58,263,560	101,627,528
TOTAL ASSETS	60,750,903	68,580,060	129,330,963
LIABILITIES:			
Current Liabilities:			
Accounts payable and accrued expenses	4,837,109	654,421	5,491,530
Due to federal and state governments	61,268	-	61,268
Unearned revenue	777,423	1,590	779,013
Current portion of compensated absences	500,000	40,000	540,000
Current portion of bonds	1,555,393	1,735,000	3,290,393
Total Current Liabilities	7,731,193	2,431,011	10,162,204
Noncurrent Liabilities:			
Compensated absences	5,734,000	107,100	5,841,100
Net pension and OPEB obligations	68,188,213	317,566	68,505,779
General obligation bonds, net	19,431,199	17,651,000	37,082,199
Total Noncurrent Liabilities	93,353,412	18,075,666	111,429,078
TOTAL LIABILITIES	101,084,605	20,506,677	121,591,282
NET POSITION:			
Net investment in capital assets	22,377,376	33,344,852	55,722,228
Restricted	1,685,214	-	1,685,214
Unrestricted	(64,396,292)	14,728,531	(49,667,761)
TOTAL NET POSITION	\$ (40,333,702)	\$ 48,073,383	\$ 7,739,681

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

TOWN OF WEST WARWICK, RHODE ISLAND

Statement of Activities
For the Year Ended June 30, 2014

Functions/Programs:	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for	Operating	Capital	Governmental	Business-type	Total
		Services, Fees & Licenses	Grants and Contributions	Grants and Contributions			
Governmental activities:							
General government	\$ 10,801,190	\$ 2,121,233	\$ 11,750	\$ -	\$ (8,668,207)		\$ (8,668,207)
Public safety	20,420,240	1,879,241	47,372	53,661	(18,439,966)		(18,439,966)
Public works	3,634,335	30,740	-	-	(3,603,595)		(3,603,595)
Public assistance, development, recreation	3,593,984	77,719	584,720	-	(2,931,545)		(2,931,545)
Public libraries	946,609	16,142	185,265	-	(745,202)		(745,202)
Education	54,121,018	793,151	24,737,256	149,003	(28,441,608)		(28,441,608)
Senior center activities	153,000	-	-	-	(153,000)		(153,000)
Interest on long-term debt	892,641	88,547	958,742	-	154,648		154,648
Total governmental activities	94,563,017	5,006,773	26,525,105	202,664	(62,828,475)		(62,828,475)
Business-type activities:							
Sewer Authority	7,807,913	6,261,256	274,011	-	-	\$ (1,272,646)	(1,272,646)
Municipal Court	180,332	197,896	-	-	-	17,564	17,564
School Lunch Program	1,161,192	338,955	910,380	-	-	88,143	88,143
Total business-type activities	9,149,437	6,798,107	1,184,391	-	-	(1,166,939)	(1,166,939)
Total	\$ 103,712,454	\$ 11,804,880	\$ 27,709,496	\$ 202,664	\$ (62,828,475)	(1,166,939)	(63,995,414)
General revenues:							
Property taxes					57,124,066		57,124,066
Motor vehicle phase-out taxes					218,649		218,649
Utilities taxes					394,835		394,835
State Aid to distressed communities					675,775		675,775
Hotel, meals, and beverage tax					413,700		413,700
Unrestricted investment earnings					12,540	10,662	23,202
Total general revenues and transfers					58,839,565	10,662	58,850,227
Change in Net Position					(3,988,910)	(1,156,277)	(5,145,187)
Net Position - beginning of year (As Restated)					(36,344,792)	49,229,660	12,884,868
Net Position - ending of year					\$ (40,333,702)	\$ 48,073,383	\$ 7,739,681

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

TOWN OF WEST WARWICK, RHODE ISLAND

*Balance Sheet
Governmental Funds
June 30, 2014*

	General Fund	School Unrestricted Fund	Debt Service Fund	NonMajor Governmental Funds	Total Governmental Funds
ASSETS:					
Cash and cash equivalents	\$ 9,223,796	\$ 1,429	\$ 1,173	\$ 301,220	\$ 9,527,618
Investments	-	-	1,684,041	-	1,684,041
Taxes receivable, net	2,756,927	-	-	-	2,756,927
Other receivables, net	903,900	116,972	-	21,029	1,041,901
Due from federal and state governments	2,198,749	263,593	-	1,060,209	3,522,551
Prepaid expenditures	255,810	685,250	-	-	941,060
Due from other funds	259,874	4,401,865	-	1,133,863	5,795,602
TOTAL ASSETS	\$ 15,599,056	\$ 5,469,109	\$ 1,685,214	\$ 2,516,321	\$ 25,269,700
LIABILITIES:					
Accounts payable and accrued expenses	\$ 1,378,601	\$ 582,061	-	\$ 246,579	\$ 2,207,241
Cash overdraft	-	1,441,083	-	-	1,441,083
Due to federal & state governments	-	-	-	61,268	61,268
Due to other funds	7,495,933	736,525	-	1,123,980	9,356,438
Unearned revenue	768,188	-	-	9,235	777,423
TOTAL LIABILITIES	9,642,722	2,759,669	-	1,441,062	13,843,453
DEFERRED INFLOWS OF RESOURCES:					
Unavailable tax and EMS revenue	2,296,104	-	-	-	2,296,104
FUND BALANCES:					
Non-Spendable	255,810	685,250	-	-	941,060
Restricted	-	-	1,685,214	475,590	2,160,804
Committed	-	2,024,190	-	847,411	2,871,601
Unassigned	3,404,420	-	-	(247,742)	3,156,678
TOTAL FUND BALANCES	3,660,230	2,709,440	1,685,214	1,075,259	9,130,143
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 15,599,056	\$ 5,469,109	\$ 1,685,214	\$ 2,516,321	\$ 25,269,700

(CONTINUED)

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

TOWN OF WEST WARWICK, RHODE ISLAND

*Balance Sheet
Governmental Funds
June 30, 2014*

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

Total Fund Balance reported in Exhibit B-1	\$ 9,130,143
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the Governmental Fund Balance Sheet.	43,363,968
Net OPEB Obligation and Net Pension Obligations are reported on the Statement of Net Position as a long-term obligation at June 30, 2014 but these obligations are not reported on the Fund Statements.	(68,188,213)
Long-term debt 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 Position - debt and compensated absences.	(27,009,876)
Unearned tax revenues (net of an allowance for uncollectibles) are recorded in the funds, but are not recorded under the measurement focus employed in the Statement of Net Position.	2,296,104
Internal Service Funds are recorded as Proprietary Funds in the Fund Statements but are recorded as Governmental Activities on the Government-Wide Statement of Net Position.	542,888
Interest accrued on long-term debt obligations is reported as a liability in the Statement of Net Position but does not get reported in the Fund Statements.	(258,000)
Net premium on refunding has been recorded as a long-term obligation on the Statement of Net Position while the amount does not get reported on the Fund Statements.	<u>(210,716)</u>
Total Net Position reported in Exhibit A-1	<u>\$ (40,333,702)</u>

(CONCLUDED)

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

TOWN OF WEST WARWICK, RHODE ISLAND

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2014**

	General Fund	School Unrestricted Fund	Debt Service Fund	NonMajor Governmental Funds	Total Governmental Funds
REVENUES:					
Property taxes	\$ 57,081,110	\$ -	\$ -	\$ -	\$ 57,081,110
Intergovernmental	2,800,506	20,277,799	-	3,249,842	26,328,147
Licenses, fees, fines, charges, and assessments	2,643,800	-	-	861,930	3,505,730
Medicaid	-	460,318	-	-	460,318
Investment income (loss)	12,540	-	88,547	-	101,087
Contributions and grants	-	-	-	242,408	242,408
State on behalf pension contribution	-	1,998,978	-	-	1,998,978
Other miscellaneous	180,398	280,443	-	140,564	601,405
TOTAL REVENUES	62,718,354	23,017,538	88,547	4,494,744	90,319,183
EXPENDITURES:					
Current:					
General government	11,393,844	-	-	-	11,393,844
Public Safety	12,366,272	-	-	611,506	12,977,778
Public Services	3,127,503	-	-	19,042	3,146,545
Library	632,725	-	-	234,159	866,884
Education	-	49,996,919	-	2,480,406	52,477,325
Senior Center	153,000	-	-	-	153,000
Public assistance, development, & recreation	2,867,207	-	-	652,040	3,519,247
Debt Service	2,524,055	-	-	-	2,524,055
Capital Outlays	634,255	-	-	314,792	949,047
TOTAL EXPENDITURES	33,698,861	49,996,919	-	4,311,945	88,007,725
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	29,019,493	(26,979,381)	88,547	182,799	2,311,458
OTHER FINANCING SOURCES (USES)					
Transfers in	969,651	30,656,390	155,673	93,441	31,875,155
Transfers out	(30,877,668)	(969,651)	-	(27,836)	(31,875,155)
TOTAL OTHER FINANCING SOURCES (USES)	(29,908,017)	29,686,739	155,673	65,605	-
NET CHANGE IN FUND BALANCES	(888,524)	2,707,358	244,220	248,404	2,311,458
FUND BALANCE BEGINNING OF YEAR, AS RESTATED	4,548,754	2,082	1,440,994	826,855	6,818,685
FUND BALANCE AT END OF YEAR	\$ 3,660,230	\$ 2,709,440	\$ 1,685,214	\$ 1,075,259	\$ 9,130,143

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

TOWN OF WEST WARWICK, 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, 2014**

Net Change in Fund Balances - Total Governmental Funds (Exhibit B-2):	\$ 2,311,458
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 expense exceeded capital expenditures in the current period.	(1,607,354)
Governmental funds report principal repayments on debt obligations as an expenditure. However, the repayment of principal has no effect on the net position.	1,593,374
Increase in the Net OPEB Obligation is reported as an expense for governmental activities but is not reported as an expenditure in the fund financial statements until it is paid with measurable and available resources. This is the increase in the Net OPEB Obligation for fiscal 2014.	(1,373,693)
Increase in the Net Pension Obligation is reported as an expense for governmental activities but is not reported as an expenditure in the fund financial statements until it is paid with measurable and available resources. This is the increase in the Net Pension Obligation for fiscal 2014.	(5,005,673)
Governmental funds report premiums received on debt financing as other financing sources when received. However, the Statement of Activities amortizes these premiums over the life of the obligations and records the amortization as a credit to expenses. This is the amortization amount for fiscal 2014.	16,440
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in governmental funds. Net unearned tax revenue decreased from fiscal 2013.	(95,849)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in governmental funds. Net unearned EMS Rescue revenue decreased from fiscal 2013.	(525)
Accrued interest on long-term debt obligations is reported in the governmental activities but is not reported in the government fund statements. This is the decrease in accrued interest expense from fiscal 2013.	21,600
Increase 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 position. Increase in compensated absences.	(316,000)
The activity reported in the Internal Service Fund is presented with the Proprietary Fund Statements. However, this activity is reported as a component of the Governmental Activities in the Statement of Activities. This is the net activity reported for fiscal 2014.	<u>467,312</u>
Change in Net Position of Governmental Activities in the Statement of Activities (Exhibit A-2)	<u>\$ (3,988,910)</u>

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

TOWN OF WEST WARWICK, RHODE ISLAND

**Statement of Net Position
Proprietary Funds
June 30, 2014**

	Business-type Activities-Enterprise Funds				
	Sewer Authority	Municipal Court	School Lunch Program	Totals	Internal Service Fund
ASSETS:					
Current Assets:					
Cash and cash equivalents	\$ 3,122,979		\$ 523,910	\$ 3,646,889	
Restricted cash	2,202,718			2,202,718	
Assessments and fees receivable, net	1,234,011	\$ 21,200	11,136	1,266,347	
Municipal debt service assessment receivables	1,113,383	-	-	1,113,383	
Due from other funds	2,060,619	129,100	260,604	2,450,323	\$ 1,473,673
Total Current Assets	9,733,710	150,300	795,650	10,679,660	1,473,673
Noncurrent Assets:					
Assessments and fees receivable, net	2,652,934	-	-	2,652,934	
Municipal debt service assessment receivables	5,082,492	-	-	5,082,492	
Capital assets not being depreciated	301,600	-	-	301,600	
Capital assets, net of accumulated depreciation	50,005,442	-	221,092	50,226,534	
Total Noncurrent Assets	58,042,468	-	221,092	58,263,560	-
TOTAL ASSETS	67,776,178	150,300	1,016,742	68,943,220	1,473,673
LIABILITIES:					
Current Liabilities:					
Accounts payable and accrued expenses	537,524	19,598	97,299	654,421	930,785
Due to other funds	363,160	-	-	363,160	
Unearned revenue	-	-	1,590	1,590	
Current portion of compensated absences	40,000	-	-	40,000	
Current portion of bonds	1,735,000	-	-	1,735,000	
Total Current Liabilities	2,675,684	19,598	98,889	2,794,171	930,785
Noncurrent Liabilities:					
General obligation bonds, net of current portion	17,651,000	-	-	17,651,000	
Net OPEB Obligation	317,566	-	-	317,566	
Compensated absences	107,100	-	-	107,100	
Total Noncurrent Liabilities	18,075,666	-	-	18,075,666	-
TOTAL LIABILITIES	20,751,350	19,598	98,889	20,869,837	930,785
NET POSITION:					
Net investment in capital assets	33,123,760	-	221,092	33,344,852	
Unrestricted	13,901,068	130,702	696,761	14,728,531	542,888
TOTAL NET POSITION	\$ 47,024,828	\$ 130,702	\$ 917,853	\$ 48,073,383	\$ 542,888

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

TOWN OF WEST WARWICK, RHODE ISLAND

**Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2014**

	Business-type Activities-Enterprise Funds				
	Sewer Authority	Municipal Court	School Lunch Program	Totals	Internal Service Fund
OPERATING REVENUES:					
Charges for usage, service, and assessments	\$ 6,251,965	\$ 197,896	\$ -	\$ 6,449,861	\$ 10,402,082
Food sales	-	-	338,955	338,955	-
Intergovernmental	274,011	-	910,380	1,184,391	-
Other revenues	9,291	-	-	9,291	-
Total Operating Revenues	6,535,267	197,896	1,249,335	7,982,498	10,402,082
OPERATING EXPENSES:					
Salaries and benefits	2,351,451	85,978	-	2,437,429	9,671,729
Other operating expenses	2,386,194	89,272	1,111,784	3,587,250	263,041
Depreciation and amortization	2,453,726	-	43,383	2,497,109	-
Materials, supplies, repairs and maintenance	349,338	5,082	6,025	360,445	-
Total Operating Expenses	7,540,709	180,332	1,161,192	8,882,233	9,934,770
OPERATING INCOME (LOSS)	(1,005,442)	17,564	88,143	(899,735)	467,312
NONOPERATING REVENUES (EXPENSES):					
Interest income	10,662	-	-	10,662	-
Interest expense	(267,204)	-	-	(267,204)	-
Net Nonoperating Revenues	(256,542)	-	-	(256,542)	-
CHANGE IN NET POSITION	(1,261,984)	17,564	88,143	(1,156,277)	467,312
TOTAL NET POSITION - BEGINNING, AS RESTATED	48,286,812	113,138	829,710	49,229,660	75,576
TOTAL NET POSITION - ENDING	\$ 47,024,828	\$ 130,702	\$ 917,853	\$ 48,073,383	\$ 542,888

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

TOWN OF WEST WARWICK, RHODE ISLAND

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2014

	Business-type Activities- Enterprise Funds				
	Sewer Authority	Municipal Court	School Lunch Program	Totals	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from customers	\$ 6,865,097	\$ 202,489	\$ 1,295,427	\$ 8,363,013	\$ 9,897,453
Cash paid to suppliers for goods and services and other operating payments	(2,380,344)	(82,456)	(1,125,152)	(3,587,952)	(263,041)
Cash paid for employees and benefits	(2,308,873)	(85,978)	-	(2,394,851)	(9,634,412)
Net cash provided (used) by operating activities	<u>2,175,880</u>	<u>34,055</u>	<u>170,275</u>	<u>2,380,210</u>	<u>-</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
(Increase) decrease in due from other funds	(487,908)	(34,055)	108,543	(413,420)	-
Increase (decrease) in due to other funds	363,160	-	-	363,160	-
Net cash provided (used) by noncapital financing activities	<u>(124,748)</u>	<u>(34,055)</u>	<u>108,543</u>	<u>(50,260)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition of capital assets	(46,036)	-	(12,750)	(58,786)	-
Principal paid on bonds	(1,726,000)	-	-	(1,726,000)	-
Interest paid on bonds	(279,096)	-	-	(279,096)	-
Net cash provided (used) for capital and related financing activities	<u>(2,051,132)</u>	<u>-</u>	<u>(12,750)</u>	<u>(2,063,882)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Investment income	10,662	-	-	10,662	-
Net cash provided by investing activities	<u>10,662</u>	<u>-</u>	<u>-</u>	<u>10,662</u>	<u>-</u>

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

(CONTINUED)

TOWN OF WEST WARWICK, RHODE ISLAND

**Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2014**

	Business-type Activities- Enterprise Funds				
	Sewer Authority	Municipal Court	School Lunch Program	Totals	Internal Service Fund
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	10,662	-	266,068	276,730	-
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT BEGINNING OF YEAR	5,315,035	-	257,842	5,572,877	-
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT END OF YEAR	<u>\$ 5,325,697</u>	<u>\$ -</u>	<u>\$ 523,910</u>	<u>\$ 5,849,607</u>	<u>\$ -</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ (1,005,442)	\$ 17,564	\$ 88,143	\$ (899,735)	467,312
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation and amortization expense	2,453,726	-	43,383	2,497,109	-
(Increase) Decrease in assessments and fees receivable	381,130	4,593	(7,117)	378,606	(504,629)
Decrease in due from federal and state governments	-	-	58,187	58,187	-
Decrease in municipal debt service assessments receivable	(33,085)	-	-	(33,085)	-
Decrease in prepaid expenses	3,864	-	-	3,864	-
Increase (decrease) in accounts payable and accrued expenses	351,325	11,898	(7,343)	355,880	37,317
Increase (decrease) in compensated absences and OPEB obligation	42,578	-	-	42,578	-
Decrease unearned revenue	(18,216)	-	(4,978)	(23,194)	-
Net cash provided (used) by operating activities	<u>\$ 2,175,880</u>	<u>\$ 34,055</u>	<u>\$ 170,275</u>	<u>\$ 2,380,210</u>	<u>\$ -</u>

(CONCLUDED)

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

TOWN OF WEST WARWICK, RHODE ISLAND

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014

	Employee Retirement Trust Fund	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 55,909	\$ 150,401
Other receivables	6,208	
Investments, at fair value:		
Money market funds	3,311,719	
Equity mutual funds	13,761,250	
Fixed income mutual funds	9,267,913	
Common and collective mutual funds	1,581,732	
TOTAL ASSETS	27,984,731	150,401
LIABILITIES		
Accounts payable and accrued expenses	3,277	
Deposits held in custody for others		150,401
TOTAL LIABILITIES	3,277	150,401
NET POSITION		
Funds held in trust	\$ 27,981,454	\$ -

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

TOWN OF WEST WARWICK, RHODE ISLAND

Statement of Changes in Fiduciary Net Position
 Fiduciary Funds
 For the year ended June 30, 2014

	Employee Retirement <u>Trust Fund</u>
ADDITIONS:	
Contributions	
Employee contributions	\$ 1,374,448
Employer contributions	5,224,510
Total contributions	<u>6,598,958</u>
Investment earnings:	
Realized and unrealized gains (losses) on investments	2,796,583
Interest and dividends	497,108
Total investment earnings	<u>3,293,691</u>
Total additions	<u>9,892,649</u>
DEDUCTIONS:	
Benefits paid	9,020,829
Investment management fees	44,265
Professional fees	96,387
Other operating expenses	146,585
TOTAL DEDUCTIONS	<u>9,308,066</u>
CHANGE IN NET ASSETS	584,583
NET POSITION - BEGINNING OF YEAR	27,396,871
NET POSITION - END OF YEAR	<u>\$ 27,981,454</u>

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

TOWN OF WEST WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. 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 Town is governed largely under the Home Rule Charter approved by the electorate on November 4, 1986 and effective December 5, 1988. In some matters, including the issuance of short and long-term debt, the General Laws of the State of Rhode Island govern the Town. The Town is run under a Town Council/Town Manager form of government. The Town provides the following services as authorized by its charter: Public Safety (police, fire, traffic safety, inspections, zoning and building), Public Works (sanitation, highways and streets, engineering and building maintenance), Parks and Recreation, Education, Social Services, and General Administrative Services.

This report includes all of the Funds of the Town of West Warwick. 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. 61. Under GASB Statement No. 61, a legally separate entity is required to be included as a component unit if it is fiscally dependent upon the primary government and there is a financial benefit or burden relationship present. The primary government is financially accountable if it appoints the voting majority of the organization's governing board and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A potential component unit has a financial benefit or burden relationship with the primary government if, for example, any one of the following conditions exists:

- a. The primary government is legally entitled to or can otherwise access the organization's resources.
- b. The primary government is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization.
- c. The primary government is obligated in some manner for the debt of the organization.

