



Town of West Warwick, Rhode Island

**Annual Financial Statements
For the Fiscal Year Ended June 30, 2017**



Mark Carruolo, Interim Town Manager

John T. Cimino, Finance Director

TOWN OF WEST WARWICK

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TOWN OF WEST WARWICK, RHODE ISLAND

FOR THE YEAR ENDED JUNE 30, 2017

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TOWN OF WEST WARWICK, RHODE ISLAND

LIST OF TOWN OFFICIALS

AS OF JUNE 30, 2017



TOWN COUNCIL

David Gosselin, Jr. President (Ward 2)
John F. D'Amico, Vice President (Ward 5)
Angelo A. Padula, Jr. (Ward 1)
Jason K. Messier (Ward 3)
Jason E. Licciardi, Sr. (Ward 4)

INTERIM TOWN MANAGER

Mark Carruolo

SCHOOL COMMITTEE

Steven Lawton, Chairperson
Luis R. Colon, Jr., Vice-Chairperson
Rene E. Coutu, Clerk
Susan St. Amand
Patricia A. Keenan

DEPARTMENT DIRECTORS & OFFICIALS

Town Finance Director
Superintendent of Schools
Director of Financial Operations - School Department
Town Solicitor
Town Clerk
Chief of Police
Fire Chief
Tax Assessor
Acting Director of Public Works
Town Planner/Economic Development Coordinator
Building Official
CDBG Coordinator
Interim Superintendent of Sewer Treatment Plant
Director of Human Resources
Director of Federal Programing and Innovative Practice
Director of Property & Maintenance - School Department
Special Education Director - School Department
Director of Technology - School Department

John T. Cimino
Karen Tarasevich
Joseph Spagna
Timothy Williamson
Marianne Kelly
Colonel John Magiera
Joseph Baris, Jr.
Christine Brochu
David Lombardi
Mark Carruolo
George Dumont
Elaine Mansour
Bernie Bishop
Melissa LeBlanc
Keith Remillard
Kenneth Townsend
Jessica M. Perry
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

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

Report 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, 2017, 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 Qualified Opinion on Governmental Activities

As discussed in Note 9 to the financial statements, due to circumstance beyond management's control relating to participation in the Employees' Retirement System of the State of Rhode Island, management has not updated the Town's proportionate share of the plan's collective net pension liability, pension expense, and certain deferred outflows of resources and deferred inflows of resources from the amounts presented in the June 30, 2016 financial statements, which were as of the June 30, 2015 measurement date. Accounting principles generally accepted in the United States of America require that these components of the financial statements be presented at correct amounts as of the current measurement date, which for the 2017 financial statements is June 30, 2016. The amounts by which this departure would affect the liabilities, net position, expenses, deferred outflows and deferred inflows of the Town's governmental activities has not been determined.

Qualified Opinion

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on Governmental Activities" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the Town of West Warwick, Rhode Island, as of June 30, 2017, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, except for the financial statements of the governmental activities referred to in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of 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, 2017, 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.

Emphases-of-Matter

Early Accounting Guidance Adoption

As described in Note 1 to the financial statements, during fiscal year ended June 30, 2017, the Town elected to early implement new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is 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, schedules of budgetary comparison information, Schedule of Changes in Town's Net Pension Liability and Related Ratios, Schedule of Town's Contributions and Investment Returns, Schedule of School District's Proportionate Share of the Net Pension Liability, Schedule of School District's Contributions, Schedule of Changes in Town's Net OPEB Liability and Related Ratios, Schedule of Town's Contributions and accompanying notes on pages 4 through 12, and pages 84 through 97 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.

Required Supplementary Information (Continued)

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 non-major fund statements, the agency fund financial statements, annual supplemental transparency report and accompanying notes, and the schedule of property taxes receivable are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund statements, the agency fund financial statements, annual supplemental transparency report and accompanying notes, and the schedule of property taxes receivable 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic 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 non-major fund statements, the agency fund financial statements, annual supplemental transparency report and accompanying notes, and the schedule of property taxes receivable 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 January 9, 2018, 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
January 9, 2018

TOWN OF WEST WARWICK, RHODE ISLAND
Management's Discussion and Analysis
For the Year Ended June 30, 2017

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, 2017. 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 \$6,985,876 as a result of this year's current operations. Most of this decrease was due to the increases in the Town long-term obligations such as the net pension and OPEB liabilities (along with related deferred inflows and outflows of resources) totaling \$4,234,715. On a government-wide basis the liabilities and deferred inflows of resources exceeded the Town's assets and deferred outflows of resource creating a net position deficiency of \$143,588,127. Net position of the business-type activities increased by \$123,042, while the net position of Governmental Activities decreased by \$7,108,918.
- ❖ The Town's Government-wide (governmental and business-type activities) operating expenses were \$118,977,291, while revenues collected were \$111,991,415.
- ❖ As of the close of the fiscal year, the Town's governmental funds reported combined ending fund balances of \$10,270,203. -2.05% of this amount, -\$210,232 is unassigned.
- ❖ At the end of the current fiscal year, the General Fund's unassigned fund balance was \$217,055 or 0.6% 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 \$1,085,620. As of June 30, 2017, the General Fund's committed fund balance was \$145,247 or 0.4% of the fiscal 2017 General Fund operating budget. The Town Council, as the highest level of authority, can elect to remove the commitment which was placed on this \$145,247 fund balance amount and make the funds available for general operating costs of the Town.

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, 2017

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 occurred 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 Wastewater Authority, Municipal Court, School Lunch Program, and the Civic Center.

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

Fund financial statements - A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of 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 15-18) 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 which can be found in the supplementary information section of the audited financial statements.

TOWN OF WEST WARWICK, RHODE ISLAND
Management's Discussion and Analysis
For the Year Ended June 30, 2017

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 four Enterprise Funds. The Wastewater Authority accounts for the Town's Wastewater system. The Municipal Court collects and levies fines and fees. The School Lunch Program which accounts for the activity of the School's food service program. The Civic Center collects admission and concession stand revenues at the Town-owned venue.

The Town's internal service funds represent accounting devices used to accumulate and allocate costs internally among the Town's various functions. The Town is self-insured in its health coverage, and the Healthcare Management Fund reports the actual claims as well as the Town's contribution to the Fund along with employee deductions for the benefit program. The Energy Efficiency Fund reports on the expenses and revenues generated to provide clean and efficient energy to the Town's properties. The Internal Service Funds are 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 Wastewater Authority, Municipal Court, School Lunch Program, Civic Center, Healthcare Management, and Energy Efficiency, since all of these funds were considered by the Town to be major funds.

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

Fiduciary Funds - Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. Fiduciary Funds are *not* reflected in the government-wide financial statement because resources of those funds are *not* available to support the Town 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 23 through 24.

Notes to Financial Statements -The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are presented on Pages 25 through 83.

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 84 through 97.

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 98 through 114.

In addition, the Town was part of a pilot group of municipalities that worked with the State Department of Revenue in fiscal 2016 to initiate reporting in accordance with the State's new transparency portal. The schedules related to these State reporting requirements can be found on Pages 115 through 121.

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, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$143,588,127 as of June 30, 2017.

TOWN OF WEST WARWICK, RHODE ISLAND
Management's Discussion and Analysis
For the Year Ended June 30, 2017

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

TOWN OF WEST WARWICK, RHODE ISLAND
NET POSITION

| | Governmental Activities | | Business-Type Activities | | Total | |
|---------------------------------------|-------------------------|-------------------------|--------------------------|----------------------|-------------------------|-------------------------|
| | 2017 | (Restated) 2016 | 2017 | (Restated) 2016 | 2017 | (Restated) 2016 |
| ASSETS | | | | | | |
| Current assets | \$ 18,741,748 | \$ 23,167,475 | \$ 11,241,170 | \$ 11,325,988 | \$ 29,982,918 | \$ 34,493,463 |
| Noncurrent assets | 65,365,790 | 61,680,125 | 66,333,687 | 68,779,982 | 131,699,477 | 130,460,107 |
| Total Assets | 84,107,538 | 84,847,600 | 77,574,857 | 80,105,970 | 161,682,395 | 164,953,570 |
| Deferred Outflows of Resources | 18,121,591 | 16,000,750 | 552,631 | 346,575 | 18,674,222 | 16,347,325 |
| LIABILITIES | | | | | | |
| Current liabilities | 9,452,353 | 24,884,756 | 3,271,231 | 3,749,539 | 12,723,584 | 28,634,295 |
| Noncurrent liabilities | 271,278,680 | 251,324,503 | 31,845,317 | 33,911,625 | 303,123,997 | 285,236,128 |
| Total Liabilities | 280,731,033 | 276,209,259 | 35,116,548 | 37,661,164 | 315,847,581 | 313,870,423 |
| Deferred Inflows of Resources | 8,000,646 | 4,032,723 | 96,517 | - | 8,097,163 | 4,032,723 |
| NET POSITION | | | | | | |
| Net Investment in Capital Assets | 19,982,596 | 20,250,393 | 34,935,537 | 34,537,983 | 54,918,133 | 54,788,376 |
| Restricted | 2,767,105 | 7,568,083 | - | - | 2,767,105 | 7,568,083 |
| Unrestricted | (209,252,251) | (207,212,108) | 7,978,886 | 8,253,398 | (201,273,365) | (198,958,710) |
| Total Net Position | \$ (186,502,550) | \$ (179,393,632) | \$ 42,914,423 | \$ 42,791,381 | \$ (143,588,127) | \$ (136,602,251) |

The Town's net position includes \$54,918,133 invested in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment); less any related debt used to acquire these assets that are still outstanding and any restricted cash still remaining on these debt obligations. 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.

The Town's negative unrestricted net position of \$186,502,550 at June 30, 2017 is primarily attributable to the legacy costs related to unfunded pension liabilities and OPEB liabilities which totaled approximately \$221,000,000 at June 30, 2017.

Analysis of the Town of West Warwick's Operations

The following analysis provides a summary of the Town's operations for the fiscal year ended June 30, 2017. Comparative data for fiscal 2017 and 2016 is presented in the table on the following page. Governmental activities decreased the Town's net position by \$7,108,918 for the current period, while business-type activities increased the Town's net position by \$123,042. Overall, the Town's net position decreased by \$6,985,876, over the prior year's net position.

The net change in fund balance for the fiscal year ended June 30, 2017 was a decrease of \$3,915,129 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 an increase of \$484,007 net of depreciation to the Town's net position. Governmental Funds report principal repayments on debt obligations as expenditures; however the repayment has no effect on the net position, which increased the net position by \$2,070,079. Reductions in net position included an increase in the Town's net pension and OPEB liabilities and related deferred inflows and outflows of \$4,234,715. See Exhibit B-3 on Page 18 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, 2017

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 | | |
|--|----------------------------|-------------------------|-----------------------|-----------------------------|----------------------|--------------------|
| | (Restated) | | | (Restated) | | |
| | 2017 | 2016 | Change | 2017 | 2016 | Change |
| Revenues | | | | | | |
| Program revenues | | | | | | |
| Charges for services | \$ 5,896,956 | \$ 17,114,975 | \$ (11,218,019) | \$ 6,723,986 | \$ 7,854,191 | \$ (1,130,205) |
| Operating grants and contributions | 30,231,055 | 32,401,742 | (2,170,687) | 1,038,514 | 995,647 | 42,867 |
| Capital grants and contributions | 680,774 | 238,961 | 441,813 | 2,305,173 | 2,233,849 | 71,324 |
| General revenues | | | | | | |
| Property taxes | 63,165,198 | 61,073,913 | 2,091,285 | - | - | - |
| Unrestricted investment earnings | (50,827) | 492,221 | (543,048) | 24,028 | 13,425 | 10,603 |
| State Aid | 1,377,189 | 1,550,391 | (173,202) | - | - | - |
| Miscellaneous | 599,369 | 372,833 | 226,536 | - | - | - |
| Total Revenues | <u>101,899,714</u> | <u>113,245,036</u> | <u>(11,345,322)</u> | <u>10,091,701</u> | <u>11,097,112</u> | <u>(1,005,411)</u> |
| Expenses | | | | | | |
| General government | 13,481,177 | 23,535,753 | (10,054,576) | - | - | - |
| Public safety | 22,960,858 | 41,660,801 | (18,699,943) | - | - | - |
| Public works | 4,770,892 | 3,880,681 | 890,211 | - | - | - |
| Education | 61,159,875 | 80,403,867 | (19,243,992) | - | - | - |
| Public assistance, development, recreation, and senior center | 3,981,785 | 3,647,796 | 333,989 | - | - | - |
| Community development | - | - | - | - | - | - |
| Public libraries | 1,006,682 | 1,000,276 | 6,406 | - | - | - |
| Interest on long-term debt | 1,324,474 | 1,052,190 | 272,284 | - | - | - |
| Sewer Authority | - | - | - | 8,259,456 | 9,637,241 | (1,377,785) |
| Municipal Court | - | - | - | 100,965 | 99,719 | 1,246 |
| School Lunch Program | - | - | - | 1,433,295 | 1,263,258 | 170,037 |
| Civic Center | - | - | - | 497,832 | 606,896 | (109,064) |
| Total Expenses | <u>108,685,743</u> | <u>155,181,364</u> | <u>(46,495,621)</u> | <u>10,291,548</u> | <u>11,607,114</u> | <u>(1,315,566)</u> |
| Increase (Decrease) in Net Position | (6,786,029) | (41,936,328) | 35,150,299 | (199,847) | (510,002) | 310,155 |
| Transfers | (322,889) | 10,000 | (332,889) | 322,889 | (10,000) | 332,889 |
| Increase (Decrease) in Net Position | (7,108,918) | (41,926,328) | 34,817,410 | 123,042 | (520,002) | 643,044 |
| Net Positions - beginning (Restated) | <u>(179,393,632)</u> | <u>(137,467,304)</u> | <u>(41,926,328)</u> | <u>42,791,381</u> | <u>43,311,383</u> | <u>(520,002)</u> |
| Net Positions - ending | <u>\$ (186,502,550)</u> | <u>\$ (179,393,632)</u> | <u>\$ (7,108,918)</u> | <u>\$ 42,914,423</u> | <u>\$ 42,791,381</u> | <u>\$ 123,042</u> |

TOWN OF WEST WARWICK, RHODE ISLAND
Management's Discussion and Analysis
For the Year Ended June 30, 2017

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.

At the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$10,270,203. Approximately -2.05% of the total amount, or -\$210,232 constituted unassigned fund balances. The remainder of the fund balance is non-spendable, restricted, or committed 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 17. For details of the composition of Fund Balance and the restrictions or committed purposes of the Fund Balance refer to Note 7 Pages 55 through 57.

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 \$7,978,886 while the net investment in capital assets for these funds was \$34,935,537 resulting in a total net position of \$42,914,423. This net position consisted of \$40,880,975 for the Wastewater Authority, \$147,209 for the Municipal Court, \$1,192,523 for the School Lunch Program, and \$693,716 for the Civic Center.

The Town also maintains Internal Service Funds for the Town and School Department's self-insured medical and dental claims and activity (Healthcare Management Fund), and for renewable and energy efficiency activities (Energy Efficiency Fund). During the fiscal year ended June 30, 2017 the Internal Service Funds incurred a net loss of \$620,903. As a result, the net position as of June 30, 2017 was a cumulative deficit of \$1,270,261. The deficit net position will be covered through future increases in working rates charged to the various departments and potential reduction in claims activity for the Healthcare Management Fund. The \$75,864 cumulative deficit in the Energy Efficiency Fund is expected to be covered thru future renewable energy credits from the Wind Turbines.

General Fund Budgetary Highlights

For the year ended June 30, 2017, the General Fund revenues and other financing sources were under budget by \$625,116 (revenue shortfall - 0.7%) while expenditures and other financing uses were over budget by \$440,504 (0.5% over expenditures). This resulted in budgetary basis deficit of \$1,065,620 for the fiscal year ended June 30, 2017. See details on Pages 84 through 87.

Revenues

General property taxes were under budget by \$954,699, due to a decrease in collections of delinquent taxes during the operating year.

Intergovernmental revenues were over budget by \$218,653, due to changes in anticipated state aid revenues put into effect after the preparation of the Town's budget.

Departmental revenues were over budget by \$96,292, due to higher than expected revenues such as fees and permits.

TOWN OF WEST WARWICK, RHODE ISLAND
Management's Discussion and Analysis
For the Year Ended June 30, 2017

Expenditures

General Government were under budget by \$280,869, due to a transfer from the OPEB Trust to offset Retiree Healthcare costs.

Public Works was under budget by \$176,892, due to departmental cost reductions.

Public Safety was over budget by \$308,048, due to departmental cost overruns.

Other Financing Uses was over budget by \$440,504, due to an increase in School State Aid (which gets transferred to the School Department) and Debt Service payment to Sinking Fund (which was reclassified as a transfer).

Capital Assets

The Town of West Warwick's investment in capital assets for its governmental and business-type activities as of June 30, 2017 amounts to \$123,410,659 (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
Capital Assets (Net of Accumulated Depreciation) (in 000's)

| | Governmental | | Business-Type | | Totals | |
|-----------------------------------|------------------|------------------|------------------|------------------|-------------------|-------------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Land | \$ 9,268 | \$ 9,268 | \$ 433 | \$ 433 | \$ 9,701 | \$ 9,701 |
| Construction in Progress | 44 | 16,995 | 110 | - | 154 | 16,995 |
| Land Improvements | 1,350 | 88 | 444 | 490 | 1,794 | 578 |
| Buildings and improvements | 16,688 | 16,066 | 39,600 | 40,388 | 56,288 | 56,454 |
| Machinery, Equipment and Vehicles | 22,036 | 2,631 | 7,212 | 7,650 | 29,248 | 10,281 |
| Infrastructure | 15,980 | 16,632 | 10,246 | 10,805 | 26,226 | 27,437 |
| Cafeteria Equipment | - | - | - | - | - | - |
| Plant facilities and equipment | - | - | - | - | - | - |
| Extensions and mains | - | - | - | - | - | - |
| Net Capital Assets | \$ 65,366 | \$ 61,680 | \$ 58,045 | \$ 59,766 | \$ 123,411 | \$ 121,446 |

Additional information on the Town of West Warwick's capital assets is located in Note 4 of the notes to the financial statements on Pages 48 through 50.

Debt Administration

At the end of the current fiscal year, the Town of West Warwick's Governmental Activities had a total bonded debt of approximately \$32,662,000. 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
Management's Discussion and Analysis
For the Year Ended June 30, 2017

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

| | Governmental Activities | | Business-Type Activities | | Totals | |
|----------------------------|----------------------------|------------------|--------------------------|------------------|------------------|------------------|
| | <u>2017</u> | <u>2016</u> | <u>2017</u> | <u>2016</u> | <u>2017</u> | <u>2016</u> |
| General Obligation Bonds | \$ 32,662 | \$ 27,438 | \$ - | \$ - | \$ 32,662 | \$ 27,438 |
| Lease Purchase Obligations | 1,157 | 536 | 188 | 83 | 1,345 | 619 |
| General Revenue Notes | - | - | \$ 26,005 | \$ 28,222 | 26,005 | 28,222 |
| Totals | \$ 33,819 | \$ 27,974 | \$ 26,193 | \$ 28,305 | \$ 60,012 | \$ 56,279 |

Note 5, Pages 50 through 54 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 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 \$65,000,000 at year-end. The Town's outstanding general obligation debt is approximately \$32,662,000 at year-end; of which none is subject to the legal debt margin.

At June 30, 2017 the Town also had \$12,116,000 of outstanding Bond Anticipation Notes (BANs). The proceeds from these BANs were utilized to pay for the costs associated with the wind turbine project. The wind turbine project was completed and placed into service in fiscal 2017. The debt service requirements related to the BANs are anticipated to be covered through contributions from the Town Departments/Agencies, the sale of renewable energy credits and savings in utilities charges.

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 2018 amounts to \$94,962,981 which reflects an increase of \$2,811,194, or 3.05% above the fiscal year 2017 budget of \$92,151,787. Of the Town's 2018 budget, 60% is budgeted for education expenditures and 40% is budgeted for general government. The State of Rhode Island is budgeted to contribute \$24,228,708 to the Town's education department based on State Aid in fiscal 2018.

The Town's tax rate for Fiscal Year 2018 is \$26.31 per \$1,000 of assessed value with 40% allocated for general government and 60% allocated for education. For fiscal year 2017 the Town's tax rate was \$25.84 per \$1,000 of assessed value with 40% allocated for general government and 60% allocated for education.

During fiscal year 2017, the Town completed several projects as part of our green initiative goals. In August of 2016, West Warwick became the first Town in the state to have all of its electric energy supplied through renewable energy projects. This was made possible by the completion of the \$18 million, 4.5KW wind turbine project and the installation of solar arrays on both the Ice rink and field house.

With the completion of these projects, every Town-owned building, including all schools, Town Hall, Wastewater facility, ice rink, field house, library, and senior center are now using 100% renewable energy that we are producing. The estimated savings of this initiative over the next 20 years is in excess of \$20 million after debt service.

The Town has taken advantage of the state's Efficient Buildings Fund program and completed major building efficiency upgrades and are currently converting all of our street lights to more efficient LED lights. These projects are estimated to save the Town an additional \$150,000 - \$200,000 per year.

TOWN OF WEST WARWICK, RHODE ISLAND
Management's Discussion and Analysis
For the Year Ended June 30, 2017

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, 2016, and 2017. As of the July 1, 2017 Actuarial Valuation Report, the Town plan was 21.8% funded and the unfunded liability was \$126 million. 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 based on the Town's financial condition.

On June 30, 2016, Fitch Ratings upgraded the Town's rating to BBB with the Rating Outlook of Stable, from the previous rating of BBB- with a positive outlook. In their words, "reflects the stabilization of operations through pension and OPEB reforms and long-term employee contracts. These actions, combined with a five year operating plan, have provided budget relief, a reduced burden on the tax base, and a lowering of the long-term liabilities associated with retiree benefits."

On August 7, 2015, Moody's affirmed the Town's Baa2 rating and the outlook remained stable. According to their Press Release, the outlook assumes that the Town will continue its efforts to maintain adequate reserve levels and to address its large pension and OPEB liabilities through the full funding of its pension OPEB liabilities. As of the issue date of this report, Moody's has not requested a ratings call with the Town.

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.