The financial statements do not include any component units.

(CONTINUED)

TOWN OF WEST WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

Government-Wide Financial Statements

The Statement of Net Position 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, deferred outflows of resources, liabilities, deferred inflows of resources, 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 Town or meets the following criteria:

- (a) Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, 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 and deferred outflows of resources, liabilities and deferred inflows of resources, 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.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund is the primary operating fund of the Town and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds

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

(CONTINUED)

TOWN OF WEST WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds (Continued)

Capital Project 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.

Permanent Funds

The Permanent Funds account for assets held by the Town pursuant to trust agreements. The principal portion of this fund type must remain intact, but the earnings may be used to achieve the objectives of the fund. The Town did not maintain any Permanent Funds during fiscal 2014.

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 Enterprise and Internal Service Funds. The Town currently maintains three Enterprise Funds and one Internal Service Fund. The Internal Service Fund is used to account for the operations and activity of the Town's medical plan for employees and retirees. The costs of the benefits are allocated to the various Town departments, including the School Department.

Fiduciary Funds (Not included in Government-Wide statements)

Agency Funds

Agency funds account for assets held by the Town in a purely custodial capacity. The reporting entity includes seven agency funds (all of which are Student Activity Funds) at June 30, 2014. Since Agency Funds are custodial in nature (i.e. assets equal liabilities), they do not involve the measurement of results of operations.

Pension Trust Funds

Pension Trust Funds are used to account for resources legally held in trust for use for payment of pension benefits, and cannot be used at the Town's discretion or to support the Town's general operations. The reporting entity has one such trust fund, Employee Retirement Plan. The Pension Committee oversees this Fund.

(CONTINUED)

TOWN OF WEST WARWICK, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 West Warwick School Department, which are not legally required to be accounted for separately.
Debt Service Fund	This fund is used to report the annual principal payments made on the Town's Qualified Zone Academy Bonds (QZAB) debt obligation. These payments will remain held in escrow until the future maturity of the debt obligation. The fund balance is deemed legally restricted for future retirement of the bond. This Fund does not meet the definition of a Major Fund; however management has elected to treat it as a major fund due to the nature of the Fund Balance restriction.
Proprietary Funds:	
Sewer Authority	Accounts for the overseeing of the sewer operations of the Town of West Warwick which also includes services provided to some of the surrounding communities.
Municipal Court	Accounts for the activity and operations of the Town's court system which deals with fees, fines and other assessments initiated by the Public Safety Departments. This fund did not meet the criteria for reporting as a Major Fund however, management elected to present as such.
School Cafeteria	Accounts for the operations of the school breakfast and lunch program of the West Warwick School Department. This fund did not meet the criteria for reporting as a major fund however, management elected to present it as such.

(CONTINUED)

TOWN OF WEST WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Major and Non-Major Funds (Continued)

<u>Fund</u>	<u>Brief Description</u>
Non-Major:	
Special Revenue Funds:	The Town of West Warwick maintains forty-seven (47) Special Revenue Funds which have been classified as Non-Major Governmental Funds. These forty-seven (47) Funds include twenty-four (24) maintained by the Town and twenty-three (23) maintained by the School Department. The details of these Funds may be found in the combining fund exhibits in the other supplementary information section of these statements.
Capital Project Funds:	The Town currently maintains five (5) Capital Project Funds. The details of these Funds may be found in the combining fund exhibits in the other supplementary information section of these statements.

Measurement Focus

On the government-wide Statement of Net Position 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 and the modified accrual basis of accounting. Only current financial assets, deferred outflows of resources, liabilities, and deferred inflows of resources 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 Town considers property taxes as available if they are collected within 60 days after year end. Grant revenue (for expenditure reimbursement grants) of the governmental funds is generally recognized as revenue when earned as long as the payment is expected to be received within twelve months after year end. Substantially all other revenue of the governmental funds is recognized utilizing the modified accrual method of accounting and as such is recognized as revenue when received.

(CONTINUED)

TOWN OF WEST WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

- (b) The proprietary funds and private purpose trust funds utilize "economic resources" measurement focus and the accrual basis of accounting. The accounting objectives of this measurement focus are the determination of net income, financial position and cash flows. All assets, deferred outflows of resources, liabilities (whether current or noncurrent), and deferred inflows of resources associated with their activities are reported. Fund equity is classified as net position.

- (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 Position 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, deferred outflows of resources, liabilities, and deferred inflows of resources 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.

(CONTINUED)

TOWN OF WEST WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Cash

Cash and cash equivalents are carried at cost. Cash equivalents include all amounts invested in certificates of deposit as management believes that these certificates can be accessed at any point in time. Substantially, all of the Town'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 \$250,000 which is guaranteed by FDIC. At times, the Town pools cash resources of its various funds to facilitate the management of cash and maximize investment returns.

Investments

The Town invests in various types of investments, which are stated at fair value. Realized and unrealized gains and losses are reported as investment income. The Town invests in Government Securities, Commercial Paper and various corporate stocks and bonds which are held in the Town's Governmental Funds and Fiduciary Funds.

Accounts Receivable

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include property taxes and intergovernmental receivables. Business-type activities report service and special assessment fees as its major receivables. In addition, at June 30, 2014 the Town's Sewer Authority also reported a debt service assessment receivable of \$5,642,497 due from local communities. This receivable represents the portion of long-term debt obligations which are reported as a liability of the Town of West Warwick, but which are to be reimbursed by surrounding communities in accordance with provisions of executed intermunicipal agreements.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as property taxes collected within 60 days of year-end and grants and other similar intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions earned/measurable 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.

The Town uses the allowance method for reporting potential uncollectable accounts in the Government-Wide Statements as well as the Fund Statements. However in the Fund Statements the allowance may also be applied to the unearned revenue balance rather than impacting the operations. At June 30, 2014 the Town has estimated the allowance for doubtful accounts as follows: Allowance for delinquent taxes - \$1,315,000; Allowance for EMS Rescue Billings - \$633,790; Allowance for Municipal Court receivables - \$196,000.

(CONTINUED)

TOWN OF WEST WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

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 15th, October 15th, January 15th, and April 15th following the levy date. The taxpayer may elect to pay the taxes in full or pay quarterly as noted above. 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 dating back to July 15th. 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.

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, as such is reported as nonspendable fund balance.

Property, Plant and Equipment

The accounting treatment over 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. The Town established a capitalization threshold of \$10,000 for an individual item with a useful life in excess of one year. The government-wide financial statements include all infrastructure assets.

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 Position. 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:

Motor Vehicles	5 – 10 years
Land improvements	5 – 10 years
Buildings	10 - 40 years
Sewer lines	100 years
Machinery and Equipment	5 – 10 years
Infrastructure	25 – 35 years
Furniture and Fixtures	5 years

(CONTINUED)

TOWN OF WEST WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

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.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate section represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that later date. At June 30, 2014 the Town of West Warwick, Rhode Island did not have any items that met the definition of a deferred outflow of resources.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate section represents the acquisition of net position that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until a later date. At June 30, 2014 the Town of West Warwick, Rhode Island had two items that qualified as a deferred inflow of resources in the governmental funds balance sheet. The unearned tax revenue represents property taxes receivables which are assessed on December 31, 2012 and prior and are not collected within 60 days of June 30, 2014 and the unearned EMS rescue fees that were for services provided prior to June 30, 2014 but are not recognized as revenue since they are considered unavailable as of June 30, 2014. Net unearned tax revenue and EMS revenue included in the fund financial statements were \$2,127,629 and \$168,475 at June 30, 2014, respectively. These amounts are considered unearned and will be recognized as an inflow of resources in the year(s) in which the amounts become available.

Interfund Transactions

Interfund activity within and among the funds of the Town 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.

(CONTINUED)

TOWN OF WEST WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

Interfund Transactions (Continued)

- 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.

Fund Balance Transactions

The re-appropriation of prior year's fund balance in the General Fund is reported as an other financing source in the current year for budgetary purposes. This is a budgetary basis revenue item only and does not impact the Fund Statements or the Government-Wide Statements.

Equity Classifications

Government-Wide Statements

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

- (a) Net Investment in capital assets - 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 position - Consists of net position 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 position - All remaining net position that does not meet the definition of "restricted" or "net investment in capital assets".

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 classified as nonspendable, restricted, committed, assigned, or unassigned. These categories are defined below:

- Nonspendable Fund Balance – includes the amount of fund balance that cannot be spent because it is 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 within one year.
- Restricted Fund Balance – includes amounts that are restricted to specific purposes. Fund balance is reported as restricted when constraints placed in the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

(CONTINUED)

TOWN OF WEST WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

Fund Financial Statements (Continued)

- 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 Town Council is the highest level of decision-making authority and utilizes Town Resolutions as a formal procedure to commit fund balance. In addition, the passage of the budget by the taxpayers at the annual financial Town meeting is considered the commitment of funds for the line items included in the fiscal budget.
- 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. As of June 30, 2014 the Town has not adopted a formal Fund Balance policy and as such has not defined the level at which fund balance may be assigned.
- 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 unassigned fund balance may also include negative balances for any governmental funds if the expenditures exceed amounts restricted, committed or assigned for specific purposes.

Application of Funds

Expenditures may be incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) amounts are available. Composition of the ending fund balance will be determined by applying the following: In those instances where restricted and unrestricted amounts are available, restricted amounts will be considered to have been spent first [as allowed and in compliance with stated and specified terms or requirements], followed by committed amounts, followed by assigned amounts, and then unassigned amounts.

Minimum Fund Balance

The Town's Home Rule Charter, Section 509, requires the Town to maintain an unassigned fund balance in the General Fund equal to 5% of the annual operating budget. This unassigned fund balance shall be used as a source of funds to meet town obligations in anticipation of tax receipts, anticipated state and federal aid. The unassigned fund balance may also be used as a contingency fund for emergency appropriations. In the event that this unassigned fund balance is less than 5%, the Town Manager shall include in the budget recommendations a sum of no less than .35% of the operating budget until such time as the unassigned fund balance of the General Fund is restored to 5%.

(CONTINUED)

TOWN OF WEST WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

Compensated Absences

It is the policy of the Town (including the School Department) to permit employees to accumulate earned but unused vacation and sick leave benefits, which will be paid to the employee upon separation from Town service. Compensated absences that are expected to be liquidated with expendable available financial resources are reported as expenditure and a fund liability of the governmental fund that will pay it. Amounts not expected to be liquidated with expendable available resources are reported as long-term debt in the government-wide financial statements. Long-term debt and other obligations financed by the proprietary funds are reported as liabilities in the appropriate funds. A liability for compensated absences is recorded in the governmental funds only if the liability had matured at June 30, 2014 as a result of employee resignation or retirements. Compensated absences recorded in the Governmental Activities at June 30, 2014 totaled \$6,234,000 (\$3,352,000 for Town personnel and \$2,882,000 for School Department personnel).

Compensated absences which are liquidated during the fiscal year are allocated to the applicable fund in which the employee's compensation is allocated. Compensated absences are generally allocated to the Town's General Fund for Town personnel (excluding those working in the business-type activities) and the School Unrestricted Fund.

Reconciliation of Government-wide and Fund Financial Statements

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. 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 \$27,009,876 are as follows:

Bonds and lease purchase obligations.....	\$20,775,876
Compensated absences.....	6,234,000
Total	<u>\$27,009,876</u>

Another element of that reconciliation states that, "Net OPEB Obligations and Net Pension Obligations are reported on the Statement of Net Position as a long-term obligation at June 30, 2014 but these obligations are not reported on the Fund Statements." The details of this \$68,188,213 are as follows:

Net Pension Obligation.....	\$52,956,645
Net OPEB Obligation.....	15,231,568
Total	<u>\$68,188,213</u>

(CONTINUED)

TOWN OF WEST WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

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 position 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 (\$1,607,354) difference are as follows:

Capital outlays	\$ 631,680
Depreciation expense.....	<u>(2,239,034)</u>
Net adjustment	<u>(\$1,607,354)</u>

Another element of that reconciliation states that, “Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds.” The details of this (\$95,849) difference are as follows:

Net unearned tax revenue - ending.....	\$2,127,629
Net unearned tax revenue – beginning	<u>(2,223,478)</u>
Net adjustment (decrease net position).....	<u>(\$ 95,849)</u>

Recently Issued Accounting Standards

During the fiscal year ended June 30, 2014 the Town implemented the following new accounting pronouncements:

- GASB Statement No. 67 – Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25.
- GASB Statement No. 70 – Accounting and Financial Reporting for Nonexchange Financial Guarantees.

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

- 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.
- GASB Statement No. 69 – Government Combinations and Disposals of Government Operations, effective for the fiscal year ending June 30, 2015.
- GASB Statement No. 71 – Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68, effective for the fiscal year ending June 30, 2015.

The impact of these pronouncements on the Town’s financial statements has not been determined.

(CONTINUED)

TOWN OF WEST WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

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

2. BUDGETARY PROCESS

In accordance with the West Warwick Home Rule Charter, the Town has formally established budgetary accounting control for its General Fund and the School Unrestricted Fund, which is presented as a Special Revenue Fund. The General Fund is subject to an annual operating budget that is prepared by the administration of the Town Manager and submitted to the Town Council for approval. The General Fund budget is then presented at the Financial Town meeting to the Citizens of the Town for their approval. The School Unrestricted Fund is subject to an annual operating budget approved by the School Committee and adopted in total by the Town Council as part of the General Fund budget. The annual operating budgets' appropriation amounts are supported by revenue estimates and take into account the elimination of accumulated deficits and the re-appropriation of accumulated surpluses to the extent necessary. The General Fund and School Unrestricted Special Revenue Fund's annual operating budgets are prepared on the budgetary basis of accounting which is not in conformity with Generally Accepted Accounting Principles. The budget to actual presentation included in the required supplementary information is reflected utilizing the budgetary basis of accounting. Other than the Town's General Fund, the only other Governmental Fund that has a legally adopted budget is the School's Unrestricted Fund. Therefore the required supplementary information includes budget versus actual comparisons for the Town's General Fund and the School's Unrestricted Fund only.

Appropriations in addition to those contained in the annual operating budgets, except for the purpose of meeting a public emergency, are made upon the recommendation of the Town Manager with the Director of Finance's certification as to the General Fund surplus to meet such appropriations and with the Town Council's approval and approval of the citizens at a Financial Town Meeting. During the fiscal year ended June 30, 2014 the Town Council passed several resolutions authorizing the appropriation of fund balance reserves for fiscal 2014 expenditures. These resolutions were considered to be additional appropriations for fiscal 2014.

(CONTINUED)

TOWN OF WEST WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

2. BUDGETARY PROCESS (Continued)

Amendments to the operating budgets that do not result in additional appropriations may be made within departments by means of a transfer. The Finance Director has authority to make such transfers within departments for the first nine months of the fiscal year. Any other departmental transfers made and transfers made outside of the departmental level in the last three months of the fiscal year require Town Council approval through passage of an ordinance. There were no transfers of budgeted line items during fiscal 2014.

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 Town's cash and cash equivalents at June 30, 2014 was \$15,583,535 (including Fiduciary Funds) while the bank balance was approximately \$15,630,000. Of the bank balance, approximately \$1,517,000 was covered by federal depository insurance while the remaining balance was collateralized.

At June 30, 2014 the Town's cash and cash equivalents, including restricted cash, were comprised of the following:

General Fund.....	\$9,223,796
School Unrestricted Fund.....	1,429
Debt Service Fund.....	1,173
Non-Major Special Revenue Funds	182,468
Non-Major Capital Project Funds	118,752
Sewer Authority Fund.....	5,325,697
School Lunch Program Fund.....	523,910
Employee Retirement Trust Fund	55,909
Student Activity Agency Funds.....	150,401
Total Cash and Cash Equivalents.....	<u>\$15,583,535</u>

Investments

Investments of all idle funds must be made through national banks or trust companies, provided that the financial conditions and integrity of said institution or institutions are verifiable and can be monitored. The investment of funds shall be in direct obligations of the United States Government and "money market instruments" rated "A" or better. Investments in any one institution cannot exceed five percent of that institution's capital and surplus as set forth in the institutions most recent audited financial statements. All investments are made as would be done by prudent persons of discretion and intelligence in such matters who are seeking a reasonable income and preservation of capital.

(CONTINUED)

TOWN OF WEST WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

3. CASH AND INVESTMENTS (Continued)

Investments (Continued)

At June 30, 2014 the Town's investments totaled \$29,606,655 (including those held in Fiduciary Funds) and consisted of the following:

	<u>Fair Value</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Rating</u>
Money Market Mutual Funds.....	\$ 3,311,719	N/A	N/A	Not Rated
U.S. Government Agency GNMA, FNMA, FHLMC Pools...	1,684,041	0-4.60%	10/2014 - 4/2017	AAA
Domestic Equity Mutual Funds.....	6,232,480	N/A	N/A	Not Rated
International Equity Mutual Funds.....	3,203,098	N/A	N/A	Not Rated
Closed End Equity Mutual Funds.....	4,325,672	N/A	N/A	Not Rated
Taxable Fixed Income Mutual Funds.....	9,267,913	N/A	N/A	Not Rated
Common Equity Small Cap Mutual Funds.....	1,581,732	N/A	N/A	Not Rated
Total Investments	<u>\$ 29,606,655</u>			

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The Town 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. The Town invests operating funds primarily in shorter-term securities, money market funds, or similar investment pools although the Town does not have a formal policy relating to a specific investment related risk.

Concentrations

The Town policy is to maintain a diversified portfolio to minimize the risk of loss resulting from over concentration of assets in a specific industry and/or with a specific maturity.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of financial institution failure, the Town's deposits and/or investments may not be returned. The Town 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 Town. Additionally, the Town places deposits in financial institutions that are FDIC insured up to \$250,000, 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 appear to be in jeopardy, the Town will engage an outside rating agency to determine status of the institution. The Town also ensures that virtually all uninsured deposits greater than \$250,000 are collateralized.

Credit Risk

Generally credit risk is the risk that an issuer of a debt type investment will not fulfill its obligation to the holder of the investment. This is measured by assignment of a rating by a nationally recognized rating organization. U.S. Government securities or obligations explicitly guaranteed by the U.S. Government are not considered to have credit risk exposure.

(CONTINUED)

TOWN OF WEST WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

4. PROPERTY TAXES AND ASSESSMENTS RECEIVABLE

The Town assesses taxes each December 31st and the levy thereon may be paid in full on or before July 15th, or quarterly, on or before July 15th, October 15th, January 15th, and April 15th, without penalty, at the taxpayer's option.

During the year ended June 30, 2014, the Town received \$218,649 from the State of Rhode Island as payment in accordance with legislation regarding the phase-out of motor vehicle tax. 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 several 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 \$39.00 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 Town was required to maintain the rate frozen at \$28.47 per thousand of assessed value.

The State of Rhode Island had 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 \$137,875 and then cut by \$10,000,000 in fiscal 2008. During the 2009 fiscal year GRS was cut by another \$25,111,876 through the final adopted supplemental State budget. In fiscal 2010 the Governor's budget eliminated all GRS to Cities and Towns resulting in a loss of over \$25,000,000 to local communities.

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 and is retroactive to July 15th annually.

Net property taxes levied for the fiscal year 2014 were based on a net assessed value of approximately \$2,039,165,000 at December 31, 2012 and amounted to approximately \$56,364,000. Collections through June 30, 2014 amounted to approximately \$54,000,000, which represents approximately 96% of the total tax levy.

Unpaid property taxes and other general fund assessments as of June 30, 2014 \$2,756,927 are recorded as a receivable, net of an allowance for uncollectible property taxes of \$1,315,000. Those net property taxes receivable which were not collected within the 60 days immediately following June 30, 2014 are recorded as unearned tax revenue and amounted to \$2,127,629 at June 30, 2014. Property taxes recognized as revenue on the Fund statements for the fiscal year ended June 30, 2014 (due to their collection within the 60 days immediately following June 30, 2014) amounted to \$629,298.

The allowance for uncollectible accounts is based on that portion of current and delinquent taxes receivable which is estimated to be doubtful of collection. This provision does not constitute an abandonment of claim or cessation of collection efforts.