TOWN OF WEST WARWICK

BASIC FINANCIAL STATEMENTS



TOWN OF WEST WARWICK, RHODE ISLAND

EXHIBIT A-1

Statement of Net Position
June 30, 2017

| | Governmental Activities | Business-type Activities | Total |
|---|----------------------------|-----------------------------|-------------------------|
| ASSETS: | | | |
| Current Assets: | | | |
| Cash and cash equivalents | \$ 10,798,976 | \$ 4,114,189 | \$ 14,913,165 |
| Restricted cash | 643,460 | 3,102,980 | 3,746,440 |
| Funds on deposit | 259,028 | - | 259,028 |
| Investments | 2,366,772 | - | 2,366,772 |
| Accounts receivable, net | 4,666,273 | 2,087,561 | 6,753,834 |
| Internal balances | (1,884,827) | 1,884,827 | - |
| Due from federal and state governments | 1,284,610 | 51,613 | 1,336,223 |
| Prepays | 607,456 | - | 607,456 |
| Total Current Assets | 18,741,748 | 11,241,170 | 29,982,918 |
| Noncurrent Assets: | | | |
| Assessment and fees receivable | - | 1,892,693 | 1,892,693 |
| Municipal debt service assessment receivables | - | 6,396,125 | 6,396,125 |
| Capital assets not being depreciated | 9,312,798 | 542,696 | 9,855,494 |
| Capital assets, net of accumulated depreciation | 56,052,992 | 57,502,173 | 113,555,165 |
| Total Noncurrent Assets | 65,365,790 | 66,333,687 | 131,699,477 |
| TOTAL ASSETS | 84,107,538 | 77,574,857 | 161,682,395 |
| Deferred outflows of resources | | | |
| Pension related deferred outflows of resources | 15,759,670 | 332,416 | 16,092,086 |
| OPEB related deferred outflows of resources | 2,361,921 | 220,215 | 2,582,136 |
| Total deferred outflows of resources | 18,121,591 | 552,631 | 18,674,222 |
| LIABILITIES: | | | |
| Current Liabilities: | | | |
| Accounts payable and accrued expenses | 4,955,115 | 885,361 | 5,840,476 |
| Due to federal and state governments | 58,930 | - | 58,930 |
| Unearned revenue | 1,196,013 | - | 1,196,013 |
| Current portion of compensated absences | 1,000,000 | 93,109 | 1,093,109 |
| Current portion of general obligation bonds | 1,991,000 | 2,240,000 | 4,231,000 |
| Current portion of capital lease obligations | 251,295 | 52,761 | 304,056 |
| Total Current Liabilities | 9,452,353 | 3,271,231 | 12,723,584 |
| Noncurrent Liabilities: | | | |
| Net pension and net OPEB liabilities | 221,269,293 | 7,819,159 | 229,088,452 |
| Compensated absences, net | 5,966,000 | 126,336 | 6,092,336 |
| Bond anticipation note | 12,116,000 | - | 12,116,000 |
| General obligation bonds, net | 30,670,515 | 23,765,000 | 54,435,515 |
| Capital lease obligations, net | 905,237 | 134,822 | 1,040,059 |
| Bond premium | 351,635 | - | 351,635 |
| Total Noncurrent Liabilities | 271,278,680 | 31,845,317 | 303,123,997 |
| TOTAL LIABILITIES | 280,731,033 | 35,116,548 | 315,847,581 |
| Deferred inflows of resources | | | |
| Pension related deferred inflows of resources | 5,656,210 | 95,353 | 5,751,563 |
| OPEB related deferred inflows of resources | 2,344,436 | 1,164 | 2,345,600 |
| Total deferred inflows of resources | 8,000,646 | 96,517 | 8,097,163 |
| NET POSITION: | | | |
| Net investment in capital assets | 19,982,596 | 34,935,537 | 54,918,133 |
| Restricted | 2,767,105 | - | 2,767,105 |
| Unrestricted | (209,252,251) | 7,978,886 | (201,273,365) |
| TOTAL NET POSITION | \$ (186,502,550) | \$ 42,914,423 | \$ (143,588,127) |

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

TOWN OF WEST WARWICK, RHODE ISLAND

EXHIBIT A-2

**Statement of Activities
For the Year Ended June 30, 2017**

| <u>Functions/Programs:</u> | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | |
|---|-----------------------|---|--|--|--|-----------------------------|-------------------------|
| | | Charges for Services, Fees & Licenses | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | Total |
| Governmental activities: | | | | | | | |
| General government | \$ 13,481,177 | \$ 3,016,452 | \$ 667,231 | \$ 573,460 | \$ (9,224,034) | | \$ (9,224,034) |
| Public safety | 22,960,858 | 2,059,548 | 88,356 | - | (20,812,954) | | (20,812,954) |
| Public works | 4,770,892 | 11,821 | - | - | (4,759,071) | | (4,759,071) |
| Public assistance, development, recreation | 3,768,785 | 31,975 | 250,922 | - | (3,485,888) | | (3,485,888) |
| Public libraries | 1,006,682 | 20,293 | 198,943 | - | (787,446) | | (787,446) |
| Education | 61,159,875 | 660,147 | 27,965,272 | 107,314 | (32,427,142) | | (32,427,142) |
| Senior center activities | 213,000 | - | - | - | (213,000) | | (213,000) |
| Interest on long-term debt | 1,324,474 | 96,720 | 1,060,331 | - | (167,423) | | (167,423) |
| Total governmental activities | 108,685,743 | 5,896,956 | 30,231,055 | 680,774 | (71,876,958) | | (71,876,958) |
| Business-type activities: | | | | | | | |
| Wastewater Authority | 8,259,456 | 5,686,118 | - | 2,305,173 | - | \$ (268,165) | (268,165) |
| Municipal Court | 100,965 | 112,665 | - | - | - | 11,700 | 11,700 |
| School Lunch Program | 1,433,295 | 415,939 | 1,038,514 | - | - | 21,158 | 21,158 |
| Civic Center | 497,832 | 509,264 | - | - | - | 11,432 | 11,432 |
| Total business-type activities | 10,291,548 | 6,723,986 | 1,038,514 | 2,305,173 | - | (223,875) | (223,875) |
| Total | \$ 118,977,291 | \$ 12,620,942 | \$ 31,269,569 | \$ 2,985,947 | (71,876,958) | (223,875) | (72,100,833) |
| General revenues: | | | | | | | |
| Property taxes | | | | | 63,165,198 | - | 63,165,198 |
| Motor vehicle phase-out taxes | | | | | 238,429 | - | 238,429 |
| Utilities taxes | | | | | 360,940 | - | 360,940 |
| State Aid to distressed communities | | | | | 895,815 | - | 895,815 |
| Hotel, meals, and beverage tax | | | | | 481,374 | - | 481,374 |
| Unrestricted investment earnings | | | | | (50,827) | 24,028 | (26,799) |
| Transfers in (out) | | | | | (322,889) | 322,889 | - |
| Total general revenues and transfers | | | | | 64,768,040 | 346,917 | 65,114,957 |
| Change in Net Position | | | | | (7,108,918) | 123,042 | (6,985,876) |
| Net Position - beginning of year (as restated) | | | | | (179,393,632) | 42,791,381 | (136,602,251) |
| Net Position - end of year | | | | | \$ (186,502,550) | \$ 42,914,423 | \$ (143,588,127) |

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

TOWN OF WEST WARWICK, RHODE ISLAND

EXHIBIT B-1

**Balance Sheet
Governmental Funds
June 30, 2017**

| | General Fund | School Unrestricted Fund | Debt Service Fund | NonMajor Governmental Funds | Total Governmental Funds |
|---|----------------------|--------------------------------|-------------------------|-----------------------------------|--------------------------------|
| ASSETS: | | | | | |
| Cash and cash equivalents | \$ 10,133,686 | \$ - | \$ 348,260 | \$ 317,030 | \$ 10,798,976 |
| Restricted cash | - | - | - | 643,460 | 643,460 |
| Investments | - | - | 1,955,655 | - | 1,955,655 |
| Taxes receivable, net | 2,819,613 | - | - | - | 2,819,613 |
| Other receivables, net | 598,937 | 239,621 | - | - | 838,558 |
| Due from federal and state governments | - | 126,301 | - | 1,158,309 | 1,284,610 |
| Prepays | 205,653 | 186,203 | - | - | 391,856 |
| Due from other funds | - | 5,856,135 | - | 2,855,035 | 8,711,170 |
| TOTAL ASSETS | <u>\$ 13,757,889</u> | <u>\$ 6,408,260</u> | <u>\$ 2,303,915</u> | <u>\$ 4,973,834</u> | <u>\$ 27,443,898</u> |
| LIABILITIES: | | | | | |
| Accounts payable and accrued expenses | \$ 1,012,586 | \$ 2,052,535 | \$ - | \$ 365,274 | \$ 3,430,395 |
| Due to federal & state governments | 58,404 | - | - | 526 | 58,930 |
| Due to other funds | 8,430,145 | - | - | 1,562,304 | 9,992,449 |
| Unearned revenue | 1,192,891 | - | - | 3,122 | 1,196,013 |
| TOTAL LIABILITIES | <u>10,694,026</u> | <u>2,052,535</u> | <u>-</u> | <u>1,931,226</u> | <u>14,677,787</u> |
| DEFERRED INFLOWS OF RESOURCES: | | | | | |
| Unavailable tax and EMS revenue | 2,495,908 | - | - | - | 2,495,908 |
| FUND BALANCES: | | | | | |
| Non-spendable | 205,653 | 186,203 | - | - | 391,856 |
| Restricted | - | - | 2,303,915 | 2,121,459 | 4,425,374 |
| Committed | 145,247 | 4,169,522 | - | 1,348,436 | 5,663,205 |
| Unassigned | 217,055 | - | - | (427,287) | (210,232) |
| TOTAL FUND BALANCES | <u>567,955</u> | <u>4,355,725</u> | <u>2,303,915</u> | <u>3,042,608</u> | <u>10,270,203</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | <u>\$ 13,757,889</u> | <u>\$ 6,408,260</u> | <u>\$ 2,303,915</u> | <u>\$ 4,973,834</u> | <u>\$ 27,443,898</u> |

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

TOWN OF WEST WARWICK, RHODE ISLAND

EXHIBIT B-1 (Continued)

*Balance Sheet
Governmental Funds
June 30, 2017*

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 | \$ 10,270,203 |
| Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore are not reported in the Governmental Funds Balance Sheet | 65,365,790 |
| Deferred outflows related to pension plan and OPEB plan are not current measurable and available resources and therefore not reported in the Fund Statements but are reported in the Statement of Net Position | 18,121,591 |
| Deferred inflows related to pension plan and OPEB plan are not current measurable and available resources and therefore not reported in the Fund Statements but are reported in the Statement of Net Position | (8,000,646) |
| Long-term liabilities and related items 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: | |
| Accrual for net pension and net OPEB liabilities | (221,269,293) |
| Accrual for compensated absences | (6,966,000) |
| BANs, bonds and notes payable | (44,777,515) |
| Capital lease obligations | (1,156,532) |
| Bond premium, net of amortization | (351,635) |
| Unavailable tax and EMS 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 | 2,495,908 |
| Investments in connection with the issuance of Qualified Zone Academy Bonds, Series 2005. Town entered into a Forward Purchase Contract with a financial institution considered to be a derivative instrument | 411,117 |
| 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. This is the fiscal 2017 impact on the Statement of Net Position, excluding capital assets, net of accumulated depreciation, and long-term liabilities, the impact of which is reflected above | (419,538) |
| 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 | (226,000) |
| Total Net Position reported in Exhibit A-1 | <u>\$ (186,502,550)</u> |