(CONTINUED)

TOWN OF WEST WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014 was as follows:

	(As Restated) Balances <u>7/1/13</u>	<u>Additions</u>	Retirements & <u>Disposals</u>	Balances <u>6/30/14</u>
Governmental Activity:				
Nondepreciable Assets:				
Land	\$ 9,399,514			\$ 9,399,514
Depreciable Assets:				
Buildings and improvements	33,169,662	\$ 195,080		33,364,742
Machinery, Equipment and Vehicles	9,457,148	436,600		9,893,748
Infrastructure	53,070,000			53,070,000
Total cost	<u>105,096,324</u>	<u>631,680</u>	<u>\$ 0</u>	<u>105,728,004</u>
Accumulated Depreciation:				
Buildings and improvements	(17,106,040)	(676,600)		(17,782,640)
Machinery, Equipment and Vehicles	(7,510,262)	(584,234)		(8,094,496)
Infrastructure	(35,508,700)	(978,200)		(36,486,900)
Total accumulated depreciation	<u>(60,125,002)</u>	<u>(2,239,034)</u>	<u>0</u>	<u>(62,364,036)</u>
Net capital assets	<u>\$ 44,971,322</u>	<u>\$(1,607,354)</u>	<u>\$ 0</u>	<u>\$43,363,968</u>

Depreciation expense for the year ended June 30, 2014 was charged to the following functions/programs of the Town:

Governmental Activities:	
General government.....	\$ 1,003,695
Education.....	691,164
Public safety	314,914
Public works	111,492
Library.....	43,032
Recreation and other.....	74,737
Total	<u>\$ 2,239,034</u>

(CONTINUED)

TOWN OF WEST WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

5. CAPITAL ASSETS (Continued)

	(As Restated) Balances 7/1/13	Additions	Retirements & Disposals	Balances 6/30/14
Business- type Activities:				
Nondepreciable Assets:				
Land	\$ 301,600			\$ 301,600
Depreciable Assets:				
Land improvements	1,024,400			1,024,400
Buildings and improvements	38,023,925			38,023,925
Machinery, equipment and vehicles	14,025,333	\$ 58,786		14,084,119
Infrastructure	45,070,000			45,070,000
Total cost	<u>98,445,258</u>	<u>58,786</u>	<u>\$ 0</u>	<u>98,504,044</u>
Accumulated Depreciation:				
Land improvements	(400,410)	(44,820)		(445,230)
Buildings and improvements	(7,554,269)	(806,441)		(8,360,710)
Machinery, equipment and vehicles	(5,215,422)	(901,248)		(6,116,670)
Infrastructure	(32,308,700)	(744,600)		(33,053,300)
Total accumulated depreciation	<u>(45,478,801)</u>	<u>(2,497,109)</u>	<u>0</u>	<u>(47,975,910)</u>
Net capital assets	<u>\$ 52,966,457</u>	<u>(\$ 2,438,323)</u>	<u>\$ 0</u>	<u>\$ 50,528,134</u>

Depreciation expense for the year ended June 30, 2014 was charged to the following Business-type Activities:

Business-type Activities:	
Sewer Authority	\$ 2,453,726
School Lunch Program	43,383
Total	<u>\$ 2,497,109</u>

6. LONG-TERM DEBT

(a) General

All of the Town's general obligation debt (now outstanding or authorized but unissued) has been authorized pursuant to the General Laws of the State of Rhode Island or special acts of the State Legislature. Each special act provides for approval thereof by the electors of the Town.

The Rhode Island General Laws provide that no Town shall, without special statutory authority, incur any debt which would increase its aggregate indebtedness beyond three (3%) percent of the taxable property of the Town. Tax anticipation notes are not included in the computation of the legal debt limit. Debt may be incurred in excess of the three percent limit with the approval of the State Director of Administration. At June 30, 2014 all of the Town's bonds and notes outstanding or authorized but unissued are either specifically exempt from the three percent debt limit or are within such limit.

At June 30, 2014 the three (3%) debt limit of the Town was approximately \$61,200,000 based on the net assessed value of property at December 31, 2012 of approximately \$2,039,000,000.

(CONTINUED)

TOWN OF WEST WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

6. LONG-TERM DEBT (Continued)

(b) At June 30, 2014, the Town's long-term debt outstanding and activity consisted of the following:

<u>Description</u>	<u>Date Issued</u>	<u>Original Principal</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Outstanding June 30, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Outstanding June 30, 2014</u>	<u>Due Within One Year</u>
Governmental Activities:									
General obligation bonds:									
Open Space bond	08/15/93	\$ 800,000	06/30/14	7% - 7.45%	\$ 70,000		\$ 70,000	\$ 0	\$ 0
2005 Town Bond	10/25/05	2,100,000	10/14/25	4% - 5%	1,330,000		110,000	1,220,000	110,000
2005 Qualified Zone Academy Bonds	11/29/05	3,688,000	11/29/21	1.47%	3,688,000		0	3,688,000	0
2009 Refunding bonds series B	08/20/09	2,370,000	04/01/18	2% - 3.5%	1,250,000		260,000	990,000	255,000
2009 Series A.....	08/20/09	6,500,000	04/01/29	2.75% - 5%	5,750,000		265,000	5,485,000	270,000
2007 Road bonds	07/15/07	5,000,000	07/15/27	4.5% - 5.25%	3,750,000		250,000	3,500,000	250,000
2002 School improvements.....	03/01/02	<u>10,500,000</u>	03/01/22	4.8%	<u>6,350,000</u>		<u>580,000</u>	<u>5,770,000</u>	<u>610,000</u>
Total general obligations bonds		<u>\$30,958,000</u>			<u>22,188,000</u>	<u>\$ 0</u>	<u>1,535,000</u>	<u>20,653,000</u>	<u>1,495,000</u>
Lease Purchase obligations:									
Capital lease	01/21/11	<u>\$386,724</u>	03/21/16	6.00%	<u>181,250</u>	<u>0</u>	<u>58,374</u>	<u>122,876</u>	<u>60,393</u>
Other long-term obligations									
Net Pension Obligation.....					47,950,972	5,005,673	0	52,956,645	0
Net OPEB Obligation.....					13,857,875	1,373,693	0	15,231,568	0
Bond premium					227,156	0	16,440	210,716	0
Compensated absences.....					<u>5,918,000</u>	<u>316,000</u>	<u>0</u>	<u>6,234,000</u>	<u>500,000</u>
Total other long-term obligations					<u>67,954,003</u>	<u>6,695,366</u>	<u>16,440</u>	<u>74,632,929</u>	<u>500,000</u>
Governmental Activities Long-Term Obligations.....					<u>\$90,323,253</u>	<u>\$6,695,366</u>	<u>\$1,609,814</u>	<u>\$95,408,805</u>	<u>\$2,055,393</u>

(CONTINUED)

TOWN OF WEST WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

6. LONG-TERM DEBT (Continued)

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

Description	Date Issued	Original Principal	Maturity Date	Interest Rate	Outstanding June 30, 2013	Additions	Retirements	Outstanding June 30, 2014	Due Within One Year
Business Type Activities:									
<i>General revenue bonds/notes:</i>									
RI Clean Water Finance Agency	03/09/06	\$ 7,719,000	09/01/25	1.11% -1.57%	\$ 5,335,000		\$ 365,000	\$ 4,970,000	\$ 371,000
RI Clean Water Finance Agency	06/05/03	20,923,000	09/01/23	0.0%	11,955,000		1,121,000	10,834,000	1,120,000
RI Clean Water Finance Agency	12/21/06	500,000	09/01/26	1.19% - 1.36%	368,000		23,000	345,000	24,000
RI Clean Water Finance Agency	12/12/07	1,675,000	09/01/28	1.19% - 1.65%	1,388,000		75,000	1,313,000	76,000
RI Clean Water Finance Agency	12/30/04	<u>3,000,000</u>	09/01/25	.78% - 1.56%	<u>2,066,000</u>		142,000	<u>1,924,000</u>	<u>144,000</u>
Total bonds obligations		<u>\$33,817,000</u>			21,112,000	\$ 0	1,726,000	19,386,000	1,735,000
Net OPEB Obligations.....					281,088	36,478	0	317,566	0
Compensated absences.....					<u>141,000</u>	<u>6,100</u>	<u>0</u>	<u>147,100</u>	<u>40,000</u>
Business-type activities, long-term liabilities					<u>\$21,534,088</u>	<u>\$ 42,578</u>	<u>\$1,726,000</u>	<u>\$19,850,666</u>	<u>\$1,775,000</u>

(c) Municipal Debt Service Assessments Receivable

The Town of West Warwick has entered into several Intermunicipal Agreements with surrounding local communities. Under the provisions of these agreements, the participating communities are responsible for certain costs and improvements to the wastewater/sewer treatment facility and operations. In addition to the normal operating costs and assessments these local communities are also responsible for portions of the outstanding debt obligations and interest which is due annually on these debt obligations. The portion of the debt obligations to be paid by the local communities in accordance with the Intermunicipal Agreements has been recorded as a special assessments receivable and revenue when the project was completed and the obligation entered into. At June 30, 2014 the amount of the municipal debt service assessment receivable which is expected to be collected in future years totaled \$5,642,497. Of this amount, \$560,005 is expected to be received in fiscal 2015 to help cover the principal balance due of \$1,735,000 during fiscal 2015.

(CONTINUED)

TOWN OF WEST WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

6. LONG-TERM DEBT (Continued)

(d) Debt Service Requirements

The Town'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 improvements. The future maturities presented below does not include the amortization of the bond premium.

Year ending June 30:	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015.....	\$ 1,555,393	\$ 836,911	\$ 1,735,000	\$ 412,845	\$ 4,540,149
2016.....	1,587,483	772,759	1,705,000	375,999	4,441,241
2017.....	1,555,000	705,216	1,717,000	338,650	4,315,866
2018.....	1,590,000	636,004	1,728,000	300,263	4,254,267
2019.....	1,395,000	564,441	1,740,000	260,821	3,960,262
2020 - 2024.....	9,643,000	1,667,949	8,926,000	682,368	20,919,317
2025 - 2029.....	3,450,000	431,038	1,835,000	41,585	5,757,623
Total.....	<u>\$20,775,876</u>	<u>\$5,614,318</u>	<u>\$19,386,000</u>	<u>\$2,412,531</u>	<u>\$48,188,725</u>

The 2005 Qualified Zone Academy Bonds outstanding totaling \$3,688,000 at June 30, 2014 requires annual interest and principal payments. However, under the terms of this debt obligation the principal payments are held in escrow until the maturity of the debt in fiscal 2022. Accordingly, the principal payment is not reflected as a current maturity obligation until fiscal 2022 when the payment will be applied to the outstanding debt obligation. As of June 30, 2014 the Town is maintaining a Debt Service Fund to reflect the restricted cash and investments which are being maintained for the future retirement of this debt obligation. As of June 30, 2014 the amount of fund balance available for the future payment of this outstanding principal debt obligation was \$1,685,214. Annual principal payments to be made to the debt service fund total approximately \$230,500.

7. FUND EQUITY BALANCES

(a) Fund Balances

As stated in Note 1, Fund Balance may be classified as one of five categories: Non-spendable, Restricted, Committed, Assigned, or Unassigned. See Note 1 of these financial statements for definitions of these five Fund Balance categories. The detail of the composition of Non-spendable, Restricted, and Committed Fund Balance follows.

At June 30, 2014 **Non-spendable Fund Balance** consisted of the following:

MAJOR GOVERNMENTAL FUNDS:

General Fund:

Deposits with Health Insurance Administrator.....	\$ 240,600
Prepaid expenditures.....	15,210

School Unrestricted Fund:

Prepaid expenditures.....	<u>685,250</u>
Total Non-Spendable Fund Balance.....	<u>\$ 941,060</u>

(CONTINUED)

TOWN OF WEST WARWICK, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

7. **FUND EQUITY BALANCES (Continued)**

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

At June 30, 2014 **Restricted Fund Balance** consisted of the following:

MAJOR GOVERNMENTAL FUNDS:

Debt Service Fund:

Future retirement of debt obligations \$1,685,214

NON-MAJOR GOVERNMENTAL FUNDS:

Special Revenue Funds:

Education \$ 105,995
OPEB benefits..... 168,170
Tower Rent Revolving Fund..... 45,852
Police investigations and equipment..... 80,781
Public Safety 33,488
Economic Development 31,731
Town Committees 2,110

Capital Project Funds:

Education 7,463

Total Non-major Governmental Funds \$ 475,590

At June 30, 2014 **Committed Fund Balance** consisted of the following:

MAJOR GOVERNMENTAL FUNDS:

School Unrestricted Fund:

Educational programs..... \$2,024,190

NON-MAJOR GOVERNMENTAL FUNDS:

Special Revenue Funds:

Public Safety..... \$ 414,779

Capital Project Funds:

Fire Safety Equipment..... 432,632

Total Non-major Governmental Funds \$ 847,411

(CONTINUED)

TOWN OF WEST WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

7. FUND EQUITY BALANCES (Continued)

(b) Fund Deficits:

The following funds had deficit fund equity balances at June 30, 2014. These deficit fund balances are reported as unassigned fund balance/deficit at June 30, 2014.

Nonmajor Governmental Funds:

Special Revenue Funds:

Open Space and Recreation Fund.....	\$ 9,932
Jag Fund.....	1,709
Library Grants Fund.....	168,998
Homeland Security Fund.....	924
Police Highway Grant Fund.....	20,665

Capital Project Funds:

School Bond Fund.....	6,040
Road Bond Fund.....	<u>39,474</u>
Total Nonmajor Governmental Funds.....	<u>\$ 247,742</u>

The deficit fund equity balances noted above will be eliminated through the future issuance of bond obligations, grant funding, and/or transfer from the Town's General Fund.

The following individual funds recognized operating deficits for the year ending June 30, 2014:

Major Governmental Funds:

General Fund.....	<u>\$ 888,524</u>
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Business-Type Activities:

Sewer Authority.....	<u>\$1,261,984</u>
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Non-major Governmental Funds:

Special Revenue Funds:

Open Space and Recreation.....	\$ 11,963
Jag Fund.....	4,574
Library Grants.....	32,752
DARE Fund.....	3,679
Drug Evidence Fund.....	9,314
Police Highway Grant.....	20,665
Rhode Island Emergency Management.....	2,106
Race to the Top.....	20,328
State Grants.....	3,001
Corporate Grants.....	587
Adult Education.....	20
DMS Play.....	2,495

Capital Project Funds:

School Bond Fund.....	6,040
School Fire Code Renovations Fund.....	551
Road Bond Fund.....	<u>8,030</u>
Total deficits non-major governmental activities.....	<u>\$ 126,105</u>

(CONTINUED)

TOWN OF WEST WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

8. INTERFUND BALANCES AND TRANSFERS

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 or may simply be the result of pooling financial resources to maximize investment income/return. The composition of interfund balances at June 30, 2014 is as follows:

<u>Governmental Funds:</u>	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
<i>Major Governmental Funds:</i>		
General Fund.....	\$ 259,874	\$ 7,495,933
School Unrestricted Fund	<u>4,401,865</u>	<u>736,525</u>
Total Major Governmental Funds	<u>4,661,739</u>	<u>8,232,458</u>
<i>Non-major Governmental Funds:</i>		
Town Special Revenue Funds	696,147	228,262
School Special Revenue Funds	116,373	850,204
Capital Project Funds	<u>321,343</u>	<u>45,514</u>
Total Non-major Governmental Funds	<u>1,133,863</u>	<u>1,123,980</u>
Total Governmental Funds	<u>5,795,602</u>	<u>9,356,438</u>
 <u>Proprietary Funds:</u>		
Sewer Authority	2,060,619	363,160
Municipal Court Fund	129,100	0
Internal Service Fund	1,473,673	0
School Lunch Program	<u>260,604</u>	<u>0</u>
Total Proprietary Funds	<u>3,923,996</u>	<u>363,160</u>
TOTAL ALL FUNDS	<u>\$9,719,598</u>	<u>\$9,719,598</u>

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 or capital expenditures with revenue generated by the fund. The composition of interfund transfers for the year ended June 30, 2014 is as follows:

<u>Transfer Out</u>	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>School Unrestricted Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Transfer Out</u>
General Fund		\$155,673	\$30,628,554	\$93,441	\$30,877,668
School Unrestricted Fund	\$ 969,651	0	0	0	969,651
Non-Major Governmental Funds..	0	0	27,836	0	27,836
Total transfer in.....	<u>\$969,651</u>	<u>\$155,673</u>	<u>\$30,656,390</u>	<u>\$93,441</u>	<u>\$31,875,155</u>

(CONTINUED)

TOWN OF WEST WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

9. DEFINED BENEFIT PENSION PLANS

(a) Teacher's Pension Plan – Employees' Retirement System (ERS)

Effective July 1, 2012, the State administered retirement system, which covers local teachers and certain municipal employees, was modified to include both defined benefit and defined contribution plan components.

Plan Description

All full-time teachers, principals, school nurses and certain other school officials (including the superintendent) in the West Warwick School Department must participate in the ERS, a cost-sharing multiple employer defined benefit plan administered by the Employees' Retirement System of Rhode Island (the System). The plan provides retirement, death and disability benefits (as well as annual cost of living allowances if certain conditions have been met) as outlined in Chapters 36-10 and 16-16 of the Rhode Island General Laws (RIGL). The benefits may be amended by the Rhode Island General Assembly.

The payroll for employees covered by the System for the year ended June 30, 2014 was approximately \$23,600,000.

Funding Policy

The funding policy is outlined in RIGL sections 16-16-22 and 36-10-2 (which can be amended by the Rhode Island General Assembly). Active plan members must contribute 3.75% of his/her compensation. The Town (School Department) and the State are collectively required to contribute at an actuarially determined rate expressed as a percentage of total compensation paid to the active membership. The employer contribution is split and paid 40% by the State and 60% by the school district with the exception of teachers who work in federally funded programs where 100% is paid by the school district and reimbursed by the federal government. For fiscal 2014, the total employer rate 20.68% (8.42% State share and 12.26% local share). The State share of the employer contribution rate includes the total cost of prior contribution deferrals which was .24% for fiscal 2014.

The plan also provides a survivor benefit to public school teachers in lieu of Social Security as outlined in sections 16-16-25 through 16-16-38 of the Rhode Island General Laws (RIGL). Spouse, parents, family or children's benefits are payable upon death of a member. In lieu of a survivor benefit, members may opt to receive a lump sum return of their contributions plus interest upon retirement. The benefits may be amended by the Rhode Island General Assembly.

The cost of the survivor benefits provided by the plan are two percent (2%) of the member's annual salary up to but not exceeding an annual salary of \$9,600; one-half (1/2) of the cost is contributed by the member by deductions from his or her salary, and the other half (1/2) is contributed and paid by the School Department. These contributions are in addition to the contributions required for regular pension benefits.

The Town contributed approximately \$2,970,000, \$2,714,000, and \$3,009,000 during the fiscal years 2014, 2013 and 2012, respectively, equal to 100% of the actuarially required contributions for those respective years. For financial reporting purposes, the State's share of the contributions is reflected as on-behalf payments and is included as both revenue and expenditures in the accompanying financial statements. The on-behalf contributions for the defined benefit plan for the fiscal year ended June 30, 2014 amounted to approximately \$1,909,000.

(CONTINUED)

TOWN OF WEST WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

9. DEFINED BENEFIT PENSION PLANS (Continued)

(a) Teacher's Pension Plan – Employees' Retirement System (ERS) (Continued)

Funding Policy (Continued)

A variety of significant actuarial assumptions are used to determine the standardized measure of the pension benefit obligation and these assumptions from the June 30, 2014 actuarial valuation report are summarized below:

- (a) **Actuarial cost method** – Entry Age actuarial cost method.
- (b) **Mortality** – 97% of rates for male teachers and 92% of rates for female teachers in a GRS table projected with Scale AA from 2000.
- (c) **Investment return** – 7.5 percent, compounded annually, composed of an assumed 2.75% inflation rate and a 4.75% net real rate of return.
- (d) **Wage inflation** – 3.5% per year including assumed 2.75% inflation rate and a .75% general productivity component.
- (e) **Salary increase** - Salaries will increase at a rate of 3.5% wage inflation assumption and a service related component ranging from 0% to 10% annually.
- (f) **Payroll growth rate** – In the amortization of the unfunded actuarial accrued liability, payroll is assumed to increase 3% per year. The increase is due to the effect of wage inflation on salaries with no allowance for future membership growth.
- (g) **Retirement age** – A flat 25% per year retirement probability for members eligible for unreduced retirement. A 60% retirement probability at first eligibility will be applied if the member has reached age 65 or with at least 25 years of service. Because of enactment of Article 7 in 2009 and the Act in 2011, the retirement assumption was modified for members whose retirement ages were delayed. Members who would have been assumed to retire prior to the Act are assumed to retire when first eligible for an unreduced benefit. For members with 10 or more years of contributory service on June 30, 2012 and that reach their Article 7 Retirement Date within three years of June 30, 2012, 5% are assumed to retire upon first attainment of their Article 7 Retirement Date and receive their benefits accrued as of June 30, 2012.
- (h) **Cost of living adjustments** – COLA benefit increases are assumed to be 2% per year while the plan has a funding level that exceeds 80%. An interim COLA will be granted in five-year intervals while the COLA is suspended. The first COLA will be applicable in calendar year 2018. As of June 30, 2014 it is assumed that the COLAs will be suspended for 13 years due to the current funding level of the plan. The actual COLA will be determined based on the plan's five-year average investment rate of return (return on actuarial assets) minus 5.5% and will range from zero to 4%.

The System issues an annual financial report that includes financial statements and required supplementary information for all of the plans it administers. These reports include all trend information showing the System's progress in accumulating sufficient assets to pay benefits when due. The June 30, 2014 report is the most recent available report and it may be obtained from the administrative offices of the State of Rhode Island Retirement Board, 50 Service Ave, Warwick, Rhode Island or on-line at www.ersri.org.

(CONTINUED)

TOWN OF WEST WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

9. DEFINED BENEFIT PENSION PLANS (Continued)

(b) Pension Plan of the Town of West Warwick

Plan Description

The Town of West Warwick maintains a single-employer public employees' retirement plan which covers all employees of the Town except for Certified School Department personnel which are covered by the Employees' Retirement System administered by the State of Rhode Island. The plan was established and is maintained in accordance with the Town Charter.