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

TOWN OF WEST WARWICK, RHODE ISLAND

EXHIBIT B-2

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2017**

| | General Fund | School Unrestricted Fund | Debt Service Fund | NonMajor Governmental Funds | Total Governmental Funds |
|---|---------------------|--------------------------------|-------------------------|-----------------------------------|--------------------------------|
| REVENUES: | | | | | |
| Property taxes | \$ 63,004,728 | \$ - | \$ - | \$ - | \$ 63,004,728 |
| Intergovernmental | 3,036,889 | 23,016,375 | - | 2,896,341 | 28,949,605 |
| Licenses, fees, fines, charges, and assessments | 2,367,801 | - | - | 1,133,571 | 3,501,372 |
| Medicaid | - | 431,321 | - | - | 431,321 |
| Investment income (loss) | 19,638 | - | 96,720 | 2 | 116,360 |
| Contributions and grants | - | - | - | 154,944 | 154,944 |
| State on behalf pension contribution | - | 2,485,486 | - | - | 2,485,486 |
| Non-public transportation offset | - | 57,242 | - | - | 57,242 |
| Other miscellaneous | 81,240 | 127,002 | - | 5,105 | 213,347 |
| TOTAL REVENUES | 68,510,296 | 26,117,426 | 96,720 | 4,189,963 | 98,914,405 |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| General government | 10,045,451 | - | - | - | 10,045,451 |
| Public Safety | 15,523,288 | - | - | 738,994 | 16,262,282 |
| Public Services | 4,118,696 | - | - | 9,695 | 4,128,391 |
| Library | 685,638 | - | - | 210,256 | 895,894 |
| Education | - | 57,514,990 | - | 2,492,368 | 60,007,358 |
| Senior Center | 213,000 | - | - | - | 213,000 |
| Public assistance, development & recreation | 3,220,559 | - | - | 250,760 | 3,471,319 |
| Debt Service | 3,035,079 | - | - | 15,017 | 3,050,096 |
| Capital Outlays | 718,127 | - | - | 4,445,201 | 5,163,328 |
| TOTAL EXPENDITURES | 37,559,838 | 57,514,990 | - | 8,162,291 | 103,237,119 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES) | | | | | |
| | 30,950,458 | (31,397,564) | 96,720 | (3,972,328) | (4,322,714) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Issuance of bonds, notes, and lease purchase obligations | - | - | - | 730,474 | 730,474 |
| Transfers in | - | 31,557,516 | 155,673 | 80,200 | 31,793,389 |
| Transfers out | (32,036,078) | (80,200) | - | - | (32,116,278) |
| TOTAL OTHER FINANCING SOURCES (USES) | (32,036,078) | 31,477,316 | 155,673 | 810,674 | 407,585 |
| NET CHANGE IN FUND BALANCES | (1,085,620) | 79,752 | 252,393 | (3,161,654) | (3,915,129) |
| FUND BALANCE BEGINNING OF YEAR | 1,653,575 | 4,275,973 | 2,051,522 | 6,204,262 | 14,185,332 |
| FUND BALANCE AT END OF YEAR | \$ 567,955 | \$ 4,355,725 | \$ 2,303,915 | \$ 3,042,608 | \$ 10,270,203 |

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

TOWN OF WEST WARWICK, RHODE ISLAND

EXHIBIT B-3

*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)
For the Year Ended June 30, 2017*

| | |
|--|------------------------------|
| Net Change in Fund Balances - Total Governmental Funds (Exhibit B-2): | \$ (3,915,129) |
| 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 capital expenditures exceeded depreciation expense in the current period. | 484,007 |
| Governmental funds do not recognize gains or losses on the sale or disposal of capital assets. The Statement of Activities includes losses on the disposal of capital assets during the current year. | (43,500) |
| Governmental funds report bond, premium on bond, and capital lease proceeds as revenues. However, in the statement of activities, these funds are reported as additions to long-term debt. | (730,474) |
| Governmental funds report principal repayments on debt obligations as an expenditure. However, the repayment of principal has no effect on the net position. | 2,070,079 |
| Changes to the following accounts related to the Town's pension and OPEB plans are reported as an expense for governmental activities but are not reported as an expenditure in the fund financial statements until they are paid with measurable and available resources: | |
| Increase in net pension liability | (797,744) |
| Increase in net OPEB liability | (1,589,889) |
| Increase in deferred outflows of resources | 2,120,841 |
| Increase in deferred inflows of resources | (3,967,923) |
| 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 2017. | 22,412 |
| Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in governmental funds. Net unavailable tax revenue increased from fiscal 2016. | 160,470 |
| Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in governmental funds. Net unavailable EMS Rescue revenue increased from fiscal 2016. | 5,300 |
| Accrued interest on long-term debt obligations is reported in the governmental activities but is not reported in the governmental fund statements. This is the decrease in accrued interest expense from fiscal 2016. | 65,000 |
| The governmental funds reflect compensated absences when they will be paid with measurable and available resources. The change from prior year balances is reflected in the statement of activities. Compensated absences increased from fiscal 2016. | (301,000) |
| Investment income in connection with the issuance of Qualified Zone Academy Bonds, Series 2005. Town entered into a Forward Purchase Contract with a financial institution considered to be a derivative instrument. This is a decrease from fiscal 2016. | (70,465) |
| The activity reported in the Internal Service Funds 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 2017. | <u>(620,903)</u> |
| Change in Net Position of Governmental Activities in the Statement of Activities (Exhibit A-2) | <u>\$ (7,108,918)</u> |

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

TOWN OF WEST WARWICK, RHODE ISLAND

EXHIBIT C-1

Statement of Net Position
Proprietary Funds
June 30, 2017

| | Business-type Activities-Enterprise Funds | | | | Governmental Activities | | | |
|---|---|-------------------|----------------------|-------------------|-------------------------|----------------------------|------------------------|------------------------------|
| | Wastewater Authority | Municipal Court | School Lunch Program | Civic Center | Total Enterprise Funds | Healthcare Management Fund | Energy Efficiency Fund | Total Internal Service Funds |
| ASSETS: | | | | | | | | |
| <i>Current Assets:</i> | | | | | | | | |
| Cash and cash equivalents | \$ 3,154,200 | \$ - | \$ 959,789 | \$ 200 | \$ 4,114,189 | \$ - | \$ - | \$ - |
| Restricted cash | 3,083,251 | - | 19,729 | - | 3,102,980 | - | - | - |
| Funds on deposit | - | - | - | - | - | - | 259,028 | 259,028 |
| Assessments and fees receivable, net | 1,144,448 | 37,002 | 203,144 | 30,638 | 1,415,232 | - | - | - |
| Other receivables | - | - | - | - | - | 502,342 | 505,760 | 1,008,102 |
| Municipal debt service assessment receivables | 672,329 | - | - | - | 672,329 | - | - | - |
| Due from federal and state governments | 51,613 | - | - | - | 51,613 | - | - | - |
| Due from other funds | 2,552,268 | 139,513 | - | - | 2,691,781 | 1,528,927 | 16,650 | 1,545,577 |
| Prepaid expenses | - | - | - | - | - | - | 215,600 | 215,600 |
| Total Current Assets | 10,658,109 | 176,515 | 1,182,662 | 30,838 | 12,048,124 | 2,031,269 | 997,038 | 3,028,307 |
| <i>Noncurrent Assets:</i> | | | | | | | | |
| Assessments and fees receivable, net | 1,892,693 | - | - | - | 1,892,693 | - | - | - |
| Municipal debt service assessment receivables | 6,396,125 | - | - | - | 6,396,125 | - | - | - |
| Capital assets not being depreciated | 411,596 | - | - | 131,100 | 542,696 | - | - | - |
| Capital assets, net of accumulated depreciation | 55,803,114 | - | 134,868 | 1,564,191 | 57,502,173 | - | 18,449,277 | 18,449,277 |
| Total Noncurrent Assets | 64,503,528 | - | 134,868 | 1,695,291 | 66,333,687 | - | 18,449,277 | 18,449,277 |
| TOTAL ASSETS | 75,161,637 | 176,515 | 1,317,530 | 1,726,129 | 78,381,811 | 2,031,269 | 19,446,315 | 21,477,584 |
| <i>Deferred Outflows of Resources</i> | | | | | | | | |
| Pension-related deferred outflows of resources | 332,416 | - | - | - | 332,416 | - | - | - |
| OPEB-related deferred outflows of resources | 220,215 | - | - | - | 220,215 | - | - | - |
| Total Deferred Outflows of Resources | 552,631 | - | - | - | 552,631 | - | - | - |
| LIABILITIES: | | | | | | | | |
| <i>Current Liabilities:</i> | | | | | | | | |
| Accounts payable and accrued expenses | 712,455 | 29,306 | 118,285 | 25,315 | 885,361 | 1,076,541 | 222,179 | 1,298,720 |
| Due to other funds | - | - | 6,722 | 800,232 | 806,954 | 2,149,125 | - | 2,149,125 |
| Current portion of compensated absences | 85,000 | - | - | 8,109 | 93,109 | - | - | - |
| Current portion of general obligation bonds | 2,240,000 | - | - | - | 2,240,000 | - | - | - |
| Current portion of capital lease obligations | - | - | - | 52,761 | 52,761 | - | - | - |
| Total Current Liabilities | 3,037,455 | 29,306 | 125,007 | 886,417 | 4,078,185 | 3,225,666 | 222,179 | 3,447,845 |
| <i>Noncurrent Liabilities:</i> | | | | | | | | |
| Bond anticipation note | - | - | - | - | - | - | 12,116,000 | 12,116,000 |
| General obligation bonds, net | 23,765,000 | - | - | - | 23,765,000 | - | 7,184,000 | 7,184,000 |
| Capital lease obligations, net | - | - | - | 134,822 | 134,822 | - | - | - |
| Net pension and net OPEB liabilities | 7,819,159 | - | - | - | 7,819,159 | - | - | - |
| Compensated absences, net | 115,162 | - | - | 11,174 | 126,336 | - | - | - |
| Total Noncurrent Liabilities | 31,699,321 | - | - | 145,996 | 31,845,317 | - | 19,300,000 | 19,300,000 |
| TOTAL LIABILITIES | 34,736,776 | 29,306 | 125,007 | 1,032,413 | 35,923,502 | 3,225,666 | 19,522,179 | 22,747,845 |
| <i>Deferred Inflows of Resources</i> | | | | | | | | |
| Pension-related deferred inflows of resources | 95,353 | - | - | - | 95,353 | - | - | - |
| OPEB-related deferred inflows of resources | 1,164 | - | - | - | 1,164 | - | - | - |
| Total Deferred Inflows of Resources | 96,517 | - | - | - | 96,517 | - | - | - |
| NET POSITION: | | | | | | | | |
| Net investment in capital assets | 33,292,961 | - | 134,868 | 1,507,708 | 34,935,537 | - | (591,695) | (591,695) |
| Unrestricted | 7,588,014 | 147,209 | 1,057,655 | (813,992) | 7,978,886 | (1,194,397) | 515,831 | (678,566) |
| TOTAL NET POSITION | \$ 40,880,975 | \$ 147,209 | \$ 1,192,523 | \$ 693,716 | \$ 42,914,423 | \$ (1,194,397) | \$ (75,864) | \$ (1,270,261) |