The plan pays both normal retirement benefits as well as preretirement and postretirement death benefits. Effective July 1, 2014 Fire personnel receive normal retirement benefits equal to 2.2% of average annual compensation for each of the first 25 years of service and 3% of average pay for up to 5 additional years with a maximum benefit of 70% of average pay. Calculation of average pay effective July 1, 2014 is the monthly average of the highest three consecutive years of employment. Prior to July 1, 2014 Police hired on or after July 1, 2011 receive a benefit equal to 2.5% of average annual compensation multiplied by credited service up to 20 years, plus 2% of average annual compensation multiplied by up to ten additional years of service with a maximum of 70% of average pay at 30 years of service. These benefits remain unchanged for members who have 20 years of service as of June 30, 2014. For all others the police benefit has changed to 2.5% of average pay for the first 20 years of service plus 1% of average pay for the next 5 years of service plus 2.5% of average pay for up to 6 additional years of service. The maximum benefit of 70% will be attained at 31 years of service. Effective July 1, 2014 all other employees covered under this plan earn a benefit equal to 2.4% of average annual compensation for each year of service after July 1, 2014 and 2.5% for years prior to July 1, 2014.

The plan also provides for cost of living adjustments (COLA) as follows: Police and Fire members 2.25% simple COLA suspended for first 7 years of retirement then continuing for 15 years thereafter. For "civilian" Fire members the 15 year 2.25% simple COLA will be suspended for the first 7 years of retirement or up until age 67, if earlier. Municipal Union, Waste Water, and School (Council 94) receive a COLA of 2% suspended for first 5 years of retirement followed by 15 years of a compounded COLA.

A lump sum preretirement death benefit equal to \$400 times number of years of service, with a minimum of \$2,000 and a maximum of \$8,000 is payable to the employee's beneficiary. If a survivor's pension is not payable, an additional amount equal to employee contributions with credited interest is payable to the employee's beneficiary. If the employee dies after 10 years of service and while married, his/her spouse will receive a monthly pension equal to the amount which would be payable if he/she had retired with a 50% joint & survivor annuity.

A lump sum postretirement death benefit is payable to a participant's beneficiary in an amount equal to the greater of \$400 times years of service, with a maximum of \$8,000, reducing by 25% per year following retirement to a minimum of \$2,000, or the excess of the employee's contributions plus credited interest to the retirement date over any benefits already paid. In addition, a spouse's pension equal to 67.5% of the participant's pension is payable until the earlier of the spouse's death or remarriage, or to surviving dependent children under age 18.

Additional details of the pension benefits provided to members included in the Pension Plan of the Town of West Warwick are more fully described in the actuarial valuation report as of July 1, 2014 dated October 15, 2014 which may be obtained in the Finance Department at the West Warwick Town Hall.

(CONTINUED)

TOWN OF WEST WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

9. DEFINED BENEFIT PENSION PLANS (Continued)

(b) Pension Plan of the Town of West Warwick (Continued)

Plan Funding

Effective July 1, 2014 police employees are required to contribute 11% of annual compensation (previously 9%). This contribution increases to 12% on July 1, 2015. Fire employees are required to contribute 12% of annual compensation (previously 9%) which will increase to 13% effective July 1, 2015. Library employees are required to contribute 9% of annual compensation while all remaining employees in the plan are required to contribute 11% effective July 1, 2014 (previously 9%).

The Town's (including the School Department) annual required contribution is determined by an actuarial valuation and was calculated to be \$10,322,474 or approximately 74% of the covered payroll. Town (employer) (including school department) contributions to the plan (on an accrual basis of accounting) for the fiscal year ended June 30, 2014 were \$5,224,510 including contributions receivable at June 30, 2014. Actual employer contributions deposited to the plan during fiscal 2014 totaled \$6,000,000. Employee contributions to the plan for the fiscal year ended June 30, 2014 totaled approximately \$1,375,000.

The Town's annual pension cost (APC) and net pension obligation (NPO) for the Pension Plan of Town of West Warwick as of and for the year ended June 30, 2014 was as follows:

Annual Required Contribution (ARC)	\$ 10,322,474
Interest on NPO	3,596,323
Adjustment to ARC	<u>(2,913,124)</u>
Annual Pension Cost	11,005,673
Actual contributions made	<u>6,000,000</u>
Increase in NPO	5,005,673
NPO at beginning of year	<u>47,950,972</u>
Net Pension Obligation, June 30, 2014	<u>\$52,956,645</u>

Trend Information

Fiscal Year	Annual Pension Cost (APC)	Employer Amount Contributed	Percentage of APC Contributed	Net Pension Obligation
2012	\$9,106,911	\$1,100,592	12.1%	\$43,279,369
2013	\$9,972,955	\$5,301,352	53.2%	\$47,950,972
2014	\$11,005,673	\$6,000,000	54.5%	\$52,956,645

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 Pension Plan of Town of West Warwick with a valuation date of July 1, 2014.

Actuarial value of assets - \$27,236,805	Actuarial Accrued Liability (AAL) - \$144,350,999
Unfunded AAL - \$117,114,194	Funded Ratio - 18.9%
Covered Payroll - \$14,203,313	Unfunded AAL as % of Payroll - 824.6%

(CONTINUED)

TOWN OF WEST WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

9. DEFINED BENEFIT PENSION PLANS (Continued)

(b) Pension Plan of the Town of West Warwick (Continued)

Funded Status of Plan (Continued)

The actuarial methods and assumptions utilized for the valuation of the Pension Plan of Town of West Warwick as of a valuation date of July 1, 2014 were as follows (unaudited):

Valuation interest rate	7.5%
Mortality tables	RP-2000 Combined Blue Collar Mortality Table with generational projection per Scale AA for Police and Fire. RP-2000 Combined Healthy Mortality Table with generational projection per Scale AA for other participants and beneficiaries. RP-2000 Disabled Mortality Table with generational projection per Scale AA for disabled participants.
Compensation increase rate	2% compounded annually for the next four years; 3.15% compounded annually thereafter.
Retirement age.....	Police hired prior to July 1, 2014 25% at 20 years of service; 50% at 25 years of service; 100% at age 62; 5% at all other age/service combinations. Police hired on or after July 1, 2014 25% at first eligibility for unreduced retirement if less than 25 years of service; 50% at first eligibility for unreduced retirement at 25 or more years of service; 100% at age 62; 5% at all other. Grandfathered fire members - 25% at 20 years of service; 50% at 25 years of service; 100% at age 62; 5% all others. Other Fire members 50% at first eligibility unreduced benefit; 5% at ages 50-54; 30% at ages 55 and 60 if ineligible for unreduced retirement; 50% at ages 55 and 60 if eligible for unreduced retirement; 100% at age 62; 10% at all other age/service combinations. Other employees range from 2% at age 0-55 to 100% by age 70.
Actuarial Cost Method.....	Entry Age Normal Cost Method
Amortization period	25 years closed as level % of pay
Asset Valuation Method	Fair market value of assets adjusted for a 5 year phase in of gains and losses on fair market value of assets.

Significant changes were made to the July 1, 2014 valuation based on changes which became effective as a result of new collective bargaining agreements. Actuarial assumptions remained consistent with prior years while benefit provisions changed.

The Town does not currently issue a separate, audited GAAP basis retirement plan report for the Pension Plan of Town of West Warwick described above.

(CONTINUED)

TOWN OF WEST WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

10. GASB 67 – FINANCIAL REPORTING FOR PENSION PLANS

The Town adopted GASB Statement No. 67, *Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 25*. This Statement is applicable for the Town of West Warwick's Pension Plan which is reported in the basic financial statements as Fiduciary Trust Funds. The objective of GASB 67 is to improve financial reporting by state and local governmental pension plans. The information below is required by GASB Statement No. 67 as additional disclosures related to the Pension Plan of the Town of West Warwick (Fiduciary Trust Fund) which is described in Note 9.

Plan Administration

In accordance with the Plan Document, management of the Plan is overseen by the West Warwick Pension Board, which consists of seven members. Per the Plan Document, the Pension Board shall hold regular meetings at least once every calendar quarter. The primary responsibilities of the members of the Retirement Board are to oversee and administer investment-related actions and decision with respect to the assets of the Trust Fund.

Investment Policy

The Town's Pension Board establishes the pension plan's policy regarding asset allocation. Plan assets are managed with a long-term view. The following was the Plan's adopted asset allocation policy as of June 30, 2014:

<u>Asset Class</u>	<u>Target Allocation</u>
Fixed Income	33%
Domestic Equity	40%
International Equity	13%
Alternatives	11%
Cash	3%

Concentrations

The following represent pension plan held investments (other than those issued or explicitly guaranteed by the U.S. Government) in any one organization that represented 5 percent or more of the pension plan's fiduciary net position at June 30, 2014:

<u>Investment</u>	<u>% of Pension Fiduciary Net Position</u>	<u>Fair Market Value</u>
American Funds Washington Mutual	8.24%	\$2,300,290
MFS MA. Investors Growth Fund	8.30%	\$2,319,325
American Funds Europacific Growth	8.11%	\$2,265,466
iShares Russell 1000	15.49%	\$4,325,672
Doubleline Core Fixed Income	6.02%	\$1,680,479
Mainstay Unconstrained	5.74%	\$1,601,780
PIMCO Total Return	5.68%	\$1,586,075
PIMCO Unconstrained Bond	5.79%	\$1,616,623
Pier Capital	5.66%	\$1,581,732

(CONTINUED)

TOWN OF WEST WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

10. GASB 67 – FINANCIAL REPORTING FOR PENSION PLANS (Continued)

Rate of Return

For the year ended June 30, 2014 the annual money-weighted weighted rate of return on pension plan investments, net of pension plan expense was 15.2%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for changing amounts actually invested.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014 are summarized in the following table. The long-term expected rate of return is 7.5%.

Asset Class:	Long-Term Expected Rate of Return
Domestic equity	6.80%
Fixed income	1.00%
International equity	6.80%
Alternatives	4.90%
Cash	-1.90%

Net Pension Liability

The net pension liability consisted of the following components at June 30, 2014:

Component:	Town Pension Plan
Total pension liability	\$144,350,999
Plan fiduciary net position	\$ 27,981,454
Net pension liability	\$116,369,545
Plan fiduciary net position as a percentage of the total pension liability	19.38%

Discount Rate

The blended discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on Pension Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

(CONTINUED)

TOWN OF WEST WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

10. GASB 67 – FINANCIAL REPORTING FOR PENSION PLANS (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following represents the net pension liability, calculated using the applicable discount rates as noted above, as well as what the plans net pension liability would be if it were calculated using a discount rate that was 1% point lower or 1% point higher than the current rate.

<i>Town Pension Trust Fund:</i>	<i>1% Decrease (6.50%)</i>	<i>Current Discount Rate (7.50%)</i>	<i>1% Increase (8.50%)</i>
Net Pension Liability	\$132,322,486	\$116,369,545	\$102,099,514

11. DEFINED CONTRIBUTION PLAN

Plan Description

Certified School employees participating in the defined benefit plans (of the System), as described above, also participate in a defined contribution plan of the Employees' Retirement System as authorized by General Law Chapter 36-10.3. The defined contribution plan is established under IRS section 401(a) and is administered by TIAA-CREF and the Employees' Retirement System of Rhode Island (the System). Employees may choose among various investment options available to plan participants.

Employee contributions are immediately vested while employer contributions are vested after three years of contributory service. Contributions required under the plan by both the employee and employer are established by the General Laws, which are subject to amendment by the General Assembly.

Amounts in the defined contribution plan are available to participants in accordance with Internal Revenue Service guidelines for such plans.

Plan Funding Policy

The funding policy is outlined in RIGL chapter 36-10.3 (which can be amended by the Rhode Island General Assembly). Active plan members must contribute 5% of his/her compensation and the Town is required to contribute 1%. The plan members and Town (School Department) contributed approximately \$1,125,000 and \$225,000, respectively, during the fiscal year ended June 30, 2014.

Although the Town (School Department) is required to contribute 1% towards the plan for certified teachers, the School Department receives reimbursement from the State of Rhode Island for .4% of 1% of the required contributions. For financial reporting purposes, the State's share of the contribution is reflected as on-behalf payments and is included as both revenue and expenditures in the accompanying financial statements. The on-behalf contributions for the defined contribution plan for the fiscal year ended June 30, 2014 amounted to approximately \$90,000.

The System issues an annual financial report that includes financial statements and required supplementary information for all of the plans it administers. The reports can be obtained at www.ersri.org.

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TOWN OF WEST WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

12. OTHER POST EMPLOYMENT BENEFITS

Plan Description

In addition to the pension benefits described in Notes 9, 10 and 11, the Town provides post-employment health care benefits to employees in accordance with their respective collective bargaining agreements. These benefits are for continued full family or individual health care for the employee groups as described below. As of June 30, 2014 the Town has not established an OPEB Trust Fund for these benefits. The OPEB benefits include health and dental coverage.

As a result of new collective bargaining agreements, there have been substantive plan provisions which are reflected in the June 30, 2014 actuarial valuation. A copy of the actuarial report can be obtained in the Finance Department at West Warwick Town Hall. The report should be reviewed for complete details of all substantive changes since the June 30, 2012 actuarial valuation.

Eligibility

Police officers are eligible to retire once they have 20 years of service. For those hired on or after July 1, 2014 retiree health benefits will commence at age 50. Firefighters hired prior to July 1, 2014 are eligible to retire at the earlier of age 62 or age 50 with 25 years of service. Those hired on or after July 1, 2014 are eligible at the earlier of age 62 or age 55 with 25 years of service. Four grandfathered firefighters are eligible to retire upon attaining age 62.5 or 20 years of service. Police officers are eligible to retire once they have 20 years of service. For those hired on/after July 1, 2014 retiree health benefits will commence at age 50. Municipal union employees (including Wastewater and School Non-Certified personnel) are eligible to retire at the earlier of age 62 with 12 years of service or 25 years of service. For those hired on or after July 1, 2014, if they retire with 25 years of service, retiree health benefits will commence at age 55. School certified employees are eligible to retire once they have 15 years of service or 25 years of service or 28 years of service (with no age requirements). The cost sharing requirements differs at each eligibility requirement. Municipal non-union and library employees are not eligible for health benefits at retirement. Firefighters and police officers are eligible for lifetime subsidized retiree health benefits. Municipal union and municipal non-union are eligible for subsidized medical benefits until Medicare eligibility and lifetime free dental benefits. School non-certified employees are eligible for lifetime retiree health benefits but they are only eligible for five years of free retiree health benefits if they have 20 years of service at retirement. School certified employees are eligible to either, four years of subsidized retiree health benefits or until Medicare eligibility depending on years of service.

The Town provides lifetime dental benefits to all retiree groups, with the exception of School certified personnel who retire with less than 25 years of service.

Retirees may be required to contribute towards the benefits at various levels dependent upon the terms of the respective collective bargaining agreements.

Number of Participants

As of June 30, 2014 (most recent actuarial valuation) there were 295 retirees participating with coverage. The composition of the retirees participating with coverage as of June 30, 2014 was as follows: Fire 62; Police 57; Department Head 5; Sewer Authority 6; Municipal 40; School certified 104; and School non-certified 21. The average age of retirees with coverage was 61 at June 30, 2014. At June 30, 2014 the number of current active employees with coverage totaled 511. The breakdown of active employees was as follows: Fire 68; Police 45; Sewer Authority 18; Municipal 50; School certified 261; and School non certified 69. The average age of active employees with coverage was 44.9 at June 30, 2014.

(CONTINUED)

TOWN OF WEST WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

12. OTHER POST EMPLOYMENT BENEFITS (Continued)

Funding Policy

The Annual Required Contribution (ARC) for the post-employment benefits program consists of two components: a normal cost and a past service cost. The normal cost is the portion of the actuarial present value of the benefits and expenses which is allocated to a valuation year by the actuarial cost method (cost of benefits earned each year). The past service cost represents a catch-up accrual to amortize the unfunded liability. The Town's actuary has selected a 30 year amortization period for capturing the past service costs.

The ARC for the fiscal year ended June 30, 2014 was calculated as follows:

Normal cost	\$ 988,749
Amortization of past service cost for 30 years.....	3,544,770
Interest to end of year.....	<u>270,093</u>
ARC for fiscal year ended June 30, 2014	<u>\$4,803,612</u>

The ARC noted above was allocated \$1,109,954 to the School Department; \$1,427,088 to the Fire Department; \$1,394,063 to the Police Department; and \$872,507 to the other Town Departments including the Sewer Authority.

The Town's annual OPEB cost and the net OPEB obligation (NOO) as of and for the year ended June 30, 2014 was as follows:

Annual Required Contribution	\$ 4,803,612
Interest on NOO	1,056,224
NOO amortization adjustment to ARC	<u>(926,008)</u>
Annual OPEB cost.....	4,933,828
Annual employer contribution for pay-as-go.....	<u>(3,467,681)</u>
Increase in NOO.....	1,466,147
NOO at beginning of the year.....	<u>14,082,987</u>
NOO at June 30, 2014.....	<u>\$15,549,134</u>

The increase and the NOO for the fiscal year-ended June 30, 2014 and the NOO at June 30, 2014 are allocated as follows:

Governmental Activities:

Net OPEB Obligation at beginning of year	\$13,857,875
Increase in NOO for fiscal 2014	<u>1,373,693</u>
NOO at June 30, 2014.....	<u>\$15,231,568</u>

Business-Type Activities – Sewer Authority:

Net OPEB Obligation at beginning of year	\$281,088
Increase in NOO for fiscal 2014	<u>36,478</u>
NOO at June 30, 2014.....	<u>\$317,566</u>

(CONTINUED)

TOWN OF WEST WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

12. OTHER POST EMPLOYMENT BENEFITS (Continued)

Trend Information

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Contributed</u>	<u>Net OPEB Obligation</u>	<u>Employer Contributions</u>
2012	\$7,529,858	64.6%	\$11,919,373	\$4,865,794
2013	\$7,523,306	70.5%	\$14,138,963	\$5,303,716
2014	\$4,933,828	70.3%	\$15,549,134	\$3,467,681

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 benefits with a valuation date of June 30, 2014 which is the most recent report available.

Actuarial value of assets - \$0	Actuarial Accrued Liability (AAL) - \$57,953,063
Unfunded AAL - \$57,953,063	Funded Ratio – 0.00%
Covered Payroll – Not Applicable	Unfunded AAL as % of Payroll – Not Applicable

Actuarial Assumptions

The following actuarial assumptions were utilized in completing the actuarial valuation as of June 30, 2014:

- A. **Measurement Date:** June 30, 2014; results were actuarially rolled-back to July 1, 2013 on a “no gain/loss” basis.
- B. **Discount Rate:** 7.5% fully-funded
- C. **Payroll Growth:** 2.0% per year for valuation purposes; 2.5% for amortization purposes.
- D. **Cost Method:** Entry Age Normal Level % Salary
- E. **Amortization:** Level percent of pay over thirty years based on a closed group
- F. **Employer Funding Policy:** Pay-as-you-go cash basis
- G. **Health Care Coverage Election Rate:** 100% active employees with current coverage are assumed continued at retirement. 100% of retirees with current coverage are assumed to continue coverage.
- H. **Spouse Coverage:** 85% of employees are assumed to be married at retirement. Husbands are assumed to be three years older than wives. All retirees who currently have family coverage are assumed to have spouses.
- I. **Mortality:** Police/Fire: RP-2000 Combined Mortality Table with Blue Collar adjustment fully generational using Scale AA. All others: RP-2000 Combined Mortality Table fully generational using Scale AA.
- J. **Health Care Trend Rates:** 2015 medical and dental 9% and 5% respectively; 2016 medical and dental 8.5% and 4.75%, respectively. Trends for medical continue to decrease in 2017 through 2023 by .5% annually going from 8% to 5%. While dental trends decrease from 5.00% in 2015 to 4.75% in 2016 to 4.50% for 2017 to 4.25% for 2018 and 4.00% for 2019 through 2023.

The June 30, 2014 actuarial report assumed a discount rate of 7.5% due to the fact that the Town is in the process of establishing an OPEB Trust Fund. However, the actuary acknowledged that if the Town does not establish and begin funding the OPEB Trust Fund during fiscal 2015 then the discount rate would revert back to 4%. If a 4% discount rate was used in the fiscal 2014 valuation the AAL would have increased from approximately \$58 million to \$89 million.

(CONTINUED)

TOWN OF WEST WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

13. RISK MANAGEMENT

The Town of West Warwick is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; injuries to employees and natural disasters. As a result, the Town participates in a non-profit, public entity risk pool (Rhode Island Inter-local Risk Management Trust, Inc.) that provides coverage for property/liability claims and workers' compensation claims. Upon joining the Trust, the Town signed a participation agreement that outlines the rights and responsibilities of both the Trust and the Town. The agreement states that for premiums paid by the Town, the Trust will assume financial responsibility for the Town's losses up to the maximum amount of insurance purchased, minus the Town's deductible amounts. The policy is not retrospectively rated, but rather, premiums are based on the ultimate cost of the groups experience to date. The pool is allowed to make additional assessments for claims that are reasonably possible and estimable.