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

TOWN OF WEST WARWICK, RHODE ISLAND

EXHIBIT C-2

**Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2017**

| | Business-type Activities-Enterprise Funds | | | | | Governmental Activities | | |
|---|---|-------------------|----------------------|-------------------|------------------------|----------------------------|------------------------|------------------------------|
| | Wastewater Authority | Municipal Court | School Lunch Program | Civic Center | Total Enterprise Funds | Healthcare Management Fund | Energy Efficiency Fund | Total Internal Service Funds |
| OPERATING REVENUES: | | | | | | | | |
| Charges for usage, service, and assessments | \$ 5,630,945 | \$ 112,665 | \$ - | \$ 495,259 | \$ 6,238,869 | \$ 13,849,869 | \$ 1,263,091 | \$ 15,112,960 |
| Food sales | - | - | 415,939 | 14,005 | 429,944 | - | - | - |
| Intergovernmental | 51,613 | - | 1,038,514 | - | 1,090,127 | - | 662,400 | 662,400 |
| Other revenues | 3,560 | - | - | - | 3,560 | - | - | - |
| Total Operating Revenues | 5,686,118 | 112,665 | 1,454,453 | 509,264 | 7,762,500 | 13,849,869 | 1,925,491 | 15,775,360 |
| OPERATING EXPENSES: | | | | | | | | |
| Salaries and benefits | 2,530,125 | 84,895 | 28,500 | 269,183 | 2,912,703 | 13,000,497 | - | 13,000,497 |
| Other operating expenses | 2,621,632 | 10,000 | 1,354,315 | 69,162 | 4,055,109 | 1,437,324 | 1,031,719 | 2,469,043 |
| Depreciation and amortization | 2,496,885 | - | 47,328 | 69,114 | 2,613,327 | - | 381,104 | 381,104 |
| Materials, supplies, repairs and maintenance | 36,809 | 6,070 | 3,152 | 88,708 | 134,739 | - | 113,750 | 113,750 |
| Total Operating Expenses | 7,685,451 | 100,965 | 1,433,295 | 496,167 | 9,715,878 | 14,437,821 | 1,526,573 | 15,964,394 |
| OPERATING INCOME (LOSS) | (1,999,333) | 11,700 | 21,158 | 13,097 | (1,953,378) | (587,952) | 398,918 | (189,034) |
| NONOPERATING REVENUES (EXPENSES): | | | | | | | | |
| Contributions from other communities | 2,305,173 | - | - | - | 2,305,173 | - | - | - |
| Interest income | 24,028 | - | - | - | 24,028 | - | - | - |
| Interest expense | (574,005) | - | - | (1,665) | (575,670) | - | (331,238) | (331,238) |
| Bond issuance costs | - | - | - | - | - | - | (100,631) | (100,631) |
| Net Nonoperating Revenues | 1,755,196 | - | - | (1,665) | 1,753,531 | - | (431,869) | (431,869) |
| INCOME (LOSS) BEFORE TRANSFERS | (244,137) | 11,700 | 21,158 | 11,432 | (199,847) | (587,952) | (32,951) | (620,903) |
| Transfers in | - | - | - | 322,889 | 322,889 | - | - | - |
| CHANGE IN NET POSITION | (244,137) | 11,700 | 21,158 | 334,321 | 123,042 | (587,952) | (32,951) | (620,903) |
| TOTAL NET POSITION - BEGINNING (as restated) | 41,125,112 | 135,509 | 1,171,365 | 359,395 | 42,791,381 | (606,445) | (42,913) | (649,358) |
| TOTAL NET POSITION - ENDING | \$ 40,880,975 | \$ 147,209 | \$ 1,192,523 | \$ 693,716 | \$ 42,914,423 | \$ (1,194,397) | \$ (75,864) | \$ (1,270,261) |

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

TOWN OF WEST WARWICK, RHODE ISLAND

EXHIBIT C-3

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2017

| | Business-type Activities-Enterprise Funds | | | | Total Enterprise Funds | Governmental Activities | | Total Internal Service Funds |
|--|---|--------------------|-------------------------|------------------|------------------------------|----------------------------------|---------------------------|------------------------------------|
| | Wastewater Authority | Municipal Court | School Lunch Program | Civic Center | | Healthcare Management Fund | Energy Efficiency Fund | |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | | | | | |
| Cash received from customers | \$ 6,081,155 | \$ 110,238 | \$ 1,320,167 | \$ 485,427 | \$ 7,996,987 | \$ 13,370,684 | \$ 1,419,731 | \$ 14,790,415 |
| Cash paid to suppliers for goods and services and other operating payments | (3,231,987) | (19,799) | (1,361,713) | (147,566) | (4,761,065) | (1,437,324) | (1,354,910) | (2,792,234) |
| Cash paid for employees and benefits | (2,511,332) | (84,895) | (28,500) | (258,400) | (2,883,127) | (11,933,360) | - | (11,933,360) |
| Net cash provided by (used in) operating activities | 337,836 | 5,544 | (70,046) | 79,461 | 352,795 | - | 64,821 | 64,821 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | | | | | | | |
| Transfers to (from) other funds | - | - | - | 322,889 | 322,889 | - | - | - |
| (Payments to) receipts from other funds | (424,752) | (5,544) | 37,084 | 26,119 | (367,093) | - | 2,536,318 | 2,536,318 |
| Net cash (used in) provided by noncapital financing activities | (424,752) | (5,544) | 37,084 | 349,008 | (44,204) | - | 2,536,318 | 2,536,318 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | | | | | | |
| Contributions from other communities for capital acquisitions and debt service | 2,908,609 | - | - | - | 2,908,609 | - | - | - |
| Acquisition of capital assets | (341,791) | - | (19,472) | (531,390) | (892,653) | - | (3,626,262) | (3,626,262) |
| Proceeds from long-term debt obligations | - | - | - | 131,947 | 131,947 | - | 6,924,972 | 6,924,972 |
| Principal payments on long-term debt | (2,217,000) | - | - | (27,461) | (2,244,461) | - | - | - |
| Proceeds from bond anticipation note obligation, net | - | - | - | - | - | - | 12,116,000 | 12,116,000 |
| Payments on bond anticipation note obligation | - | - | - | - | - | - | (17,800,000) | (17,800,000) |
| Interest and finance charges paid on debt obligations | (574,005) | - | - | (1,665) | (575,670) | - | (215,849) | (215,849) |
| Net cash used in capital and related financing activities | (224,187) | - | (19,472) | (428,569) | (672,228) | - | (2,601,139) | (2,601,139) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | | | | | |
| Investment income | 24,028 | - | - | - | 24,028 | - | - | - |
| Net cash provided by investing activities | 24,028 | - | - | - | 24,028 | - | - | - |

TOWN OF WEST WARWICK, RHODE ISLAND

EXHIBIT C-3 (Continued)

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2017

| | Business-type Activities-Enterprise Funds | | | | Governmental Activities | | | |
|--|---|-----------------|----------------------|------------------|-------------------------|----------------------------|------------------------|------------------------------|
| | Wastewater Authority | Municipal Court | School Lunch Program | Civic Center | Total Enterprise Funds | Healthcare Management Fund | Energy Efficiency Fund | Total Internal Service Funds |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (287,075) | - | (52,434) | (100) | (339,609) | - | - | - |
| CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT BEGINNING OF YEAR | 6,524,526 | - | 1,031,952 | 300 | 7,556,778 | - | - | - |
| CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT END OF YEAR | <u>\$ 6,237,451</u> | <u>\$ -</u> | <u>\$ 979,518</u> | <u>\$ 200</u> | <u>\$ 7,217,169</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Reconciliation of operating income (loss) to net cash provided by (used in) operating activities: | | | | | | | | |
| Operating income (loss) | \$ (1,999,333) | \$ 11,700 | \$ 21,158 | \$ 13,097 | \$ (1,953,378) | \$ (587,952) | \$ 398,918 | \$ (189,034) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | | | | | | | | |
| Depreciation and amortization expense | 2,496,885 | - | 47,328 | 69,114 | 2,613,327 | - | 381,104 | 381,104 |
| (Increase) decrease in assessments and fees receivable | 99,650 | (2,427) | (134,286) | (23,836) | (60,899) | 527,844 | - | 527,844 |
| (Increase) decrease in other receivable | - | - | - | - | - | - | (505,760) | (505,760) |
| (Increase) decrease in due from federal and state governments | 295,387 | - | - | - | 295,387 | - | - | - |
| (Increase) decrease in deferred outflows of resources | (206,056) | - | - | - | (206,056) | - | - | - |
| (Increase) decrease in prepaid expenses | - | - | - | - | - | - | (215,600) | (215,600) |
| Increase (decrease) in accounts payable and accrued expenses | (573,546) | (3,729) | (4,246) | 10,303 | (571,218) | 60,108 | 6,159 | 66,267 |
| Increase (decrease) in compensated absences, net pension liability, net OPEB liability | 128,332 | - | - | 10,783 | 139,115 | - | - | - |
| Increase (decrease) in deferred inflows of resources | 96,517 | - | - | - | 96,517 | - | - | - |
| Net cash provided by (used in) operating activities | <u>\$ 337,836</u> | <u>\$ 5,544</u> | <u>\$ (70,046)</u> | <u>\$ 79,461</u> | <u>\$ 352,795</u> | <u>\$ -</u> | <u>\$ 64,821</u> | <u>\$ 64,821</u> |

TOWN OF WEST WARWICK, RHODE ISLAND

EXHIBIT D-1

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2017

| | Employee Retirement Trust Fund | OPEB Trust Fund | Agency Funds | Total |
|---|--------------------------------------|-----------------------|-----------------|----------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 1,454,672 | \$ - | \$ 192,415 | \$ 1,647,087 |
| Other receivables | - | 75,142 | - | 75,142 |
| <i>Investments, at fair value:</i> | | | | |
| Equity mutual funds | 24,709,670 | 1,769,531 | - | 26,479,201 |
| Fixed income mutual funds | 7,603,190 | 528,561 | - | 8,131,751 |
| TOTAL ASSETS | <u>33,767,532</u> | <u>2,373,234</u> | <u>192,415</u> | <u>36,333,181</u> |
| LIABILITIES | | | | |
| Accounts payable and accrued expenses | 3,754 | 500,000 | - | 503,754 |
| Deposits held in custody for others | - | - | 192,415 | 192,415 |
| TOTAL LIABILITIES | <u>3,754</u> | <u>500,000</u> | <u>192,415</u> | <u>696,169</u> |
| NET POSITION | | | | |
| Restricted for pensions and other post-employment benefits | <u>\$ 33,763,778</u> | <u>\$ 1,873,234</u> | <u>\$ -</u> | <u>\$ 35,637,012</u> |

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

TOWN OF WEST WARWICK, RHODE ISLAND

EXHIBIT D-2

*Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2017*

| | Employee Retirement Trust Fund | OPEB Trust Fund | Total |
|--|--------------------------------------|-----------------------|----------------------|
| ADDITIONS: | | | |
| Contributions | | | |
| Employee contributions | \$ 1,995,920 | \$ - | \$ 1,995,920 |
| Employer contributions | 8,739,745 | 849,241 | 9,588,986 |
| Total contributions | <u>10,735,665</u> | <u>849,241</u> | <u>11,584,906</u> |
| Investment earnings | | | |
| Realized and unrealized gains on investments | 3,253,048 | 189,167 | 3,442,215 |
| Interest and dividends | 478,077 | - | 478,077 |
| Less: investment management fees | <u>(126,803)</u> | <u>(3,989)</u> | <u>(130,792)</u> |
| Total investment earnings | <u>3,604,322</u> | <u>185,178</u> | <u>3,789,500</u> |
| Total additions | <u>14,339,987</u> | <u>1,034,419</u> | <u>15,374,406</u> |
| DEDUCTIONS: | | | |
| Benefits paid | 9,256,920 | 500,000 | 9,756,920 |
| Other operating expenses | <u>70,018</u> | <u>-</u> | <u>70,018</u> |
| Total deductions | <u>9,326,938</u> | <u>500,000</u> | <u>9,826,938</u> |
| CHANGE IN NET POSITION | 5,013,049 | 534,419 | 5,547,468 |
| NET POSITION - Restricted for pensions and other post-employment benefits - BEGINNING OF YEAR | 28,750,729 | 1,338,815 | 30,089,544 |
| NET POSITION - Restricted for pensions and other post-employment benefits - END OF YEAR | <u>\$ 33,763,778</u> | <u>\$ 1,873,234</u> | <u>\$ 35,637,012</u> |

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

TOWN OF WEST WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of West Warwick, Rhode Island (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 inter-fund 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, *The Financial Reporting entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*. 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.