The Trust provides this insurance coverage through a pooled, self-insurance mechanism, which includes reinsurance purchased by the Trust to protect against large, catastrophic claims above losses the Trust retains internally for payment from the pooled contributions of its Members. Under the participation agreement, the Town is insured for a maximum of \$5,000,000 per occurrence. Settled claims resulting from these risks have not exceeded the Trust coverage in any of the past three fiscal years, and are not expected to increase the Trust coverage in future fiscal years. There were no reductions in the insurance coverage during the fiscal year up to and through the date of this report.

Health Care

The Town has a cost-plus financing plan in order to finance the costs of its health and dental insurance benefits. Under this cost-plus plan the Town pays for the actual cost of covered health care and dental services plus a fee to the provider for the administration of the program.

The Town currently maintains stop loss insurance to protect the taxpayers from catastrophic loss resulting from excessive health insurance claims. At June 30, 2014 the stop loss insurance contract covered all claims exceeding \$175,000 per individual on an annual basis.

The Town's Finance Department oversees the self-insured program for all employees and claims payment services are provided by Blue Cross and Blue Shield of Rhode Island (Plan Administrator). At June 30, 2014 the Town has estimated a liability for incurred but not reported claims (IBNR) based on actual claims paid subsequent to year end but related to claims incurred prior to July 1, 2014. Approximate changes in the balances of self-insured claims liabilities were as follows:

Incurred but not reported claims (IBNR), June 30, 2013.....	\$ 594,073
Approximate amount of incurred claims	9,671,730
Paid claims including amount in accounts payable at June 30, 2014	(9,606,997)
Estimated IBNR Claims outstanding at June 30, 2014	<u>\$ 658,806</u>

Incurred but not reported claims (IBNR), June 30, 2012.....	\$ 768,447
Approximate amount of incurred claims	11,564,478
Paid claims including amount in accounts payable at June 30, 2013	(11,738,852)
Estimated IBNR Claims outstanding at June 30, 2013	<u>\$ 594,073</u>

(CONTINUED)

TOWN OF WEST WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

13. RISK MANAGEMENT (Continued)

The IBNR claims outstanding at June 30, 2014 are comprised of approximately \$306,722 and \$352,084 related to Town and School employees, respectively.

At June 30, 2014 the Town has a deposit with the Plan Administrator totaling \$240,600. This deposit was required as part of the contract with the Plan Administrator to ensure reimbursement of claims is made in a timely manner. This deposit has been classified as a prepaid expenditure of the General Fund and as such has been included in non-spendable fund balance in the governmental activities of the Fund Statements.

Unemployment

The Town is self-insured for unemployment benefits. As of June 30, 2014 management does not believe that there are any incurred but not reported claims that are required to be accrued in the Fund Statements of the Government-Wide Statement of Net Position.

14. COMMITMENTS AND CONTINGENCIES

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. The government-wide statements would include all estimated claims regardless of when they are expected to be settled. At June 30, 2014 the Town (including the School Department) had a number of legal cases and claims in process. These cases include claims made by former employees, zoning matters brought about by taxpayers of the Town, matters pertaining to planning and development posed by property developers, and personal injury and property damage claims. Management and legal counsel have reviewed these outstanding claims and determined that the estimated liability, if any, that may result from these claims would not materially affect the basic financial statements of the Town. As such, the Statement of Net Position at June 30, 2014 does not include any liability for claims, judgments, or unasserted claims.

The Town (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 agreement. Town officials are of the opinion that such disallowances, if any, would be immaterial.

(CONTINUED)

TOWN OF WEST WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

15. RESTATEMENT

The Net Position of the Governmental Activities and Business-Type Activities as well as the Fund Balance of the Governmental Funds has been restated as of June 30, 2013 to reflect the correction of errors resulting from incomplete and inaccurate information. The most significant restatement was the result of the Town having a valuation completed on all Town assets including the assets of the Sewer Authority. This valuation was completed so that the Town could report the proper valuation of the assets in accordance with governmental accounting standards. The following reflects the restatement of the Net Position and Fund Equity balances as of June 30, 2013:

Governmental Activities:	
Net Position, June 30, 2013 as originally stated	(\$34,730,357)
Overstatement of net capital assets.....	(1,124,887)
Overstatement of net position in Library Grant Funds.....	(489,548)
Net Position, June 30, 2013 as restated	<u>(\$36,344,792)</u>

Business-Type Activities:	
Net Position, June 30, 2013 as originally stated	\$71,048,315
Overstatement of net capital assets.....	(21,818,655)
Net Position, June 30, 2013 as restated	<u>\$49,229,660</u>

Governmental Funds:	
Fund Balance, June 30, 2013 as originally stated	\$7,308,233
Overstatement of fund balance for inclusion of cash and investments reported in non-major governmental funds while the assets were determined not to be assets of the Town.....	(489,548)
Fund Balance, June 30, 2013 as restated	<u>\$6,818,685</u>

Business-Type Activities – Enterprise Funds:	
Sewer Authority - Fund Balance, June 30, 2013 as originally stated	\$70,105,467
Overstatement of net capital assets.....	(21,818,655)
Net Position, June 30, 2013 as restated	<u>\$48,286,812</u>

16. SUBSEQUENT EVENTS

In August 2014 the School Department entered into a master lease purchase agreement for the acquisition of computer equipment totaling approximately \$647,000. The terms of the agreement require 36 monthly payments of \$18,800 including interest at 2.91%.

On July 24, 2014 the Town entered into a revenue bond with the Rhode Island Clean Water Finance Agency in the amount of \$5,500,000 for improvements being completed at the Sewer Authority. The terms of the agreement require annual payments of principal commencing on September 1, 2015 in addition to semi-annual interest payments commencing on March 1, 2015. The obligation is scheduled to mature on September 1, 2034. Interest rate ranges from .29% to 2.91%.

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TOWN OF WEST WARWICK

REQUIRED SUPPLEMENTARY INFORMATION



TOWN OF WEST WARWICK, RHODE ISLAND
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund - Budgetary Basis
For the Fiscal Year Ended June 30, 2014

	Original Budget	Final Budget	Actual Revenues	Positive (Negative) Variance
General property taxes				
Property taxes	\$ 56,994,028	\$ 56,994,028	\$ 56,484,384	\$ (509,644)
PILOT - WW Housing Authority	45,000	45,000	61,557	16,557
Penalty & interest on taxes	450,000	450,000	535,169	85,169
Total general property taxes	57,489,028	57,489,028	57,081,110	(407,918)
Intergovernmental revenues				
State aid for education	18,300,000	18,300,000	20,277,799	1,977,799
School - Other	1,384,500	1,384,500	-	(1,384,500)
Library construction aid	70,000	70,000	-	(70,000)
School housing aid	982,000	982,000	958,742	(23,258)
State meals tax	329,930	329,930	322,959	(6,971)
State hotel tax	92,830	92,830	90,741	(2,089)
Incentive aid	277,610	277,610	-	(277,610)
State general revenue sharing		-	138,805	138,805
Distressed communities	817,900	817,900	675,775	(142,125)
Motor vehicle phase-out	213,260	213,260	218,649	5,389
Public utilities tax	351,310	351,310	394,835	43,525
Total intergovernmental revenues	22,819,340	22,819,340	23,078,305	258,965
Interest income:				
Interest - short-term investments	5,000	5,000	12,540	7,540
Departmental & miscellaneous:				
Town Clerk	600,000	600,000	572,062	(27,938)
Building Official	216,000	216,000	269,560	53,560
DPW/Recycling	7,000	7,000	30,740	23,740
Planning & CDBG	3,000	3,000	9,262	6,262
Police department	10,000	10,000	11,313	1,313
Municipal Court	10,000	10,000	10,000	-
Fire Rescue Fees	972,000	972,000	978,593	6,593
Fire plans review	15,000	15,000	33,559	18,559
Road opening permit - Zoning Board	6,000	6,000	9,367	3,367
Field rentals - Parks and Recreation	7,500	7,500	13,860	6,360
Sewer administrative fees	311,650	311,650	311,650	-
School crossing guards	35,000	35,000	35,000	-
Civic center	126,000	126,000	69,433	(56,567)
Employee co-pay	250,000	250,000	248,612	(1,388)
Grant administration	147,770	147,770	-	(147,770)
Dog pound collection	3,000	3,000	602	(2,398)
Police copy machine/miscellaneous	3,000	3,000	-	(3,000)
Other revenue- lien certificates, permits etc.	-	-	40,187	40,187
Miscellaneous	10,000	10,000	180,398	170,398
Total departmental revenues	2,732,920	2,732,920	2,824,198	91,278
Total revenues before other financing sources	83,046,288	83,046,288	82,996,153	(50,135)
Other financing sources				
Transfers in from other funds	-	-	969,651	969,651
Appropriated fund balance	-	1,138,462	510,921	(627,541)
Total other financing sources	-	1,138,462	1,480,572	342,110
Total revenue and other financing sources	83,046,288	84,184,750	84,476,725	291,975

(Continued)

TOWN OF WEST WARWICK, RHODE ISLAND
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund - Budgetary Basis
For the Fiscal Year Ended June 30, 2014

	Original Budget	Final Budget	Actual Expenditures	Positive (Negative) Variance
General Government:				
FICA expense	\$ 1,079,325	\$ 1,068,238	\$ 1,042,083	\$ 26,155
Sell back	100,000	100,000	-	100,000
Retirement - Severance	100,000	100,000	136,258	(36,258)
Excess loss	163,039	163,039	-	163,039
Dental	522,585	518,588	422,114	96,474
Health	4,843,334	4,792,221	4,785,015	7,206
Life Insurance	17,500	17,500	12,616	4,884
Pension	1,812,911	2,436,702	3,362,128	(925,426)
OPEB Contribution	843,389	-	-	-
ICMA Contribution	8,713	8,713	7,131	1,582
Workers Compensation	350,000	350,000	467,774	(117,774)
General Liability	345,000	345,000	252,176	92,824
Ambulance expense	110,500	110,500	63,544	46,956
RI League of Cities and Towns	11,776	11,776	11,776	-
Unemployment expense	71,750	71,750	76,463	(4,713)
Pawtuxet River Authority	5,000	5,000	5,000	-
Telephone	45,000	45,000	55,090	(10,090)
Computer Services	70,000	70,000	124,525	(54,525)
Advertising	40,000	40,000	30,592	9,408
Cafeteria Plan Payments	46,000	46,000	47,411	(1,411)
Postage	-	-	1,368	(1,368)
Nyhart - Actuary expenditure	-	60,890	60,890	-
Consulting	-	365,562	365,562	-
Bank/Miscellaneous charges	14,500	14,500	64,328	(49,828)
Annual AV fees	10,000	10,000	-	10,000
Total General Government	<u>10,610,322</u>	<u>10,750,979</u>	<u>11,393,844</u>	<u>(642,865)</u>
Public Works:				
Salaries and wages	1,361,784	1,372,784	1,334,679	38,105
Supplies and expenses	80,000	90,000	84,612	5,388
Major needs - winter	175,000	114,000	106,261	7,739
Solid Waste	350,000	350,000	333,431	16,569
Petroleum	105,000	141,322	180,260	(38,938)
Fleet Maintenance	184,000	215,000	198,034	16,966
Trash Removal	698,852	698,852	697,155	1,697
Construction & drainage	100,000	129,616	112,028	17,588
Other costs	117,000	85,000	81,043.00	3,957
Total Public Works	<u>3,171,636</u>	<u>3,196,574</u>	<u>3,127,503</u>	<u>69,071</u>

(Continued)

TOWN OF WEST WARWICK, RHODE ISLAND
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund - Budgetary Basis
For the Fiscal Year Ended June 30, 2014

	Original Budget	Final Budget	Actual Expenditures	Positive (Negative) Variance
Public Safety:				
Police Department	5,517,270	5,531,010	5,603,551	(72,541)
Fire Department	6,612,188	6,613,452	6,762,721	(149,269)
Total Public Safety	12,129,458	12,144,462	12,366,272	(221,810)
Senior Center:				
West Warwick Senior Center	153,000	153,000	153,000	-
Capital:				
Town Hall improvements	125,645	125,645	37,396	88,249
Lease fire truck	-	-	64,645	(64,645)
Civic Center fire upgrades	-	550,000	16,293	533,707
River Point Park Phase III	-	200,000	200,000	-
Recreation - Handicap Accessibility	-	75,000	-	75,000
Police capital	100,000	143,602	132,175	11,427
Fire capital	85,000	88,600	80,198	8,402
Cell block renovations	-	172,000	168,193	3,807
Total Capital	310,645	1,354,847	698,900	655,947
Debt Service:				
Redemption of Bonds and Notes	2,889,130	2,889,130	2,585,133	303,997
Financing cost and other use	25,000	25,000	29,950	(4,950)
Total Debt Service	2,914,130	2,914,130	2,615,083	299,047
Library:				
Salaries and wages	399,540	399,540	391,461	8,079
FICA expense	28,590	28,590	29,290	(700)
Medical	50,020	50,020	50,015	5
Pension	50,000	50,000	50,000	-
Books	2,940	2,940	2,933	7
Membership	26,670	26,670	26,663	7
Building maintenance contract	9,750	9,750	9,750	-
Utilities	56,550	56,550	56,582	(32)
Miscellaneous	7,940	7,940	16,031	(8,091)
Total Library	632,000	632,000	632,725	(725)

(Continued)

TOWN OF WEST WARWICK, RHODE ISLAND
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund - Budgetary Basis
For the Fiscal Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Expenditures</u>	Positive (Negative) Variance
Other Expenditures:				
Town Manager	209,610	209,610	192,653	16,957
Town Planner	90,000	90,000	50,516	39,484
Town Council	49,000	49,000	37,958	11,042
Town Clerk	241,623	241,623	214,404	27,219
Board of Canvassers	82,505	82,505	58,423	24,082
Legal	247,500	247,500	525,783	(278,283)
EMA	5,450	5,450	5,356	94
Town Sargeant	700	700	600	100
Finance	317,924	177,267	193,087	(15,820)
Tax collector	193,397	200,397	226,353	(25,956)
Tax assessor	151,171	204,174	156,696	47,478
Board of assessment review	2,606	1,706	1,485	221
Recycling	211,490	207,490	197,103	10,387
Town Engineer	20,000	20,000	10,737	9,263
Street lighting	385,000	385,000	392,868	(7,868)
Building official	354,770	355,035	342,970	12,065
Zoning	4,550	4,550	5,317	(767)
Housing Board	1,800	1,800	2,450	(650)
Parks	242,947	241,897	252,448	(10,551)
Total Other Expenditures	<u>2,812,043</u>	<u>2,725,704</u>	<u>2,867,207</u>	<u>(141,503)</u>
Other Financing Uses:				
Transfer to School Department	50,313,054	50,313,054	50,906,353	(593,299)
Transfer to Other Funds		-	93,441	(93,441)
Total Other Financing Uses	<u>50,313,054</u>	<u>50,313,054</u>	<u>50,999,794</u>	<u>(686,740)</u>
Total Expenditures and other financing uses	<u>83,046,288</u>	<u>84,184,750</u>	<u>84,854,328</u>	<u>(669,578)</u>
Deficiency of revenues and other financing sources under expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	(377,603)	<u>\$ (377,603)</u>
Reconciliation to GAAP Basis - Exhibit B-2:				
Less appropriated fund balance reported as financing source			(510,921)	
Deficiency of revenues and other financing sources under expenditures and other financing uses - GAAP			<u>\$ (888,524)</u>	

(Concluded)

TOWN OF WEST WARWICK, RHODE ISLAND**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
School Unrestricted Fund - Budgetary Basis**

For the Year Ended June 30, 2014

	Original & Final <u>Budget</u>	<u>Actual</u>	Variance with Final Budget Positive <u>(Negative)</u>
Revenues:			
State aid - Intergovernmental	\$ 20,277,799	\$ 20,277,799	\$ -
Medicaid	400,000	460,318	60,318
Other revenues	70,000	308,279	238,279
Total revenues	<u>20,747,799</u>	<u>21,046,396</u>	<u>298,597</u>
Expenditures:			
Salaries	28,737,826	28,189,864	547,962
Employee benefits	14,105,034	12,395,919	1,709,115
Purchased services	5,998,243	5,945,679	52,564
Supplies and materials	1,418,100	1,258,364	159,736
Other	43,500	56,047	(12,547)
Capital outlay	166,600	152,068	14,532
Total expenditures	<u>50,469,303</u>	<u>47,997,941</u>	<u>2,471,362</u>
Excess of revenues over (under) expenditures before other financing sources (uses)	<u>(29,721,504)</u>	<u>(26,951,545)</u>	<u>2,769,959</u>
Other financing sources (uses):			
Operating transfer from Town appropriation	30,628,554	30,628,554	-
Total other financing sources (uses)	<u>30,628,554</u>	<u>30,628,554</u>	<u>-</u>
Excess of revenues and other financing sources over expenditures and other financing uses	<u>\$ 907,050</u>	<u>3,677,009</u>	<u>\$ 2,769,959</u>
Reconciliation to GAAP Basis - Exhibit B-2:			
Less transfer to Town's General Fund which was not part of the School Unrestricted Fund budget		<u>(969,651)</u>	
Excess of revenues and other financing sources over expenditures and other financing uses - GAAP basis		<u>\$ 2,707,358</u>	

TOWN OF WEST WARWICK, RHODE ISLAND

**Required Supplementary Information
Schedule of Funding Progress For Pension Plans
June 30, 2014
UNAUDITED**

	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Accrued
							Liability as a Percentage of Covered Payroll
Pension Plan of the Town of West Warwick							
	7/1/2009	\$ 35,588,039	\$ 119,658,016	\$ (84,069,977)	29.7%	\$ 16,891,909	-497.7%
	7/1/2010	\$ 35,007,723	\$ 133,014,168	\$ (98,006,445)	26.3%	\$ 16,303,378	-601.1%
	7/1/2011	\$ 34,278,146	\$ 144,368,994	\$ (110,090,848)	23.7%	\$ 15,164,989	-726.0%
	7/1/2012	\$ 28,421,048	\$ 143,760,373	\$ (115,339,325)	19.8%	\$ 14,855,258	-776.4%
	7/1/2013	\$ 26,428,505	\$ 154,588,604	\$ (128,160,099)	17.1%	\$ 13,956,326	-918.3%
	7/1/2014	\$ 27,236,805	\$ 144,350,999	\$ (117,114,194)	18.9%	\$ 14,203,313	-824.6%
	Fiscal Year Ending	Annual Required Contributions	Employer Funding Contributions	Percentage Contributed	Net Pension Obligation		
	6/30/2008	\$ 4,082,436	\$ 2,279,340	55.8%	\$ 21,458,620		
	6/30/2009	\$ 4,676,096	\$ 1,000,000	21.4%	\$ 25,540,416		
	6/30/2010	\$ 5,799,056	\$ 2,500,000	43.1%	\$ 29,247,260		
	6/30/2011	\$ 6,912,110	\$ 1,289,098	18.6%	\$ 35,273,050		
	6/30/2012	\$ 8,708,689	\$ 1,100,592	12.6%	\$ 43,279,369		
	6/30/2013	\$ 9,264,065	\$ 5,301,352	57.2%	\$ 47,950,972		
	6/30/2014	\$ 10,322,474	\$ 6,000,000	58.1%	\$ 52,956,645		

Prior to July 1, 2000 the actuarial funding method was the Frozen Entry Age Normal Cost Method. As of July 1, 2000, the funding method changed to the Entry Age Normal Cost Method as defined by Statement #27 of the Governmental Accounting Standards Board. Under this method, the excess of the entry-age actuarial accrued liability over the actuarial value of plan assets is amortized over a 25 year closed period as a level % of pay.

TOWN OF WEST WARWICK, RHODE ISLAND

**Required Supplementary Information
Schedule of Funding Progress OPEB Plan
June 30, 2014
UNAUDITED**

	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Accrued Liability (UAL)	Funded Ratio	Covered Payroll	UAL as a Percentage of Covered Payroll
Town of West Warwick -							
Other Post-Employment Benefit Program							
	7/1/2011	\$ -	\$ 107,329,661	\$ (107,329,661)	0%	N/A	N/A
	7/1/2012	\$ -	\$ 107,329,661	\$ (107,329,661)	0%	N/A	N/A
	7/1/2013	\$ -	\$ 57,953,063	\$ (57,953,063)	0%	N/A	N/A

The unfunded actuarial accrued liability (UAAL) at July 1, 2013 is attributable to the following departments of the Town:

Department head	\$ 336,286
School Department	11,792,962
Fire Department	17,903,170
Police Department	16,745,096
General Municipal	9,487,527
Sewer Department	1,688,022
Total UAAL	\$ 57,953,063

The following represents the Annual Required Contributions and the Net OPEB Obligation:

Fiscal Year Ending	Annual Required Contributions	Annual OPEB Cost	Employer Contributions	Net OPEB Obligation
6/30/2012	\$ 7,552,618	\$ 7,529,858	\$ 4,865,794	\$ 11,919,373
6/30/2013	\$ 7,552,618	\$ 7,523,306	\$ 5,303,716	\$ 14,138,963
6/30/2014	\$ 4,803,612	\$ 4,933,828	\$ 3,467,681	\$ 15,549,134

The information included in this schedule of funding progress was obtained from the actuarial valuation report dated October 23, 2014 prepared by the Town's Actuary. This valuation as of July 1, 2014 is the most recent report available.