TOWN OF WEST WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Issued Accounting Standards

During the year ended June 30, 2017 the Town implemented the following new governmental accounting pronouncements:

- GASB Statement No. 74 – *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.*
- GASB Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*
- GASB Statement No. 77 – *Tax Abatement Disclosures.*
- GASB Statement No. 78 – *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans.*
- GASB Statement No. 80 – *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14.*
- GASB Statement No. 82 – *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73.*

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

- GASB Statement No. 81 – *Irrevocable Split-Interest Agreements*, effective for the Town's fiscal year ending June 30, 2018.
- GASB Statement No. 83 – *Certain Asset Retirement Obligations*, effective for the Town's fiscal year ending June 30, 2019.
- GASB Statement No. 84 – *Fiduciary Activities*, effective for the Town's fiscal year ending June 30, 2020.
- GASB Statement No. 85 – *Omnibus 2017*, effective for the Town's fiscal year ending June 30, 2018.
- GASB Statement No. 86 – *Certain Debt Extinguishment Issues*, effective for the Town's fiscal year ending June 30, 2018.
- GASB Statement No. 87 – *Leases*, effective for the Town's fiscal year ending June 30, 2021.

Management has not yet evaluated the effect of any of these on the Town's financial statements.

TOWN OF WEST WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

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 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 non-exchange 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 balance, 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.

TOWN OF WEST WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Funds (Continued)

Debt Service Fund

Debt Service 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.

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.

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 (other than those financed by proprietary funds or assets that will be held in trust funds for individuals, private organizations, or other governments).

Proprietary Funds

Proprietary funds are used to account for business-type 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 four Enterprise Funds and two Internal Service Funds. The Healthcare Management 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. The Energy Efficiency Internal Service Fund is used to account for the operation of the Wind Turbines completed and placed in service in August 2016. This fund is also used to account for the activity of current and future renewable energy and energy efficiency projects.

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, 2017. Since Agency Funds are custodial in nature (i.e. assets equal liabilities), they do not involve the measurement of results of operations.

TOWN OF WEST WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fiduciary Funds (Not Included in Government-wide Statements) (Continued)

Pension Trust Fund

Pension Trust Fund is 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.

OPEB Trust Fund

The Other Post-Employment Benefits (OPEB) trust fund is used to account for payments of post-employment benefits that the Town provides to qualified retirees in accordance with union contract provisions.

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 |
| 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 | See above for description. |
| Proprietary Funds: | |
| Wastewater 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 it as a major fund. |

TOWN OF WEST WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Major and Non-Major Funds (Continued)

Fund

Brief Description

Proprietary Funds (Continued):

School Lunch Program

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 a major fund.

Civic Center

Accounts for the operation of the Civic Center Complex which has two buildings housing an Ice Rink and multiple sports courts. This fund did not meet the criteria for reporting as a major fund however, management elected to present it as a major fund.

Non-Major:

Special Revenue Funds:

The Town of West Warwick maintains fifty-five (55) Special Revenue Funds which have been classified as Non-Major Governmental Funds. These funds include twenty-nine (29) maintained by the Town and twenty-six (26) maintained by the School Department. The details of these Funds may be found in the combining fund statements in the other supplementary information section of these statements.

Capital Project Funds:

The Town currently maintains eight (8) Capital Project Funds. The details of these Funds may be found in the combining fund statements in the other supplementary information section of these statements.

TOWN OF WEST WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus

On the Government-wide Statement of Net Position and the Statement of Activities both governmental and business-type 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 the balance sheets. Operating statements present sources and uses of available spendable financial resources during the current fiscal year. 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 (fines, fees, permits) of the governmental funds is recognized as revenue when received.
- (b) The proprietary funds and fiduciary 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, for proprietary funds, 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-type 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.

TOWN OF WEST WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

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.

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 (usually 60 days) 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, pension obligations, claims and judgments, and other post-employment benefits, which are reported when payment is due.

All proprietary funds, agency funds, and fiduciary 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.

Proprietary funds distinguish operating revenues and expenses from non-operating 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 non-operating revenues and expenses.

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

Cash and Cash Equivalents

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.

TOWN OF WEST WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Investments

The Town invests in various types of investments, which are stated at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Realized and unrealized gains and losses are reported as investment income. The Town invests in Government Securities, Commercial Paper, alternate investments and various corporate stocks and bonds which are held in the Town's Governmental Funds and Fiduciary Funds.

Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risks associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the statements of net position and activities.

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, 2017 the Town's Wastewater Authority also reported a debt service assessment receivable of \$7,068,454 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 inter-municipal 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 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, 2017 the Town has estimated the allowance for doubtful accounts as follows: Allowance for delinquent taxes - \$1,289,200; Allowance for EMS Rescue Billings - \$889,300; Allowance for Municipal Court receivables - \$224,600.

TOWN OF WEST WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

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 non-spendable fund balance.

Capital Assets

The accounting treatment over 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.

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:

| | |
|-----------------------------------|---------------|
| Land improvements | 5 - 10 years |
| Buildings and improvements | 10 - 40 years |
| Machinery, equipment and vehicles | 5 - 10 years |
| Infrastructure | 25 - 35 years |

TOWN OF WEST WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Capital Assets (Continued)

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.

The Town reviews the carrying value of its long-lived assets to ensure that any impairment issues are identified and appropriately reflected in the financial statements. Should the expected cash flows be less than the carrying value, an impairment loss would be recognized to reduce the carrying value.

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, 2017 the Town reported deferred outflows of resources related to pension and OPEB in the Government-wide statement of net position. A deferred outflow of resources related to pension and OPEB results from differences between expected and actual experience, changes in assumptions or other inputs. These amounts are deferred and included in pension/OPEB expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension and OPEB plans (active employees and inactive employees).

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, 2017 the Town reported deferred inflows of resources related to pension and OPEB in the Government-wide statement of net position. A deferred inflow of resources related to pension and OPEB results from differences between expected and actual experience, changes in assumptions or other inputs. These amounts are deferred and included in pension/OPEB expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension and OPEB plans (active employees and inactive employees). At June 30, 2017 the Town also had three items that qualified as a deferred inflow of resources in the governmental funds balance sheet. The unavailable tax and EMS revenue represents property taxes receivables which are assessed on December 31, 2015 and prior and are not collected within 60 days of June 30, 2017 and the unearned EMS rescue fees that were for services provided prior to June 30, 2017 but are not recognized as revenue since they are considered unavailable as of June 30, 2017.

TOWN OF WEST WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Deferred Outflows/Inflows of Resources (Continued)

Net unavailable tax revenue and EMS revenue included in the fund financial statements were \$2,273,628 and \$222,280 at June 30, 2017, respectively. These amounts are considered unavailable 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.
- 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 balances in the General Fund and the School Department Unrestricted Fund is reported as another financing source in the current year for budgetary purposes. These are budgetary basis revenue items only and do not impact the Fund Statements or the Government-wide Statements.

TOWN OF WEST WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, fund balance is classified as non-spendable, restricted, committed, assigned, or unassigned. These categories are defined below:

- Non-spendable 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.
- 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.

TOWN OF WEST WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Equity Classifications (Continued)

Fund Financial Statements (Continued)

- 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.
- 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 and 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 0.35% of the operating budget until such time as the unassigned fund balance of the General Fund is restored to 5%.

TOWN OF WEST WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Town's Retirement Plan and Employees' Retirement System plan (ERS) and the additions to/deductions from Town's Retirement Plan's and ERS' fiduciary net position have been determined on the same basis as they are reported by the Town's Retirement Plan and ERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Town's OPEB Plan and additions to/deductions from the Town's OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the Town's OPEB Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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 an 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 and governmental 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, 2017 as a result of employee resignation or retirements. Compensated absences recorded in the Governmental Activities at June 30, 2017 totaled \$6,966,000 (\$3,688,000 for Town personnel and \$3,278,000 for School Department personnel).

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 states that, "Net pension liability and net OPEB liability are reported on the Statement of Net Position as long-term obligations at June 30, 2017 but these obligations are not reported on the Fund Statements." The details of this \$221,269,293 are as follows:

TOWN OF WEST WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reconciliation of Government-wide and Fund Financial Statements (Continued)

| | |
|-----------------------|-----------------------|
| Net pension liability | \$ 166,779,219 |
| Net OPEB liability | <u>54,490,074</u> |
| Total | <u>\$ 221,269,293</u> |

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 \$484,007 difference are as follows:

| | |
|--|--------------------|
| Capital outlays (excluding those acquired by Internal Service Fund) | \$ 2,906,965 |
| Depreciation expense (excluding amount charged to Internal Service Fund) | <u>(2,422,958)</u> |
| Net adjustment | <u>\$ 484,007</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 \$165,770 difference are as follows:

| | <u>Tax Revenues</u> | <u>EMS Revenues</u> | <u>Total</u> |
|---|---------------------|---------------------|--------------------|
| Unavailable revenue - ending | \$ 2,273,628 | \$ 222,280 | \$ 2,495,908 |
| Unavailable revenue – beginning | <u>(2,113,158)</u> | <u>(216,980)</u> | <u>(2,330,138)</u> |
| Net adjustment (increase in net position) | <u>\$ 160,470</u> | <u>\$ 5,300</u> | <u>\$ 165,770</u> |

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.

TOWN OF WEST WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

2. 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, 2017 was \$20,306,692 (including restricted cash and Fiduciary Funds) while the bank balance was \$21,086,458. Of the bank balance, approximately \$1,816,700 was covered by federal depository insurance while the remaining balance was collateralized.

At June 30, 2017 the Town's cash and cash equivalents, including restricted cash, were comprised of the following:

| | |
|---------------------------------|----------------------|
| General Fund | \$ 10,133,686 |
| Debt Service Fund | 348,260 |
| Non-Major Special Revenue Funds | 210,523 |
| Non-Major Capital Project Funds | 749,967 |
| Wasterwater Authority Fund | 6,237,451 |
| School Lunch Program Fund | 979,518 |
| Civic Center Fund | 200 |
| Employee Retirement Trust Fund | 1,454,672 |
| Student Activity Agency Funds | 192,415 |
| Total Cash and Cash Equivalents | <u>\$ 20,306,692</u> |

Funds on Deposit

Funds on deposit balance of \$259,028 at June 30, 2017 represents unspent portion of Energy Efficiency fund bond proceeds received during fiscal 2017.

Investments

Investments are stated at fair value which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Town follows the guidance for fair value measurements and disclosures in accordance with GASB Statement No. 72, "Fair Value Measurement and Application".

TOWN OF WEST WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

2. CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

In determining fair value, the Town uses various valuation approaches, as appropriate in the circumstances. GASB Statement No. 72 establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Unadjusted quoted priced in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2 – Inputs other than quoted prices in active markets for identical assets and liabilities that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3 – Unobservable inputs for the asset or liability (supported by little or no market activity). Inputs include management's own assumption about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk).

The following is a description of the valuation methodologies used for assets and liabilities measured at fair value:

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Town are open-ended mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Town are deemed to be actively traded.

Fixed income securities: Valued using market quotations or prices obtained from independent pricing sources which may employ various pricing methods to value the investments, including matrix pricing based on quoted prices for securities with similar coupons, ratings and maturities.

Alternative investments: Valued on a monthly basis as reported by the fund. Alternative investments held by the Town are open-ended limited partnerships. These funds typically use a third party custodian to price the assets on a periodic basis. Liquidity is based on the investment strategy, the liquidity of the underlying investments and may have limited liquidity based on the terms outlined in the private placement memorandum. The funds held by the Town are deemed to be actively traded.

Derivative instruments are measured at fair value, as required by GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. The Town's Forward Purchase Contract is recorded at fair value and is classified as Level 2 in the fair value hierarchy per GASB Statement No. 72, *Fair Value Measurement and Application*.