TOWN OF WEST WARWICK, RHODE ISLAND

Required Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios
For the Year Ended June 30, 2014
UNAUDITED

	Employee Retirement Trust Fund
Total pension liability:	
Service cost	\$ 2,815,702
Interest	11,467,012
Effect of economic/demographic gains or (losses)	(12,421,981)
Differences between expected and actual experience	(493,359)
Changes in assumptions	(2,583,350)
Benefit payments	(9,021,629)
Net change in total pension liability	(10,237,605)
Total pension liability - beginning	154,588,604
Total pension liability - ending (a)	<u>\$ 144,350,999</u>
Plan fiduciary net position:	
Contribution - employer	\$ 5,224,510
Contribution - employee	1,374,448
Net investment income	3,293,691
Benefit payments, including refunds of employee contributions	(9,020,829)
Administrative expenses	(287,237)
Other	-
Net change in plan fiduciary net position	584,583
Plan fiduciary net position - beginning	27,396,871
Plan fiduciary net position - ending (b)	<u>\$ 27,981,454</u>
Plan's net pension liability - ending (a)-(b)	<u>\$ 116,369,545</u>
Plan fiduciary net position as a percentage of the total pension liability	19.38%
Covered-employee payroll	\$ 14,203,313
Net pension liability as a percentage of covered-employee payroll	819.31%

Notes:

The information in this schedule is intended to show 10 years. As of June 30, 2014 only one year is available.

TOWN OF WEST WARWICK, RHODE ISLAND

Required Supplementary Information
Schedules of Employer Contributions, Investment Returns, and Employer's Net Pension Liability
June 30, 2014
UNAUDITED

Schedule of Employer Contributions

	Year Ended June 30	Actuarially Determined Contribution	Actual Contribution	Contribution (Deficiency) Excess	Covered Payroll	Actual Contribution as a % of Covered Payroll
Employee Retirement Trust Fund	2014	\$10,322,474	\$5,224,510	(\$5,097,964)	\$ 13,956,326	37.43%
	2013	\$9,264,065	\$5,301,352	(\$3,962,713)	\$ 14,855,258	35.69%
	2012	\$8,708,689	\$1,100,592	(\$7,608,097)	\$ 15,164,989	7.26%
	2011	\$6,912,110	\$1,289,098	(\$5,623,012)	\$ 16,303,378	7.91%
	2010	\$5,799,056	\$2,500,000	(\$3,299,056)	\$ 16,891,909	14.80%
	2009	\$4,676,096	\$1,000,000	(\$3,676,096)	\$ 17,047,080	5.87%
	2008	\$4,082,436	\$2,279,340	(\$1,803,096)	\$ 16,862,318	13.52%
	2007	\$3,553,780	\$2,051,206	(\$1,502,574)	\$ 15,720,077	13.05%
	2006	\$3,100,394	\$1,470,276	(\$1,630,118)	\$ 14,781,683	9.95%
	2005	\$2,617,422	\$500,000	(\$2,117,422)	\$ 14,354,371	3.48%

Schedule of Investment Returns

	Year Ended June 30	Actual Money Weighted Rate of Return, Net of Investment Expenses
Employee Retirement Trust Fund	2014	12.79%

Schedule of Employer's Net Pension Liability

	Year Ended June 30	Total Pension Liability	Plan Net Position	Net Pension Liability	Plan Net Position as a % of Total Pension Liability	Covered Payroll	Net Pension Liability as a % of Covered Payroll
Employee Retirement Trust Fund	2014	\$144,350,999	\$27,981,454	\$116,369,545	19.38%	\$ 14,203,313	819.31%

The information in these schedules is intended to show 10 years. However as of June 30, 2014 only one year is available for two of the components.

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TOWN OF WEST WARWICK

OTHER SUPPLEMENTARY INFORMATION



TOWN OF WEST WARWICK

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for proceeds of specific revenues sources that are committed or restricted to expenditures for specific purposes other than debt service or capital projects. The following special revenue funds are reported as nonmajor governmental funds.

- **Tricentennial Committee**
- **Benjamin R. Vaughn**
- **JAG Peer to Peer**
- **Bramley Bill Fund**
- **Riverwalk Fund**
- **Open Space Recreation**
- **JAG ARRA Fund**
- **JAG Fund**
- **Meds Contract Fund**
- **Economic Development Revolving Loan Fund**
- **Library Grants**
- **Homeland Security**
- **Community Development Block Grant**
- **Annie Livsey Fund**
- **CDBG Disaster Recovery**
- **Revolving Fund**
- **DARE Fund**
- **Drug Evidence Fund**
- **Tower Rent Revolving Fund**
- **Police Detail Car Fund**
- **Police Highway Grant**
- **Assistance to Firefighters**
- **Economic Development Administration**
- **OPEB Contributions**
- **School Restricted Funds**

(CONTINUED)

TOWN OF WEST WARWICK

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 of capital facilities and other capital assets. The following capital project funds are reported as nonmajor governmental funds.

- EMS Rescue Fund
- School QZAB Bond Fund
- School Fire Code Renovations Fund
- School Bond Fund
- Road Bond Fund

(CONTINUED)

TOWN OF WEST WARWICK, RHODE ISLAND

*Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2014*

	SPECIAL REVENUE FUNDS							
	<u>Tricentennial Committee</u>	<u>Benjamin R. Vaughn</u>	<u>JAG Peer to Peer</u>	<u>Bramley Bill Fund</u>	<u>Riverwalk Fund</u>	<u>Open Space Recreation</u>	<u>JAG ARRA Fund</u>	<u>JAG Fund</u>
ASSETS								
Cash and cash equivalents	\$ 1,009	\$ 1,101	\$ -					
Investments			-					
Accounts and other receivable			-	\$ 21,029				
Due from federal & state governments			-					
Due from other funds			7			\$ 41,380	\$ 5,699	
TOTAL ASSETS	\$ 1,009	\$ 1,101	\$ 7	\$ 21,029	\$ -	\$ 41,380	\$ 5,699	\$ -
LIABILITIES								
Accounts payable and accrued expenses			-	\$ 1,666		51,312		\$ 593
Due to federal & state governments			-					
Due to other funds			-	6,743	\$ -			1,116
Unearned revenue			-					
TOTAL LIABILITIES	\$ -	\$ -	\$ -	\$ 8,409	\$ -	\$ 51,312	\$ -	\$ 1,709
FUND BALANCES								
Restricted	1,009	1,101	7	12,620	-	-	5,699	-
Committed	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	(9,932)	-	(1,709)
TOTAL FUND BALANCES	1,009	1,101	7	12,620	-	(9,932)	5,699	(1,709)
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,009	\$ 1,101	\$ 7	\$ 21,029	\$ -	\$ 41,380	\$ 5,699	\$ -

(CONTINUED)

TOWN OF WEST WARWICK, RHODE ISLAND

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2014

	SPECIAL REVENUE FUNDS									
	Meds Contract Fund	Economic Development Revolving Loan Fund	Library Grants	Homeland Security	Community Development Block Grant	Annie Livsey Fund	CDBG Disaster Recovery	Revolving Fund	DARE Fund	
ASSETS										
Cash and cash equivalents	\$ -	\$ 15,865	\$ 14,350	\$ -	\$ -	\$ -				\$ 8,989
Investments	-	-		-	-	-				
Accounts and other receivable	-	-		-	-	-				
Due from federal & state governments	-	-		-	78,898	-	\$ 330			
Due from other funds	6,160	-		-	-	-		\$ 371,155		
TOTAL ASSETS	\$ 6,160	\$ 15,865	\$ 14,350	\$ -	\$ 78,898	\$ -	\$ 330	\$ 371,155	\$ 8,989	
LIABILITIES										
Accounts payable and accrued expenses	-	-	\$ 8,590		\$ 40,550	\$ -		\$ 13,192		
Due to federal & state governments	-	-			-	-				
Due to other funds	-	-	174,758	\$ 924	13,247	-	\$ 330			
Unearned revenue	-	-		-	9,235	-				
TOTAL LIABILITIES	\$ -	\$ -	183,348	924	63,032	-	330	\$ 13,192	\$ -	
FUND BALANCES										
Restricted	6,160	15,865	-	-	15,866	-				8,989
Committed	-	-	-	-	-	-		357,963		-
Unassigned	-	-	(168,998)	(924)	-	-		-		-
TOTAL FUND BALANCES	6,160	15,865	(168,998)	(924)	15,866	-	-	357,963	8,989	
TOTAL LIABILITIES AND FUND BALANCES	\$ 6,160	\$ 15,865	\$ 14,350	\$ -	\$ 78,898	\$ -	\$ 330	\$ 371,155	\$ 8,989	

(CONTINUED)

TOWN OF WEST WARWICK, RHODE ISLAND

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2014

	SPECIAL REVENUE FUNDS									
	Drug Evidence Fund	Tower Rent Revolving Fund	Police Detail Car Fund	Police Highway Grant	Assistance to Fire Fighters	Economic Development Administration	OPEB Contributions	School Restricted Funds	Total Special Revenue Funds	
ASSETS										
Cash and cash equivalents	\$ 141,154									\$ 182,468
Investments										-
Accounts and other receivable								\$ -		21,029
Due from federal & state governments						\$ 15,086		965,895		1,060,209
Due from other funds	895	\$ 45,852	\$ 56,816		\$ 13		\$ 168,170	116,373		812,520
TOTAL ASSETS	\$ 142,049	\$ 45,852	\$ 56,816	\$ -	\$ 13	\$ 15,086	\$ 168,170	\$ 1,082,268		\$ 2,076,226
LIABILITIES										
Accounts payable and accrued expenses				\$ 4,607	-			\$ 126,069		\$ 246,579
Due to federal & state governments	\$ 61,268				-					61,268
Due to other funds				16,058	\$ -	\$ 15,086		850,204		1,078,466
Unearned revenue					-					9,235
TOTAL LIABILITIES	61,268	\$ -	\$ -	20,665	-	15,086	\$ -	976,273		1,395,548
FUND BALANCES										
Restricted	80,781	45,852	-		13		168,170	105,995		468,127
Committed		-	56,816					-		414,779
Unassigned		-	-	(20,665)				-		(202,228)
TOTAL FUND BALANCES	80,781	45,852	56,816	(20,665)	13	-	168,170	105,995		680,678
TOTAL LIABILITIES AND FUND BALANCES	\$ 142,049	\$ 45,852	\$ 56,816	\$ -	\$ 13	\$ 15,086	\$ 168,170	\$ 1,082,268		\$ 2,076,226

(CONTINUED)

TOWN OF WEST WARWICK, RHODE ISLAND

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2014

	<u>CAPITAL PROJECT FUNDS</u>						Total NonMajor Governmental Funds
	EMS Rescue Fund	School QZAB Bond Fund	School Fire Code Renovations Fund	School Bond Fund	Road Bond Fund	Total Capital Project Funds	
ASSETS							
Cash and cash equivalents	\$ 118,752					\$ 118,752	\$ 301,220
Investments						-	-
Accounts and other receivable						-	21,029
Due from federal & state governments						-	1,060,209
Due from other funds	313,880	\$ 7,419	\$ 44			321,343	1,133,863
TOTAL ASSETS	\$ 432,632	\$ 7,419	\$ 44	\$ -	\$ -	\$ 440,095	\$ 2,516,321
LIABILITIES							
Accounts payable and accrued expenses						\$ -	\$ 246,579
Due to federal & state governments						-	61,268
Due to other funds				\$ 6,040	\$ 39,474	45,514	1,123,980
Unearned revenue						-	9,235
TOTAL LIABILITIES	\$ -	\$ -	\$ -	6,040	39,474	45,514	1,441,062
FUND BALANCES							
Restricted	-	7,419	44			7,463	475,590
Committed	432,632	-	-			432,632	847,411
Unassigned	-			(6,040)	(39,474)	(45,514)	(247,742)
TOTAL FUND BALANCES	432,632	7,419	44	(6,040)	(39,474)	394,581	1,075,259
TOTAL LIABILITIES AND FUND BALANCES	\$ 432,632	\$ 7,419	\$ 44	\$ -	\$ -	\$ 440,095	\$ 2,516,321

(CONCLUDED)

TOWN OF WEST WARWICK, RHODE ISLAND

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2014**

	SPECIAL REVENUE FUNDS							
	<u>Tricentennial Committee</u>	<u>Benjamin R. Vaughn</u>	<u>JAG Peer to Peer</u>	<u>Bramley Bill Fund</u>	<u>Riverwalk Fund</u>	<u>Open Space Recreation</u>	<u>JAG ARRA Fund</u>	<u>JAG Fund</u>
REVENUES:								
Intergovernmental	\$ -	\$ -	\$ 4,576	\$ 24,150	\$ -	\$ -	\$ -	\$ 4,873
Fees, Fines, Charges and Assessments	-	-	-	-	-	35,000	-	-
Interest and investment income	-	-	-	-	-	-	-	-
Contributions and grants	10,000	-	-	-	-	60,670	-	-
Other	-	-	-	-	-	-	-	-
Total revenues	10,000	-	4,576	24,150	-	95,670	-	4,873
EXPENDITURES:								
Current:								
Public safety	-	-	4,569	21,366	-	-	-	9,447
Public services	10,000	-	-	-	-	-	-	-
Library	-	-	-	-	-	-	-	-
Public assistance, development, & recreation	-	-	-	-	-	107,633	-	-
Education	-	-	-	-	-	-	-	-
Capital outlays								
Total expenditures	10,000	-	4,569	21,366	-	107,633	-	9,447
Excess (deficiency) of revenues over (under) expenditures	-	-	7	2,784	-	(11,963)	-	(4,574)
OTHER FINANCING SOURCES (USES)								
Transfers out	-	-	-	-	-	-	-	-
Transfer in	-	-	-	-	71,542	-	-	-
Total other financing sources (uses)	-	-	-	-	71,542	-	-	-
Net change in fund balances	-	-	7	2,784	71,542	(11,963)	-	(4,574)
Fund balances, beginning of year	1,009	1,101	-	9,836	(71,542)	2,031	5,699	2,865
Fund balances, end of year	\$ 1,009	\$ 1,101	\$ 7	\$ 12,620	\$ -	\$ (9,932)	\$ 5,699	\$ (1,709)

(CONTINUED)

TOWN OF WEST WARWICK, RHODE ISLAND

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2014**

	SPECIAL REVENUE FUNDS								
	Meds Contract Fund	Economic Development Revolving Loan Fund	Library Grants	Homeland Security	Community Development Block Grant	Annie Livsey Fund	CDBG Disaster Recovery	Revolving Fund	DARE Fund
REVENUES:									
Intergovernmental	\$ -	\$ -	\$ 175,492	\$ -	\$ 515,008	\$ -	\$ 330	\$ -	\$ -
Fees, Fines, Charges and Assessments	-	-	16,142	-	-	-	-	519,049	-
Interest and investment income	-	-	-	-	-	-	-	-	-
Contributions and grants	1,750	-	9,773	-	-	8,712	-	2,500	-
Other	-	-	-	-	15,865	-	-	103,577	3,732
Total revenues	1,750	-	201,407	-	530,873	8,712	330	625,126	3,732
EXPENDITURES:									
Current:									
Public safety	-	-	-	-	-	-	-	484,332	-
Public services	-	-	-	-	-	8,712	330	-	-
Library	-	-	234,159	-	-	-	-	-	-
Public assistance, development, & recreation	90	-	-	-	536,906	-	-	-	7,411
Education	-	-	-	-	-	-	-	103,577	-
Capital outlays	-	-	-	-	-	-	-	-	-
Total expenditures	90	-	234,159	-	536,906	8,712	330	587,909	7,411
Excess (deficiency) of revenues over (under) expenditures	1,660	-	(32,752)	-	(6,033)	-	-	37,217	(3,679)
OTHER FINANCING SOURCES (USES)									
Transfers out	-	-	-	-	-	-	-	-	-
Transfer in	-	-	-	-	21,899	-	-	-	-
Total other financing sources (uses)	-	-	-	-	21,899	-	-	-	-
Net change in fund balances	1,660	-	(32,752)	-	15,866	-	-	37,217	(3,679)
Fund balances, beginning of year	4,500	15,865	(136,246)	(924)	-	-	-	320,746	12,668
Fund balances, end of year	\$ 6,160	\$ 15,865	\$ (168,998)	\$ (924)	\$ 15,866	\$ -	\$ -	\$ 357,963	\$ 8,989

(CONTINUED)

TOWN OF WEST WARWICK, RHODE ISLAND

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2014**

	SPECIAL REVENUE FUNDS								
	Drug Evidence Fund	Tower Rent Revolving Fund	Police Detail Car Fund	Police Highway Grant	Assistance to Fire Fighters	Economic Development Administration	OPEB Contributions	School Restricted Funds	Total Special Revenue Funds
REVENUES:									
Intergovernmental	\$ -	\$ -	\$ 21,261	\$ 11,273	\$ 32,400	\$ -	\$ -	\$ 2,460,479	\$ 3,249,842
Fees, Fines, Charges and Assessments	7,608	-	54,793	-	-	-	68,666	-	701,258
Interest and investment income	-	-	-	-	-	-	-	-	-
Contributions and grants	-	-	-	-	-	-	-	149,003	242,408
Other	-	-	-	-	-	-	-	17,390	140,564
Total revenues	7,608	-	76,054	11,273	32,400	-	68,666	2,626,872	4,334,072
EXPENDITURES:									
Current:									
Public safety	16,922	-	47,000	27,870	-	-	-	-	611,506
Public services	-	-	-	-	-	-	-	-	19,042
Library	-	-	-	-	-	-	-	-	234,159
Public assistance, development, & recreation	-	-	-	-	-	-	-	-	652,040
Education	-	-	-	-	-	-	-	2,376,829	2,480,406
Capital outlays	-	-	21,261	4,068	32,387	-	-	224,955	282,671
Total expenditures	16,922	-	68,261	31,938	32,387	-	-	2,601,784	4,279,824
Excess (deficiency) of revenues over (under) expenditures	(9,314)	-	7,793	(20,665)	13	-	68,666	25,088	54,248
OTHER FINANCING SOURCES (USES)									
Transfers out	-	-	-	-	-	-	-	(27,836)	(27,836)
Transfer in	-	-	-	-	-	-	-	-	93,441
Total other financing sources (uses)	-	-	-	-	-	-	-	(27,836)	65,605
Net change in fund balances	(9,314)	-	7,793	(20,665)	13	-	68,666	(2,748)	119,853
Fund balances, beginning of year	90,095	45,852	49,023	-	-	-	99,504	108,743	560,825
Fund balances, end of year	\$ 80,781	\$ 45,852	\$ 56,816	\$ (20,665)	\$ 13	\$ -	\$ 168,170	\$ 105,995	\$ 680,678

(CONTINUED)

TOWN OF WEST WARWICK, RHODE ISLAND

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2014**

	CAPITAL PROJECT FUNDS						Total NonMajor Governmental Funds
	EMS Rescue Fund	School QZAB Bond Fund	School Fire Code Renovations Fund	School Bond Fund	Road Bond Fund	Total Capital Project Funds	
REVENUES:							
Intergovernmental							\$ 3,249,842
Fees, Fines, Charges and Assessments	\$ 160,672	\$ -	\$ -	\$ -	\$ -	\$ 160,672	861,930
Interest and investment income	-	-	-	-	-	-	-
Contributions and grants	-	-	-	-	-	-	242,408
Other	-	-	-	-	-	-	140,564
Total revenues	160,672	-	-	-	-	160,672	4,494,744
EXPENDITURES:							
Current:							
Public safety						-	611,506
Public services						-	19,042
Library						-	234,159
Public assistance, development, & recreation						-	652,040
Education						-	2,480,406
Capital outlays	17,500		551	6,040	8,030	32,121	314,792
Total expenditures	17,500	-	551	6,040	8,030	32,121	4,311,945
Excess (deficiency) of revenues over (under) expenditures	143,172	-	(551)	(6,040)	(8,030)	128,551	182,799
OTHER FINANCING SOURCES (USES)							
Transfers out	-	-	-	-	-	-	(27,836)
Transfer in	-	-	-	-	-	-	93,441
Total other financing sources (uses)	-	-	-	-	-	-	65,605
Net change in fund balances	143,172	-	(551)	(6,040)	(8,030)	128,551	248,404
Fund balances, beginning of year	289,460	7,419	595	-	(31,444)	266,030	826,855
Fund balances, end of year	\$ 432,632	\$ 7,419	\$ 44	\$ (6,040)	\$ (39,474)	\$ 394,581	\$ 1,075,259

(CONCLUDED)

TOWN OF WEST WARWICK, RHODE ISLAND

**Combining Balance Sheet
School Restricted Funds
Reported As NonMajor Governmental Funds
June 30, 2014**

SPECIAL REVENUE FUNDS

	<u>IDEA</u>	<u>Title I</u>	<u>Title II</u>	<u>Title III</u>	<u>Perkins</u>	<u>FFVP</u>	<u>RI Emergency Management</u>	<u>Race To The Top</u>
ASSETS								
Due from federal & state governments	\$ 449,143	\$ 347,854	\$ 113,152	\$ 7,091	\$ 30,594	\$ -	\$ -	\$ 18,061
Due from other funds	-	-	-	-	-	-	311	-
TOTAL ASSETS	\$ 449,143	\$ 347,854	\$ 113,152	\$ 7,091	\$ 30,594	\$ -	\$ 311	\$ 18,061
LIABILITIES								
Accounts payable and accrued expenditures	\$ 66,309	\$ 8,197	\$ 26,079	\$ 2,355	\$ 12,751	\$ -	\$ -	\$ -
Due to other funds	382,834	339,657	87,073	4,736	17,843	-	-	18,061
TOTAL LIABILITIES	449,143	347,854	113,152	7,091	30,594	-	-	18,061
FUND BALANCES								
Restricted	-	-	-	-	-	-	311	-
TOTAL FUND BALANCES	-	-	-	-	-	-	311	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 449,143	\$ 347,854	\$ 113,152	\$ 7,091	\$ 30,594	\$ -	\$ 311	\$ 18,061

(CONTINUED)

TOWN OF WEST WARWICK, RHODE ISLAND

*Combining Balance Sheet
School Restricted Funds
Reported As NonMajor Governmental Funds
June 30, 2014*

	SPECIAL REVENUE FUNDS								
	<u>ARRA Energy EECBG</u>	<u>RTTT PQI Grant</u>	<u>Healthier School</u>	<u>State Grants</u>	<u>Big Yellow School Bus</u>	<u>State UCOA Fund</u>	<u>Federal RI Council of Humanities</u>	<u>CTE Categorical Fund</u>	
ASSETS									
Due from federal & state governments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other funds	1,162	5,115	1,500	3,649	300	40,000	1,959	15,721	
TOTAL ASSETS	<u>\$ 1,162</u>	<u>\$ 5,115</u>	<u>\$ 1,500</u>	<u>\$ 3,649</u>	<u>\$ 300</u>	<u>\$ 40,000</u>	<u>\$ 1,959</u>	<u>\$ 15,721</u>	
LIABILITIES									
Accounts payable and accrued expenditures	\$ -	\$ 4,429	\$ 1,500	\$ -	\$ -	\$ -	\$ 14	\$ -	
Due to other funds	-	-	-	-	-	-	-	-	
TOTAL LIABILITIES	<u>-</u>	<u>4,429</u>	<u>1,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14</u>	<u>-</u>	
FUND BALANCES									
Restricted	1,162	686	-	3,649	300	40,000	1,945	15,721	
TOTAL FUND BALANCES	<u>1,162</u>	<u>686</u>	<u>-</u>	<u>3,649</u>	<u>300</u>	<u>40,000</u>	<u>1,945</u>	<u>15,721</u>	
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,162</u>	<u>\$ 5,115</u>	<u>\$ 1,500</u>	<u>\$ 3,649</u>	<u>\$ 300</u>	<u>\$ 40,000</u>	<u>\$ 1,959</u>	<u>\$ 15,721</u>	

(CONTINUED)

TOWN OF WEST WARWICK, RHODE ISLAND

**Combining Balance Sheet
School Restricted Funds
Reported As NonMajor Governmental Funds
June 30, 2014**

	SPECIAL REVENUE FUNDS							Total School Restricted Funds
	Rhode Island Foundation Grant	Corporate Grants	Private Grants	Google Donations	Adult Education	DMS Play	Pre-School	
ASSETS								
Due from federal & state governments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 965,895
Due from other funds	-	8,388	21,120	35	-	2,183	14,930	116,373
TOTAL ASSETS	\$ -	\$ 8,388	\$ 21,120	\$ 35	\$ -	\$ 2,183	\$ 14,930	\$ 1,082,268
LIABILITIES								
Accounts payable and accrued expenditures	\$ -	\$ -	\$ 4,435	\$ -	\$ -	\$ -	\$ -	\$ 126,069
Due to other funds	-	-	-	-	-	-	-	850,204
TOTAL LIABILITIES	-	-	4,435	-	-	-	-	976,273
FUND BALANCES								
Restricted	-	8,388	16,685	35	-	2,183	14,930	105,995
TOTAL FUND BALANCES	-	8,388	16,685	35	-	2,183	14,930	105,995
TOTAL LIABILITIES AND FUND BALANCES	\$ -	\$ 8,388	\$ 21,120	\$ 35	\$ -	\$ 2,183	\$ 14,930	\$ 1,082,268

(CONCLUDED)

TOWN OF WEST WARWICK, RHODE ISLAND

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
School Restricted Funds
Reported As NonMajor Governmental Funds
For the Year Ended June 30, 2014**

	SPECIAL REVENUE FUNDS							
	<u>IDEA</u>	<u>Title I</u>	<u>Title II</u>	<u>Title III</u>	<u>Perkins</u>	<u>FFVP</u>	<u>RI Emergency Management</u>	<u>Race To The Top</u>
REVENUES:								
Intergovernmental	\$ 1,032,511	\$ 936,990	\$ 250,107	\$ 11,059	\$ 30,594	\$ 46,941	\$ -	\$ 126,453
Contributions and grants	-	-	-	-	-	-	-	-
Other miscellaneous	-	-	-	-	-	-	-	-
Total revenues	<u>1,032,511</u>	<u>936,990</u>	<u>250,107</u>	<u>11,059</u>	<u>30,594</u>	<u>46,941</u>	<u>-</u>	<u>126,453</u>
EXPENDITURES:								
Salaries	638,143	606,500	170,944	9,711	6,682	-	-	17,156
Employee benefits	270,910	233,505	47,326	743	511	-	-	1,352
Purchased services	5,923	21,747	20,848	230	-	46,941	-	128,273
Supplies and materials	48,435	9,575	2,122	-	9,949	-	-	-
Other expenses	-	-	712	375	-	-	2,106	-
Capital outlays	<u>65,155</u>	<u>49,927</u>	<u>-</u>	<u>-</u>	<u>13,452</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>1,028,566</u>	<u>921,254</u>	<u>241,952</u>	<u>11,059</u>	<u>30,594</u>	<u>46,941</u>	<u>2,106</u>	<u>146,781</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,945</u>	<u>15,736</u>	<u>8,155</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,106)</u>	<u>(20,328)</u>
OTHER FINANCING SOURCES (USES)								
Transfers out	(3,945)	(15,736)	(8,155)	-	-	-	-	-
Total other financing sources (uses)	<u>(3,945)</u>	<u>(15,736)</u>	<u>(8,155)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,106)</u>	<u>(20,328)</u>
Fund balances, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,417</u>	<u>20,328</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 311</u>	<u>\$ -</u>

(CONTINUED)

TOWN OF WEST WARWICK, RHODE ISLAND

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
School Restricted Funds
Reported As NonMajor Governmental Funds
For the Year Ended June 30, 2014**

	SPECIAL REVENUE FUNDS							
	ARRA Energy <u>EECBG</u>	RTTT PQI <u>Grant</u>	Healthier <u>School</u>	State <u>Grants</u>	Big Yellow <u>School Bus</u>	State UCOA <u>Fund</u>	Federal RI Council of <u>Humanities</u>	CTE Categorical <u>Fund</u>
REVENUES:								
Intergovernmental	\$ -	\$ 7,803	\$ 1,500	\$ -	\$ 800	\$ -	\$ -	\$ 15,721
Contributions and grants	-	-	-	-	-	-	-	-
Other miscellaneous	-	-	-	-	-	-	-	-
Total revenues	-	7,803	1,500	-	800	-	-	15,721
EXPENDITURES:								
Salaries	-	-	-	-	-	-	-	-
Employee benefits	-	-	-	-	-	-	-	-
Purchased services	-	-	-	-	615	-	-	-
Supplies and materials	-	7,117	1,500	-	-	-	-	-
Other expenses	-	-	-	3,001	-	-	-	-
Capital outlays	-	-	-	-	-	-	-	2,421
Total expenditures	-	7,117	1,500	3,001	615	-	-	2,421
Excess (deficiency) of revenues over (under) expenditures	-	686	-	(3,001)	185	-	-	13,300
OTHER FINANCING SOURCES (USES)								
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Net change in fund balances	-	686	-	(3,001)	185	-	-	13,300
Fund balances, beginning of year	1,162	-	-	6,650	115	40,000	1,945	2,421
Fund balances, end of year	\$ 1,162	\$ 686	\$ -	\$ 3,649	\$ 300	\$ 40,000	\$ 1,945	\$ 15,721

(CONTINUED)

TOWN OF WEST WARWICK, RHODE ISLAND

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
School Restricted Funds
Reported As NonMajor Governmental Funds
For the Year Ended June 30, 2014**

	SPECIAL REVENUE FUNDS							
	Rhode Island Foundation <u>Grant</u>	Corporate <u>Grants</u>	Private <u>Grants</u>	Google <u>Donations</u>	Adult <u>Education</u>	DMS <u>Play</u>	<u>Pre-School</u>	Total School Restricted <u>Funds</u>
REVENUES:								
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,460,479
Contributions and grants	80,000	17,000	52,003	-	-	-	-	149,003
Other miscellaneous	-	-	-	-	-	-	17,390	17,390
Total revenues	80,000	17,000	52,003	-	-	-	17,390	2,626,872
EXPENDITURES:								
Salaries	-	-	44,619	-	-	-	-	1,493,755
Employee benefits	-	-	5,097	-	-	-	-	559,444
Purchased services	-	3,587	450	-	-	2,495	188	231,297
Supplies and materials	-	-	934	-	-	-	5,820	85,452
Other expenses	-	-	550	-	20	-	117	6,881
Capital outlays	80,000	14,000	-	-	-	-	-	224,955
Total expenditures	80,000	17,587	51,650	-	20	2,495	6,125	2,601,784
Excess (deficiency) of revenues over (under) expenditures	-	(587)	353	-	(20)	(2,495)	11,265	25,088
OTHER FINANCING SOURCES (USES)								
Transfers out	-	-	-	-	-	-	-	(27,836)
Total other financing sources (uses)	-	-	-	-	-	-	-	(27,836)
Net change in fund balances	-	(587)	353	-	(20)	(2,495)	11,265	(2,748)
Fund balances, beginning of year	-	8,975	16,332	35	20	4,678	3,665	108,743
Fund balances, end of year	\$ -	\$ 8,388	\$ 16,685	\$ 35	\$ -	\$ 2,183	\$ 14,930	\$ 105,995

(CONCLUDED)

TOWN OF WEST WARWICK

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 fund was reported in this section.

- **Student Activity Funds** – Maintained to account for funds held in various school programs on behalf of the students and/or school clubs/groups.



TOWN OF WEST WARWICK, RHODE ISLAND

Statement of Changes in Assets and Liabilities
Agency Funds
Year ended June 30, 2014

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<u>Student Activity Funds</u>				
ASSETS:				
Cash	\$ 121,343	\$ 291,461	\$ 262,403	\$ 150,401
TOTAL ASSETS	<u>\$ 121,343</u>	<u>\$ 291,461</u>	<u>\$ 262,403</u>	<u>\$ 150,401</u>
LIABILITIES:				
Deposits held in custody for others	\$ 121,343	\$ 291,461	\$ 262,403	\$ 150,401
TOTAL LIABILITIES	<u>\$ 121,343</u>	<u>\$ 291,461</u>	<u>\$ 262,403</u>	<u>\$ 150,401</u>

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TOWN OF WEST WARWICK

SINGLE AUDIT SECTION

This section contains information regarding federal grant activity for the year ended June 30, 2014, 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."



**INDEPENDENT AUDITORS' 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 Town Council
Town of West Warwick, Rhode Island

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of West Warwick, Rhode Island, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town of West Warwick, Rhode Island's basic financial statements, and have issued our report thereon dated .

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of West Warwick, Rhode Island's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of West Warwick, Rhode Island's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of West Warwick, Rhode Island's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and 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 to be material weaknesses. See findings 2014-001 through 2014-006.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency. See finding 2014-007.



Compliance and Other Matters

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

Town of West Warwick, Rhode Island's Response to Findings

Town of West Warwick, Rhode Island's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Town of West Warwick, Rhode Island's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Marcum LLP

Providence, Rhode Island
March 3, 2015



INDEPENDENT AUDITORS' REPORT

To the Honorable Members of the
Town Council
Town of West Warwick, Rhode Island

Reporting on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of West Warwick, Rhode Island as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



Basis for Modified Opinion on Project IDEA, Project IDEA Preschool, and CDBG

As described in items 2014-008 through 2014-013 in the accompanying schedule of findings and questioned costs, the Town of West Warwick, Rhode Island, did not comply with requirements regarding allowable costs, equipment, and level of effort that are applicable for the Project IDEA (CFDA #84.027); level of effort applicable to Project IDEA Preschool (CFDA 84.173); and the requirements of procurement, allowable costs, and cash management procurement applicable to the CDBG Program CFDA #14.228. Compliance with such requirements is necessary, in our opinion, for the Town of West Warwick, Rhode Island, to comply with the requirements applicable to these programs.

Modified Opinion on Project IDEA, Project IDEA Preschool, and CDBG

In our opinion, except for the noncompliance described in the Basis for Modified Opinion paragraph the Town of West Warwick, Rhode Island, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Project IDEA CFDA 84.027, Project IDEA Preschool CFDA 84.173, and CDBG Program CFDA 14.228 for the year ended June 30, 2014.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion the Town of West Warwick, Rhode Island complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the Town of West Warwick, Rhode Island, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of West Warwick, Rhode Island's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 Town of West Warwick, Rhode Island's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be a material weakness.

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 consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2014-006 and 2014-013 to be material weaknesses.

Town of West Warwick, Rhode Island response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town of West Warwick, Rhode Island's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Marcum LLP

Providence, Rhode Island
March 3, 2015

TOWN OF WEST WARWICK, RHODE ISLAND

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014**

Federal Grantor	Federal	Pass-Through	
Pass-Through Grantor	CFDA	Grantor's Number	Expenditures
Program Title	Number		
U.S. Department of Agriculture			
Passed through Rhode Island Department of Education:			
National School Lunch Program	10.555		\$ 728,940
National School Breakfast Program	10.553		161,109
Total Nutrition Cluster			<u>890,049</u>
Fresh Fruit and Vegetable Program	10.582		46,941
Food Commodities	10.565		39,041
Total U.S. Department of Agriculture			<u>976,031</u>
U.S. Department of Housing and Urban Development			
Passed through Rhode Island Office of Housing and Community Development			
Community Development Block Grant	14.228		534,109
Total U.S. Department of Housing and Urban Development			<u>534,109</u>
U.S. Department of Justice			
Passed through Rhode Island Department of Justice			
Bulletproof Vest Partnership Program	16.607		4,541
Edward Byrne Memorial Justice Assistance Grant Program	16.738	GR-8255	35,265
Edward Byrne Memorial Justice Assistance Grant Program	16.738	DJ-BX-0748	16,077
Total U.S. Department of Justice			<u>55,883</u>
U.S. Department of Transportation			
Passed through Rhode Island Department of Transportation			
State and Community Highway Safety	20.600	402-EM-12	21,200
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601		700
Occupant Protection Incentive Grants	20.602		3,000
Child Safety and Child Booster Seats Incentive Grants	20.613		3,000
Total Highway Safety Grant Program Cluster			<u>27,900</u>
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608		13,000
Total U.S. Department of Transportation			<u>40,900</u>
U.S. Department of Education			
Passed through Rhode Island Department of Education			
Project IDEA - Part B	84.027	2725-13202-301	998,688
Project IDEA Preschool	84.173	2725-13502-301	33,823
Total Special Education Cluster			<u>1,032,511</u>
Title I - Part A - Disadvantaged Youth	84.010	2725-11702-301	936,990
Title II - Part A - Teacher Quality	84.367	2725-16402-301	250,107
English Language Acquisition Grants	84.365	2725-16502-301	11,059
Race To the Top Fund - ARRA	84.395	4572-13502-110	153,898
Passed through City of Warwick			
Perkins - Career and Technical Education	84.048	2725-15302-301	30,594
Total U.S. Department of Education			<u>2,415,159</u>
Total Expenditures of Federal Awards			<u>\$ 4,022,082</u>

TOWN OF WEST WARWICK, RHODE ISLAND

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2014**

1. General

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) presents the activity of all federal awards programs of the Town of West Warwick. All federal awards received from federal agencies and expended 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*.

2. Basis of Accounting

The accompanying Schedule is presented using the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowed or limited as to reimbursement. The accompanying Schedule includes \$39,041 for the value of food commodities which is reported as a component of the Federal School Lunch Program Cluster.

TOWN OF WEST WARWICK, RHODE ISLAND

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2014

SECTION I – SUMMARY OF AUDITORS’ RESULTS

FINANCIAL STATEMENTS

Type of auditors’ report issued:	<i>UNMODIFIED OPINION</i>
Internal control over financial reporting:	
Material weakness(es) identified?	<u> X </u> Yes <u> </u> No
Significant deficiency(ies) identified not considered to be material weakness?	<u> X </u> Yes <u> </u> None Reported
Noncompliance material to financial statements noted?	<u> </u> Yes <u> X </u> No

FEDERAL AWARDS PROGRAMS

Internal control over major federal awards programs:	
Material weakness(es) identified?	<u> X </u> Yes <u> </u> No
Significant deficiency(ies) identified not considered to be material weakness?	<u> </u> Yes <u> X </u> None Reported

Type of auditors’ report issued on compliance for major federal awards programs:	<i>MODIFIED OPINION</i>
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Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	<u> X </u> Yes <u> </u> No
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Identification of major federal awards programs and state financial assistance projects:

<i>FEDERAL AWARDS PROGRAMS</i>	<i>FEDERAL CFDA No.</i>
U.S. Department of Housing and Urban Development	
Community Development Block Grant (CDBG).....	14.228
U.S. Department of Agriculture (Nutrition Cluster)	
School Breakfast Program.....	10.553
National School Lunch Program.....	10.555
U.S. Department of Education (Special Education Cluster)	
Project IDEA – Part B	84.027
Project IDEA Preschool.....	84.173

Dollar threshold used to distinguish between Type A and Type B programs:	Federal \$300,000
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Auditee qualified as low-risk auditee for federal awards programs?	<u> </u> Yes <u> X </u> No
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TOWN OF WEST WARWICK, RHODE ISLAND

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2014

SECTION B – RELATED TO AUDIT OF FINANCIAL STATEMENTS

2014-001: Financial Reporting

Criteria: Internal controls should be established and maintained to ensure that the annual financial statements are complete and accurate in accordance with governing accounting standards.

Condition: During fiscal 2014 the Town did not maintain adequate controls to ensure that the general ledger accounting records were maintained in accordance with governmental accounting standards or that procedures were in place to properly convert these records to comply with the applicable standards.

Cause: This was due to the lack of formal policies, procedures, and personnel to ensure a thorough review of the accounting records for completeness and accuracy.

Effect: The lack of controls over financial reporting and maintenance of the general ledger accounting records could result in the material misstatement of the Town's financial position and result of operations. In addition, a lack of controls over the review of the general ledger accounting records increases the risk of intentional or unintentional misappropriation of funds.

Recommendation: We recommend that management establish policies and procedures requiring the general ledger accounting records to be reviewed and account balances reconciled to subsidiary records on a periodic basis. Completion of these procedures should be documented to ensure compliance.

View of Responsible Official and Corrective Action: In January 2015 the Town and School Department signed a contract with Tyler Technologies to implement Infinite Visions as a joint ERP software solution. As part of the implementation, new policies and procedures will be established to ensure that the annual financial statements are complete and accurate.

2014-002: Capital Assets

Criteria: Capital assets are reported in the government-wide statement of net position as well as the statement of net position of the business-type activities. Although the reporting of these capital assets does not impact the budgetary basis of accounting for which management operates, adequate controls should be established to ensure the completeness and accuracy of the capital asset records in accordance with governmental accounting standards.

Condition: During fiscal 2014 management obtained a valuation of the capital assets owned by the Town. As a result of this valuation the Town's net position was restated to properly reflect the capital asset valuation. However, management currently does not have policies or procedures for maintaining these capital asset records on a periodic basis to ensure the completeness and accuracy of the information.

Cause: Due to significant turnover in recent years the coordination and maintenance of capital asset reporting was neglected. During fiscal 2014 management was focusing the efforts on obtaining a full accounting and valuation of the capital assets rather than developing a formal policy for maintaining these records.

(CONTINUED)

TOWN OF WEST WARWICK, RHODE ISLAND

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2014

SECTION B – RELATED TO AUDIT OF FINANCIAL STATEMENTS (Continued)

2014-002: Capital Assets (Continued)

Effect: Lack of controls over maintaining the capital asset records could result in the material misstatement of the Town's financial position and results of operation in addition to a weakness in the safeguarding of the capital assets of the Town.

Recommendation: We recommend that the Town established formal policies and procedures for maintaining the capital asset records to ensure the completeness and accuracy of the capital assets for financial reporting purposes. These policies and procedures should include documentation of the controls to ensure that all capital assets acquired are properly included in the capital asset records and that all disposal of capital asset records are also maintained.