The following table summarizes the investments of the Town, at fair value, as of June 30, 2017:

TOWN OF WEST WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

2. CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total |
|--|---|--|--|----------------------|
| Investments by fair value level | | | | |
| Government agency bonds..... | \$ 1,955,655 | \$ -- | \$ -- | \$ 1,955,655 |
| Domestic equity mutual funds..... | 6,537,776 | -- | -- | 6,537,776 |
| International equity mutual funds..... | 9,351,604 | -- | -- | 9,351,604 |
| Balanced equity mutual funds..... | 1,415,466 | -- | -- | 1,415,466 |
| Closed end equity mutual funds..... | 2,515,977 | -- | -- | 2,515,977 |
| International fixed income mutual funds..... | 1,084,557 | -- | -- | 1,084,557 |
| Taxable fixed income mutual funds..... | 6,518,633 | -- | -- | 6,518,633 |
| Vanguard equity mutual funds..... | 1,109,978 | 475,705 | -- | 1,585,683 |
| Vanguard fixed income mutual funds..... | -- | 528,561 | -- | 528,561 |
| Vanguard real estate investment trust funds..... | 183,847 | -- | -- | 183,847 |
| Forward Purchase Contract..... | -- | 411,117 | -- | 411,117 |
| Total investments by fair value level..... | <u>\$ 30,673,493</u> | <u>\$ 1,415,383</u> | <u>\$ --</u> | 32,088,876 |
| Investments measured at the net asset value (NAV) | | | | |
| Alternative investments..... | | | | <u>4,888,848</u> |
| Total investments measured at fair value..... | | | | <u>\$ 36,977,724</u> |

Net Asset Value

As a practical expedient, a government can use the NAV per share for investments in a nongovernmental entity that does not have a readily determinable fair value, e.g., a hedge fund. The NAV is not permitted for valuation if it is probable the government will sell the investment at a different price. Investments measured at NAV would be excluded from the fair value hierarchy (Level 1, 2 or 3).

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.

TOWN OF WEST WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

2. CASH AND INVESTMENTS (CONTINUED)

Net Asset Value (Continued)

At June 30, 2017 the Town's investments totaled \$36,977,724 (including those held in Fiduciary Funds) and consisted of the following:

| | <u>Fair</u> | <u>Interest</u> | <u>Maturity</u> | <u>Rating</u> |
|---|----------------------|-----------------|-----------------|---------------|
| | Value | Rate | | |
| Government agency bonds..... | \$ 1,955,655 | 0.625-1.375% | 9/2017 - 5/2020 | Aaa |
| Domestic equity mutual funds..... | 6,537,776 | N/A | N/A | Not Rated |
| International equity mutual funds..... | 9,351,604 | N/A | N/A | Not Rated |
| Balanced equity mutual funds..... | 1,415,466 | N/A | N/A | Not Rated |
| Closed end equity mutual funds..... | 2,515,977 | N/A | N/A | Not Rated |
| International fixed income mutual funds..... | 1,084,557 | N/A | N/A | Not Rated |
| Taxable fixed income mutual funds..... | 6,518,633 | N/A | N/A | Not Rated |
| Vanguard equity mutual funds..... | 1,585,683 | N/A | N/A | Not Rated |
| Vanguard fixed income mutual funds..... | 528,561 | N/A | N/A | Not Rated |
| Vanguard real estate investment trust funds.... | 183,847 | N/A | N/A | Not Rated |
| Alternative investments..... | 4,888,848 | N/A | N/A | Not Rated |
| Forward purchase contract..... | 411,117 | 4.85% | 11/2021 | Not Rated |
| Total Investments..... | <u>\$ 36,977,724</u> | | | |

At June 30, 2017, the value of the Town's investments in the Government-wide financial statements and the Fiduciary Funds were as follows:

| | <u>Government-wide</u> | <u>Fiduciary Funds</u> | <u>Total</u> |
|-------------|------------------------|------------------------|----------------------|
| Investments | <u>\$ 2,366,772</u> | <u>\$ 34,610,952</u> | <u>\$ 36,977,724</u> |

TOWN OF WEST WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

2. CASH AND INVESTMENTS (CONTINUED)

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 investment 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.

TOWN OF WEST WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

2. CASH AND INVESTMENTS (CONTINUED)

Derivative Investment

In connection with the issuance of its Qualified Zone Academy Bonds, Series 2005, the Town entered into a Forward Purchase Contract (Contract) with a financial institution. The contract is considered to be a derivative instrument. The contract provisions require the Town to purchase eligible securities selected by the financial institution on a periodic basis and provides the Town with a stated, fixed rate of return on those investments. The stated investment yield is 4.85% annually during the term of the contract, which was executed on December 15, 2005 and remains in effect until the redemption of the Series 2005 bonds on November 29, 2021.

Pursuant to the contract, the Town will make its annual bond sinking fund deposits of \$155,673 into a fund held in custody of the Town's fiscal agent, and the financial institution will sell qualified securities to the Fiscal Agent to be held in the fund. These qualified securities will be priced to provide the Town with a fixed yield of 4.85%, and mature annually in coordination with the Town's next sinking fund deposit, for continued investment in similar manner until redemption of the Series 2005 bonds.

From the Forward Purchase Contract, the Town is exposed to concentration of credit risk since the Town is required to purchase only selected investments but not necessarily diversify such holdings. The fair value of the Forward Purchase Contract is computed based on the present value of its future cash flows and is sensitive to interest rate changes. The term of the Contract coincides with the Town's outstanding Series 2005 bonds and maintenance of the sinking fund held to retire such indebtedness. The Contract provides for the payment of a termination amount under certain conditions (e.g., defeasance, default). The termination amount payable between the financial institution and the Town would vary depending on prevailing interest rates at the time the termination amount was calculated. Under certain market conditions, the termination amount payable by the Town could be substantial.

TOWN OF WEST WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

3. 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, 2017, the Town received \$238,429 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.

TOWN OF WEST WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

3. PROPERTY TAXES AND ASSESSMENTS RECEIVABLE (CONTINUED)

Net property taxes levied for the fiscal year 2017 were based on a net assessed value of approximately \$2,170,185,000 at December 31, 2015 and amounted to approximately \$62,883,000. Collections through June 30, 2017 amounted to approximately \$60,500,000, which represents approximately 96% of the total tax levy.

Unpaid property taxes and other general fund assessments totaling \$2,819,613 as of June 30, 2017 are recorded as a receivable, net of an allowance for uncollectible property taxes of \$1,289,200. Those net property taxes receivable which were not collected within the 60 days immediately following June 30, 2017 are recorded as unearned tax revenue and amounted to \$2,273,628 at June 30, 2017. Property taxes recognized as revenue on the Fund Statements for the fiscal year ended June 30, 2017 (due to their collection within the 60 days immediately following June 30, 2017) amounted to \$545,985.

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.

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017 was as follows:

| Governmental Activities | *** | | | |
|-----------------------------------|-----------------------|----------------------|----------------------------|-----------------------|
| | Balances 6/30/2016 | Additions | Retirements & Disposals | Balances 6/30/2017 |
| Nondepreciable Assets: | | | | |
| Land | \$ 9,268,414 | \$ - | \$ - | \$ 9,268,414 |
| Construction in progress | 16,995,136 | 44,384 | 16,995,136 | 44,384 |
| Total Nondepreciable Assets | <u>26,263,550</u> | <u>44,384</u> | <u>16,995,136</u> | <u>9,312,798</u> |
| Depreciable Assets: | | | | |
| Land improvements | 95,975 | 1,303,972 | - | 1,399,947 |
| Buildings and improvements | 33,817,899 | 1,298,751 | - | 35,116,650 |
| Machinery, equipment and vehicles | 11,506,170 | 20,405,271 | 452,300 | 31,459,141 |
| Infrastructure | 55,088,191 | 475,985 | - | 55,564,176 |
| Total Depreciable Assets | <u>100,508,235</u> | <u>23,483,979</u> | <u>452,300</u> | <u>123,539,914</u> |
| Total Capital Assets | <u>126,771,785</u> | <u>23,528,363</u> | <u>17,447,436</u> | <u>132,852,712</u> |
| Accumulated Depreciation: | | | | |
| Land improvements | 8,113 | 42,026 | - | 50,139 |
| Buildings and improvements | 17,751,396 | 677,611 | - | 18,429,007 |
| Machinery, equipment and vehicles | 8,875,542 | 956,867 | 408,800 | 9,423,609 |
| Infrastructure | 38,456,609 | 1,127,558 | - | 39,584,167 |
| Total Accumulated Depreciation | <u>65,091,660</u> | <u>2,804,062</u> | <u>408,800</u> | <u>67,486,922</u> |
| Net Capital Assets | <u>\$ 61,680,125</u> | <u>\$ 20,724,301</u> | <u>\$ 17,038,636</u> | <u>\$ 65,365,790</u> |

TOWN OF WEST WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

4. CAPITAL ASSETS (CONTINUED)

Depreciation expense for the year ended June 30, 2017 was charged to the following functions/programs of the Town:

Governmental Activities

| | |
|--|-----------------------------|
| General government | \$ 1,322,498 |
| Public safety | 768,498 |
| Public works | 304,929 |
| Public assistance, development, recreation | 297,466 |
| Library | 39,093 |
| Education | 71,578 |
| | <u> </u> |
| Total | <u><u>\$ 2,804,062</u></u> |

Business-Type Activities

| | *** | | | |
|-----------------------------------|-----------------------------|------------------------------|----------------------------|-----------------------------|
| | Balances 6/30/2016 | Additions | Retirements & Disposals | Balances 6/30/2017 |
| Nondepreciable Assets: | | | | |
| Land | \$ 432,700 | \$ - | \$ - | \$ 432,700 |
| Construction in progress | - | 109,996 | - | 109,996 |
| Total Nondepreciable Assets | <u>432,700</u> | <u>109,996</u> | <u>-</u> | <u>542,696</u> |
| Depreciable Assets: | | | | |
| Land improvements | 1,024,400 | - | - | 1,024,400 |
| Buildings and improvements | 51,811,497 | 299,243 | - | 52,110,740 |
| Machinery, equipment and vehicles | 15,645,172 | 483,414 | - | 16,128,586 |
| Infrastructure | 45,070,000 | - | - | 45,070,000 |
| Total Depreciable Assets | <u>113,551,069</u> | <u>782,657</u> | <u>-</u> | <u>114,333,726</u> |
| Total Capital Assets | <u>113,983,769</u> | <u>892,653</u> | <u>-</u> | <u>114,876,422</u> |
| Accumulated Depreciation: | | | | |
| Land improvements | 534,870 | 44,820 | - | 579,690 |
| Buildings and improvements | 11,423,502 | 1,087,221 | - | 12,510,723 |
| Machinery, equipment and vehicles | 7,995,154 | 921,886 | - | 8,917,040 |
| Infrastructure | 34,264,700 | 559,400 | - | 34,824,100 |
| Total Accumulated Depreciation | <u>54,218,226</u> | <u>2,613,327</u> | <u>-</u> | <u>56,831,553</u> |
| Net Capital Assets | <u><u>\$ 59,765,543</u></u> | <u><u>\$ (1,720,674)</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 58,044,869</u></u> |

*** Certain amounts at June 30, 2016 totaling \$15,204,119, net of related accumulated depreciation, have been reclassified from Business-Type Activities to Governmental Activities due to change in fund classification.