View of Responsible Official and Corrective Action: Now that the capital asset valuation is completed, the Town's Finance Director will work to establish a formal policy and procedures for maintaining the capital asset records. In addition, in January 2015 the Town and School Department signed a contract with Tyler Technologies to implement Infinite Visions as a joint ERP software solution. The new system will include a capital asset module which will be used to assist with the maintenance and reporting of the capital asset records.

2014-003: Pension Trust Fund

Criteria: The general ledger accounting records should be maintained and report all of the activity and balances for the Pension Trust Fund.

Condition: The Town does not maintain a complete general ledger to report the activity and balances of the Pension Trust Fund. At June 30, 2014 the internal financial records of the Town understated the valuation of the investments in the Pension Trust Fund by approximately \$1.4 million while also failing to report the investment income of \$2.8 million, plan contribution of \$8 million, and benefit distributions of \$9 million.

Cause: The Town does not have any procedures in place to review and record the activity of the Pension Trust Fund on a monthly basis.

Effect: Failure to properly record the financial activity of the Pension Trust Fund results in the misstatement of the fiduciary net position and changes in fiduciary net position. In addition, failure to properly maintain the accounting records may result in management not having accurate financial information when trying to make decisions about the pension trust fund.

Recommendation: We recommend that management establish policies and procedures requiring the financial activity of the Pension Trust Fund to be recorded on a perpetual basis. At a minimum, we recommend that the financial activity of the Pension Trust Fund be reconciled on a monthly basis. The reconciliation should be approved by the Town's Finance Director and maintained in the finance department.

View of Responsible Official and Corrective Action: Management acknowledges this deficiency and will work towards the establishment of policies and procedures requiring the monthly reconciliation of the Pension Trust Fund to the bank and investment statements of this fund.

(CONTINUED)

TOWN OF WEST WARWICK, RHODE ISLAND

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2014

SECTION B – RELATED TO AUDIT OF FINANCIAL STATEMENTS (Continued)

2014-004: Segregation of Duties

Criteria: Segregation of duties is an instrumental component to having an effective system of internal controls. Proper segregation of duties decreases the Town’s risk of intentional or unintentional misuse or misappropriation of Town assets. Duties and responsibilities should be assigned to personnel so that no one person is responsible for all aspects of a financial transaction.

Condition: The West Warwick School Department currently lacks segregation of duties in regards to the processing of payroll transactions. School Department personnel responsible for processing payroll transactions currently have access to all components of the transaction cycle. Management of the School Department has not established policies or procedures to mitigate the risk resulting from this lack of separation of duties.

Cause: The School Department does not have policies or procedures in place for reviewing the payroll registers or for maintaining oversight to ensure that information being utilized for the processing of payroll transactions is accurate.

Effect: Increase in the risk of intentional or unintentional misstatements occurring and going undetected by management.

Recommendation: We recommend that management perform a detailed review of the payroll processing cycle and that policies and procedures be implemented to ensure the establishment of controls to mitigate the risk that may result from the Departments ability to have total separation of duties.

View of Responsible Official and Corrective Action: West Warwick Public Schools is in the process of evaluating all processes of the business office. Once the evaluation is completed policies and procedures will be implemented to ensure proper separation of duties and authorization of activities. Part of that process will include a review and approval of the weekly and bi-weekly payrolls by the Director of Financial Operations.

2014-005: Sewer Authority Billings

Criteria: All billings should be maintained and reported in the general ledger accounting system.

Condition: The West Warwick Sewer Authority currently processes billings to local communities participating in the Intermunicipal Agreements. These billings do not get processed through the Opal Receivable System and as a result they are not included in the general ledger accounting records until payment is received and deposited.

Cause: The Sewer Authority produces these billings internally based on the billings which the authority receives from the RI Clean Water Finance Agency. These records are maintained at the Sewer Authority and are not shared with the Town’s Finance Department. As a result the receivable and revenue does not get recorded in the general ledger accounting records until it is collected and deposited by the Authority

Effect: Increase in the risk of intentional or unintentional misstatement of the financial position and results of operations of the Sewer Authority.

(CONTINUED)

TOWN OF WEST WARWICK, RHODE ISLAND

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2014

SECTION B – RELATED TO AUDIT OF FINANCIAL STATEMENTS (Continued)

2014-005: Sewer Authority Billings (Continued)

Recommendation: We recommend that the Town’s Finance Director meet with Sewer Authority personnel to establish policies and procedures to ensure that all billings are properly recorded in the Opal Receivable System as well as the general ledger accounting system. All billings should be processed through the system to ensure the completeness of the financial position and activity of the Sewer Authority Fund.

View of Responsible Official and Corrective Action: The Town’s Finance Director will meet with the Wastewater Superintendent and Director of Administration to review this finding and establish policies and procedures as recommended.

2014-006: Special Revenue Funds

Criteria: The financial activity and reporting for all special revenue funds should be reconciled to the general ledger accounting records maintained by the Town’s finance department to ensure the completeness and accuracy of the Town’s internal financial statements.

Condition: The financial reporting for some of the Town’s special revenue funds is maintained by personnel outside of the Town’s Finance Department. The Town currently does not have adequate policies or procedures to ensure that the financial reports that are being processed by these personnel is in agreement with the financial activity being reported in the Town’s general ledger accounting records.

Cause: Lack of controls and oversight over the personnel who are responsible for maintaining the grant activity and filing the reports with the funding agency.

Effect: Failure to properly maintain controls over the financial accounting and reporting of the activity and balances in these special revenue funds may result in the material misstatement to the Town’s financial statements and noncompliance with the grant reporting requirements.

Recommendation: We recommend that the Town Administration meet with various Department Directors to establish adequate policies, procedures, and internal controls over the financial accounting and reporting of grant activity. We further recommend that all grant reports be submitted to the Town’s Finance Director for review and approval prior to the submission of these reports to the funding agencies. During the review and approval process, the Town’s Finance Director should ensure that the information included in the grant report coincides to the information maintained in the general ledger accounting records.

View of Responsible Official and Corrective Action: The Town Manager and Finance Director will meet with the Department Directors to review this finding and establish policies and procedures, as recommended. In addition, all grant reports will be submitted to and reviewed by the Finance Director, as recommended.

(CONTINUED)

TOWN OF WEST WARWICK, RHODE ISLAND

*SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2014*

SECTION B – RELATED TO AUDIT OF FINANCIAL STATEMENTS (Continued)

2014-007: Purchase Orders

Criteria: Purchase orders are utilized as a means to document the authorization of a purchase as well as to monitor compliance with budget appropriations.

Condition: The Town currently utilizes purchase orders for virtually all funds and expenditures other than payroll transactions. In some instances these purchase orders are being initiated after the purchase has been made and an invoice received.

Cause: Lack of oversight and enforcement over the use of purchase orders.

Effect: Failure to properly utilize purchase orders prior to entering into the purchase agreement may result in the over expenditure of funds and reduce management's ability to properly monitor, control, and estimate the financial position and condition of the Town.

Recommendation: We recommend that management review the current processes governing the use of purchase orders and that a policy and procedure be documented, implemented, and reviewed with all department directors to ensure compliance. We further recommend that the Town send a communication to all vendors alerting them to the fact that purchases may not be honored unless a signed and authorized purchase order is obtained at the time an order is placed.

View of Responsible Official and Corrective Action: In January 2015 the Town and School Department signed a contract with Tyler Technologies to implement Infinite Visions as a joint ERP software solution. As part of the implementation, new policies and procedures will be established to ensure that the annual financial statements are complete and accurate.

(CONTINUED)

TOWN OF WEST WARWICK, RHODE ISLAND

*SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2014*

SECTION C – FINDINGS AND QUESTIONED COSTS RELATING TO FEDERAL AWARDS

2014-008: Project IDEA – Part B CFDA #84.027

Criteria: Federal Circular A-102 Common Rule Section .31 requires that the Town of West Warwick (including the School Department) maintain a detailed listing of all capital assets that are acquired with federal funds. The detailed listing should identify the asset, location of the asset, date acquired, cost of the asset, and grant funds that were used to acquire the asset. The federal circular requires that the list of capital assets required for federal compliance includes all items with an original cost of \$5,000 or more. In addition, the federal regulations require that an inventory of these assets be taken at least once every two years and that the listing is reconciled to the equipment records maintained by the respective departments.

Condition: The Town, including the School Department, does not have adequate policies or procedures in place to ensure compliance with the federal requirements governing maintenance of capital asset records. The Town and School Department do not currently maintain records of capital assets acquired with federal funds or for completing a periodic inventory of those assets to ensure the safeguarding of the assets acquired with federal funds.

Cause: During the fiscal year ended June 30, 2014 the West Warwick School Department utilized federal grant funds to acquire equipment which qualified as for separate reporting and maintenance in accordance with the Federal Circular A-102 Common Rule. However, we noted that the Department did not have any policies or procedures for maintaining the required records.

Effect: Failure to properly document and maintain the equipment records results in noncompliance with the federal regulations and increases the risk of intentional or unintentional use of the equipment.

Questioned Costs: The results of our testing identified known questioned costs of \$59,671 for CFDA #84.027.

Recommendation: We recommend that the Town and School Department personnel establish adequate policies and procedures for maintaining and reporting capital assets acquired with federal funds in accordance with federal regulations. We recommend that the procedures include maintenance and monitoring of these capital asset records to comply with the federal regulations as well as the financial statement reporting requirements.

View of Responsible Official and Corrective Action: Currently, all School Department capital assets are maintained in ASPEN (the student information management program) but the system does not include all the information required by the federal regulations. The School Department is currently tracking asset name, IP address, Location, individual who was assigned the asset, serial number, device ID number and purchase date for some but not all assets. The School Department will update the information in ASPEN to include the purchase date, the purchase price and funding source for all assets. With these additions to the program the School Department will meet the requirements of Federal Circular A-102 Common Rule Section .31.

(CONTINUED)

TOWN OF WEST WARWICK, RHODE ISLAND

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2014

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

2014-009: Project IDEA – Part B CFDA #84.027

Criteria: The West Warwick School Department receives direct federal funding as well as federal funding passed through the State of Rhode Island. OMB Circular A-87 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 West Warwick School Department does not maintain documentation to support the time and effort reporting in accordance with the requirements of OMB-Circular A-87. The School Department provided an annual certification of employees' time which was allocated to the IDEA and IDEA Preschool Programs. However, this certification did not meet the requirements of the federal regulations requiring certifications to be completed semi-annually for employees allocated 100% to the federal program and monthly for those allocated to multiple federal programs.

Cause: The School Department did not have adequate policies or procedures for monitoring the compliance requirements related to time and effort reporting to ensure that the documents maintained were in accordance with the federal regulations.

Effect: Failure to properly document and allocate payroll expenses to their corresponding program may result in excess costs being charged to a federally funded program which in turn could result in loss of federal grant revenue.

Questioned Costs

The results of our testing identified known questioned costs of \$35,817.

Recommendation: We recommend that the management of the West Warwick School Department develop and enforce a policy requiring all federally funded personnel to maintain time records in accordance with the provisions of OMB Circular A-87 and that the policy include an internal audit function requiring someone independent of the federal program to review time records on a periodic basis for compliance.

(CONTINUED)

TOWN OF WEST WARWICK, RHODE ISLAND

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2014

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

2014-009: Project IDEA – Part B CFDA #84.027 (Continued)

View of Responsible Official and Corrective Action: West Warwick Public Schools will address the federal time and effort requirements during fiscal 2015 by completing the following: A list will be developed to include all federally funded employees by name, title, cost objective, school site, and work period on a semi-annual basis and will include all such employees on a single school-specific form. The form will be reviewed with the school principals for their understanding and monitoring of the support documentation and attestations. These forms will be presented at the start of the school year and returned to the Administration Department by February 1st and at the end of the school year based on the associated school calendar. Lastly, while the majority of the federally funded employees are working on a single cost objective basis, the School Department will use a monthly Personnel Activity Report (PAR) for those who serve multiple student populations.

2014-010: Project IDEA – Part B CFDA #84.027, Project IDEA Preschool CFDA #84.173

Criteria: IDEA, Part B funds received by a local education agency (LEA) cannot be used, except under certain limited circumstances, to reduce the level of expenditures for the education of children with disabilities made by the LEA from local funds, or a combination of State and local funds, below the level of the those expenditures for the preceding fiscal year. To meet this requirement, an LEA must expend, in any particular fiscal year, an amount of local funds, or a combination of State and local funds, for the education of children with disabilities, that is at least equal, on either an aggregate or per capita basis, to the amount of local funds, or a combination of State and local funds, expended for this purpose by the LEA in the prior fiscal year..

Condition: During the fiscal year ended June 30, 2014 the special education expenditures paid by the School Department's General Unrestricted Fund (\$11,856,000) decreased from fiscal 2013 (\$11,880,000) while the expenditures allocated to the Federal Grant Program for IDEA for fiscal 2014 (\$999,000) increased from fiscal 2013 (\$832,000).

Cause: The West Warwick School Department did not have adequate policies, procedures, or controls in place to ensure compliance with the maintenance of effort requirements of the special education program.

Effect: Lack of compliance with the federal requirements governing level of effort related to special education programs.

Questioned Costs: The results of our testing identified known questioned costs of approximately \$24,000.

Recommendation: We recommend that School Officials develop adequate policies and procedures to monitor the allocation of costs and compliance requirements of federally funded programs.

(CONTINUED)

TOWN OF WEST WARWICK, RHODE ISLAND

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2014

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

2014-010: Project IDEA – Part B CFDA #84.027, Project IDEA Preschool CFDA #84.173

View of Responsible Official and Corrective Action: Monthly financial reports are prepared for school committee members. At least semiannually, the Director of Financial Operations will use this detail data to confirm that expenditures for special education is on track as budgeted. If it is found that there may be a reduction in special education expenditures, adjustments will be made to increase funds to this department in order to meet this federal maintenance of effort compliance requirements.

2014-011: Community Development Block Grants (CDBG) CFDA #14.228

Criteria: The Federal grant agreement states that all bidding must be conducted in a manner to promote open and free competition. The Town agreed to comply with procurement standards set forth in 24 CFR 85.36(b). Evidence of competitive bids and/or cost reasonableness in procurement must be retained in accordance with section K, Retention of Records. The Town must observe state and local procurement requirements and cost thresholds for competitive bidding if these are more restrictive than the federal regulation specifies.

Condition: The Town did not comply with the requirements of the grant agreement regarding competitive procurement for services. Town personnel solicited bids from contractors that were recommended by the property owners rather than advertising or using some other form of a formalized procurement process.

Cause: The noncompliance is deemed to be the result of a lack of supervision and monitoring of controls to ensure compliance with the procurement requirements stipulated in the federal contract and grant agreement.

Effect: Failure to comply with the procurement requirements increases the risk that the best possible price may not be obtained for the work being performed.

Questioned Costs: Payments to contractors for items that were not subject to formal procurement procedures resulted in questioned costs of \$70,669.

Recommendation: We recommend that the Town Manager and Finance Director establish adequate controls and procedures for monitoring the activity and compliance requirements relative to the CDBG program.

View of Responsible Official and Corrective Action: Procurement of services under the CDBG Program will be made in accordance with the Town's Purchasing Policy.

(CONTINUED)

TOWN OF WEST WARWICK, RHODE ISLAND

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2014

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

2014-012: Community Development Block Grants (CDBG) CFDA #14.228

Criteria: The provisions of the grant agreement stipulate that housing rehabilitation loans generally will not exceed \$15,000. However, it states that in those cases that have conditions that threaten health and safety, an exception can be made to increase the loan amount. Loans awarded for amounts less than \$15,000 are required to have a five year lien placed on the property while loans in excess of \$15,000 require that a ten year lien be placed in the properties. These loans are forgiven on a prorated basis over the term of the lien as long as the property owner continues to utilize the property as their principal residence.

Condition: We noted one instance out of twenty disbursements tested where the Town of West Warwick issued rehabilitation loans to a homeowner in an amount which exceeded \$15,000 yet the lien placed on the property was only for five years.

Cause: We believe that the lack of compliance with this requirement is the direct result of a lack of supervision and monitoring of the program activity and the applicable compliance requirements. The CDBG program is currently administered by one individual with limited review and approval by the Finance Department or other qualified personnel.

Effect: Lack of compliance with the provisions for executing lien certificates results in noncompliance with the contract provisions and could result in the Town's inability to recover federal loan funds in the event that a property is sold prior to the completion of the applicable lien period.

Recommendation: We recommend that the Town's Finance Director establish policies and procedures for monitoring the Federal CDBG loan program to ensure compliance with the grant requirements. These procedures should include the establishment of an internal audit function which would require finance department personnel to periodically test the loans awarded under the CDBG program to ensure that liens have been properly executed in accordance with grant requirements.

View of Responsible Official and Corrective Action: The Town will establish policies and procedures for monitoring the Federal CDBG loan program to ensure compliance with the grant requirements, including the establishment of an internal audit function which will require periodic testing on the loans awarded under the CDBG program to ensure that liens have been properly executed in accordance with grant requirements.

(CONTINUED)

TOWN OF WEST WARWICK, RHODE ISLAND

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2014

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

2014-013: Community Development Block Grants (CDBG) CFDA #14.228

Criteria: Federal regulations require that organizations receiving federal funds have adequate policies and procedures in place to minimize the time elapsing between the transfer of funds and the expenditure of those funds. In addition, the federal regulations stipulate that interest earnings on excess funds be remitted to the federal department of health and human services on an annual basis if they exceed amounts stipulated by the federal regulations.

Condition: During our audit testing of the CDBG program activity, we noted instances where expenditure reimbursement requisitions were being submitted for amounts that did not coincide with the actual amounts expended. Reimbursement requests were often made for round figures rather than for the actual amount incurred. In addition, we noted instances where approximately \$63,000 of expenditures incurred during fiscal 2014 were funded through the use of the balance of requisitions which were received in fiscal years 2011, 2012 and 2013.

Cause: The lack of compliance with the cash management requirements is the result of a lack of controls over the program monitoring and understanding of the provisions of the cash management regulations.

Effect: The lack of compliance with the provisions of the cash management regulations makes it difficult for the grantor agency to manage the funding. In addition to the negative effect on the grantor agency, the Town may be required to remit funds to the Department of Health and Human Services for the estimated amount of investment earnings received on the advanced funding.

Recommendation: We recommend that the Town's Finance Director meet with the CDBG program administrator to review the cash management requirements and to develop policies and procedures for submitting future grant requisitions. We further recommend that these procedures include requirements that the reimbursement requests be reconciled to the general ledger accounting records and provided to the Finance Director for approval prior to submission for reimbursement. Lastly, it is recommended that requisitions for reimbursement be completed on a timely basis, no more than quarterly, to ensure that the Town is being reimbursed in a timely manner.

View of Responsible Official and Corrective Action: The Town will review the cash management requirements and develop policies and procedures for submitting future grant requisitions in a timely manner. These procedures will include requirements that the reimbursement requests be reconciled to the general ledger accounting records on a monthly basis and require the Finance Director's approval prior to submission for reimbursement.

(CONCLUDED)

TOWN OF WEST WARWICK, RHODE ISLAND

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2014**

SECTION D – PRIOR AUDIT FINDINGS RELATED TO AUDIT OF FINANCIAL STATEMENTS

2013-001: Financial Reporting: See current year finding 2014-001.

2013-002: Capital Assets: See current year finding 2014-002.

2013-003: Pension Trust Fund: See current year finding 2014-003.

2013-004: Compensated Absences - School Department: Procedures were established during fiscal 2014 to maintain the capital asset records in accordance with the provisions of GASB Statement #16.

2013-005: Sewer Assessments: Procedures have been established to properly record special sewer assessments in accordance with GASB Statements 6 and 33. These procedures will be documented in an accounting policy and procedures manual relative to the Sewer Authority billing process.

2013-006: Intermunicipal Agreements: See current year finding 2014-005 relative to the billings for these agreements.

2013-007: Internal Service Fund: The Town began maintaining all activity pertaining to this fund in the general ledger accounting records.

2013-008: Special Revenue Funds: See current year finding 2014-006.

2013-009: Purchase Orders: See current year finding 2014-007.

2013-010: Cash Management: See current year finding 2014-013.

2013-011: Capital Assets Acquired with Federal Funds: See current year finding 2014-008.

(CONTINUED)

TOWN OF WEST WARWICK, RHODE ISLAND

SCHEDULE OF PRIOR AUDIT FINDINGS

JUNE 30, 2014

SECTION E – PRIOR AUDIT FINDINGS RELATED TO FEDERAL AWARDS

2013-012 – ARRA – Race to-the-Top Fund CFDA #84.395: This finding was related to time and effort reporting relative to the Race to-the-Top Fund. This requirement was not applicable based on the amount of funding administered by the School Department for the Race to-the-Top program during fiscal 2014. However see finding 2014-009 for lack of compliance with time and effort reporting for Project IDEA in fiscal 2014.

2013-013 – ARRA – Race to-the Top Fund: deficiency in control was not noted in fiscal 2014.

2013-014 – Schedule of Expenditures of Federal Awards (SEFA): The Town including the School Department is in the process of establishing policies and procedures for maintaining and compiling the annual SEFA. The Town provided a SEFA for fiscal 2014.

(CONCLUDED)