TOWN OF WEST WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

4. CAPITAL ASSETS (CONTINUED)

Depreciation expense for the year ended June 30, 2017 was charged to the following Business-type Activities:

| Business-Type Activities | |
|---------------------------------|---------------------|
| Sewer Authority | \$ 2,496,885 |
| School Lunch Program | 47,328 |
| Civic Center | 69,114 |
| Total | <u>\$ 2,613,327</u> |

5. SHORT-TERM AND LONG-TERM DEBT

(a) General Bond Anticipation Note

At June 30, 2017 the Town had one general obligation bond anticipation note (BAN) outstanding totaling \$12,116,000. The BAN matures on August 9, 2018 with interest at an annual rate of 1.573%. Proceeds from this BAN were utilized to partially fund the Town's Wind Turbine Project. Activity of the Town's BAN obligations was as follows for the fiscal year ended June 30, 2017:

| Balance 7/1/2016 | Additions | Retirements | Balance 6/30/2017 |
|----------------------|----------------------|----------------------|----------------------|
| <u>\$ 17,800,000</u> | <u>\$ 12,116,000</u> | <u>\$ 17,800,000</u> | <u>\$ 12,116,000</u> |

(b) 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 3% 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, 2017 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, 2017 the 3% debt limit of the Town was approximately \$65,000,000 based on the net assessed value of property at December 31, 2015 of approximately \$2,170,000,000.

TOWN OF WEST WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

5. SHORT-TERM AND LONG-TERM DEBT (CONTINUED)

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

At June 30, 2017, the Town's long-term debt outstanding and activity consisted of the following:

| Description | Date Issued | Original Principal | Maturity Date | Interest Rate | Outstanding July 01, 2016 (As Restated) | Additions | Retirements | Outstanding June 30, 2017 | Due Within One Year |
|--|-------------|----------------------|------------------|----------------|---|----------------------|---------------------|---------------------------|---------------------|
| Governmental Activities | | | | | | | | | |
| General Obligation Bonds | | | | | | | | | |
| 2005 Qualified Zone Academy Bonds | 11/29/2005 | \$ 3,688,000 | 11/29/2021 | 1.47% | \$ 3,688,000 | \$ - | \$ - | \$ 3,688,000 | \$ - |
| 2009 Refunding Bonds Series B | 8/20/2009 | 2,370,000 | 4/1/2018 | 2%-3.5% | 485,000 | - | 245,000 | 240,000 | 240,000 |
| 2009 Series A | 8/20/2009 | 6,500,000 | 4/1/2029 | 2.75%-5% | 4,935,000 | - | 290,000 | 4,645,000 | 300,000 |
| 2007 Road Bonds | 7/15/2007 | 5,000,000 | 7/15/2027 | 4.5%-5.25% | 3,000,000 | - | 250,000 | 2,750,000 | 250,000 |
| 2014 RIHEBC | 7/10/2014 | 9,780,000 | 5/25/2029 | 3%-4.125% | 8,290,000 | - | 850,000 | 7,440,000 | 875,000 |
| 2015 Town Series A | 11/12/2015 | 6,890,000 | 10/1/2035 | 2%-5% | 6,890,000 | - | 310,000 | 6,580,000 | 310,000 |
| RI Infrastructure Bank Revolving Fund Loan | 5/28/2015 | 150,515 | 9/1/2024 | 0.75%-2.25% | 149,515 | - | 15,000 | 134,515 | 16,000 |
| 2017 Energy Efficiency Loan | 7/8/2016 | 7,184,000 | 9/1/2032 | 1.08% - 2.533% | - | 7,184,000 | - | 7,184,000 | - |
| Total General Obligation Bonds | | \$ 41,562,515 | | | 27,437,515 | 7,184,000 | 1,960,000 | 32,661,515 | 1,991,000 |
| Lease Purchase Obligations | | | | | | | | | |
| Webster capital lease | 2/5/2016 | \$ 49,695 | 11/15/2018 | n / a | 49,695 | - | 16,422 | 33,273 | 16,466 |
| US Bank capital lease | 2/5/2016 | 486,442 | 8/12/2020 | 2.022% | 486,442 | - | 93,657 | 392,785 | 95,322 |
| PNC Equipment Finance | 9/27/2016 | 522,781 | 9/27/2021 | 2.33% | - | 522,781 | - | 522,781 | 99,796 |
| Webster capital lease | 2/2/2017 | 207,693 | 1/15/2022 | 2.432% | - | 207,693 | - | 207,693 | 39,711 |
| Total Lease Purchase Obligations | | \$ 1,266,611 | 3/21/2016 | | 536,137 | 730,474 | 110,079 | 1,156,532 | 251,295 |
| Other Long-Term Obligations | | | | | | | | | |
| Net Pension liability | | | | | 165,981,475 | 797,744 | - | 166,779,219 | - |
| Net OPEB liability | | | | | 52,900,185 | 1,589,889 | - | 54,490,074 | - |
| Bond premium | | | | | 374,047 | - | 22,412 | 351,635 | - |
| Compensated absences | | | | | 6,665,000 | 3,764,500 | 3,463,500 | 6,966,000 | 1,000,000 |
| Total Other Long-Term Obligations | | | | | 225,920,707 | 6,152,133 | 3,485,912 | 228,586,928 | 1,000,000 |
| Governmental Activities Long-Term Obligations | | | | | \$ 253,894,359 | \$ 14,066,607 | \$ 5,555,991 | \$ 262,404,975 | \$ 3,242,295 |

TOWN OF WEST WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

5. SHORT-TERM AND LONG-TERM DEBT (Continued)

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

| Description | Date Issued | Original Principal | Maturity Date | Interest Rate | Outstanding July 01, 2016 (As Restated) | Additions | Retirements | Outstanding June 30, 2017 | Due Within One Year |
|--|-------------|----------------------|------------------|---------------|---|-------------------|---------------------|---------------------------|---------------------|
| Business-Type Activities | | | | | | | | | |
| General Revenue Bonds/Notes | | | | | | | | | |
| RI Infrastructure Bank | 3/9/2006 | \$ 7,719,000 | 9/1/2025 | 1.11%-1.565% | \$ 4,220,000 | \$ - | \$ 386,000 | \$ 3,834,000 | \$ 393,000 |
| RI Infrastructure Bank | 6/5/2003 | 20,923,000 | 9/1/2023 | 0% | 8,637,000 | - | 1,077,000 | 7,560,000 | 1,077,000 |
| RI Infrastructure Bank | 12/30/2004 | 3,000,000 | 9/1/2025 | 0.78%-1.55% | 1,633,000 | - | 150,000 | 1,483,000 | 152,000 |
| RI Infrastructure Bank | 12/21/2006 | 500,000 | 9/1/2026 | 1.185%-1.355% | 297,000 | - | 25,000 | 272,000 | 25,000 |
| RI Infrastructure Bank | 12/12/2007 | 1,675,000 | 9/1/2028 | 1.185%-1.645% | 1,159,000 | - | 79,000 | 1,080,000 | 81,000 |
| RI Infrastructure Bank | 7/24/2014 | 5,500,000 | 9/1/2034 | 0.29%-2.91% | 5,277,000 | - | 224,000 | 5,053,000 | 227,000 |
| RI Infrastructure Bank | 7/30/2015 | 7,000,000 | 9/1/2034 | 1.95%-3.3% | 6,999,000 | - | 276,000 | 6,723,000 | 285,000 |
| Total Bond Obligations | | <u>\$ 46,317,000</u> | | | <u>28,222,000</u> | <u>-</u> | <u>2,217,000</u> | <u>26,005,000</u> | <u>2,240,000</u> |
| Lease Purchase Obligations | | | | | | | | | |
| Webster capital lease | 2/5/2016 | \$ 83,097 | 11/15/2018 | n/a | 83,097 | - | 27,461 | 55,636 | 27,533 |
| Webster capital lease | 2/2/2017 | 131,947 | 1/15/2022 | 2.432% | - | 131,947 | - | 131,947 | 25,228 |
| Total Lease Purchase Obligations | | <u>\$ 215,044</u> | <u>3/21/2016</u> | | <u>83,097</u> | <u>131,947</u> | <u>27,461</u> | <u>187,583</u> | <u>52,761</u> |
| Other Long-Term Obligations | | | | | | | | | |
| Net Pension liability | | | | | 6,118,919 | 46,854 | - | 6,165,773 | - |
| Net OPEB liability | | | | | 1,605,144 | 48,242 | - | 1,653,386 | - |
| Compensated absences | | | | | 166,926 | 203,856 | 151,337 | 219,445 | 93,109 |
| Total Other Long-Term Obligations | | | | | <u>7,890,989</u> | <u>298,952</u> | <u>151,337</u> | <u>8,038,604</u> | <u>93,109</u> |
| Business-Type Activities Long-Term Obligations | | | | | <u>\$ 36,196,086</u> | <u>\$ 430,899</u> | <u>\$ 2,395,798</u> | <u>\$ 34,231,187</u> | <u>\$ 2,385,870</u> |

TOWN OF WEST WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

5. SHORT-TERM AND LONG-TERM DEBT (CONTINUED)

(d) Municipal Debt Service Assessments Receivable

The Town of West Warwick has entered into several Inter-Municipal 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 Inter-Municipal Agreements has been recorded as a special assessments receivable and revenue when the project was completed and the obligation entered into. At June 30, 2017 the amount of the municipal debt service assessment receivable which is expected to be collected in future years totaled \$7,068,454. Of this amount, \$672,329 is expected to be received in fiscal 2018 to help cover the principal balance due of \$2,240,000 during fiscal 2018.

(e) 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 | Governmental Activities | | Business-Type Activities | | Total |
|---------------------|-------------------------|---------------------|--------------------------|---------------------|----------------------|
| | Principal | Interest | Principal | Interest | |
| 2018 | \$ 2,242,295 | \$ 1,048,685 | \$ 2,292,761 | \$ 613,448 | \$ 6,197,189 |
| 2019 | 2,485,612 | 967,335 | 2,315,829 | 564,874 | 6,333,650 |
| 2020 | 2,523,136 | 898,127 | 2,313,352 | 513,835 | 6,248,450 |
| 2021 | 2,565,586 | 828,876 | 2,337,993 | 461,326 | 6,193,781 |
| 2022 | 6,232,828 | 704,781 | 2,367,648 | 406,879 | 9,712,136 |
| 2023-2027 | 8,448,515 | 2,482,797 | 8,312,000 | 1,311,699 | 20,555,011 |
| 2028-2032 | 6,629,000 | 1,091,872 | 3,785,000 | 660,305 | 12,166,177 |
| 2033-2037 | 2,691,075 | 173,335 | 2,468,000 | 113,062 | 5,445,472 |
| Total | \$ 33,818,047 | \$ 8,195,808 | \$ 26,192,583 | \$ 4,645,428 | \$ 72,851,866 |

TOWN OF WEST WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

5. SHORT-TERM AND LONG-TERM DEBT (CONTINUED)

(e) Debt Service Requirements (Continued)

The 2005 Qualified Zone Academy Bonds outstanding totaling \$3,688,000 at June 30, 2017 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, 2017 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, 2017 the amount of fund balance available for the future payment of this outstanding principal debt obligation was \$2,303,915. In accordance with the fiscal agent agreement relating to the bonds, the Town is required to deposit \$155,673 into a sinking fund each year until November 2020. These deposits and the investment earnings thereon are expected to provide approximately \$3,500,000 in funding to be applied toward final redemption of the bonds in November 2021. The sinking fund assets, along with a final payment by the town of approximately \$188,000 on November 29, 2021, will fully redeem the bonds.

6. OPERATING LEASES

In December 2016, the Town entered into three Assignment and Assumption of Lease agreements for use of land located in Coventry, Rhode Island to be used for three Wind Turbines. The initial term of each of these leases is 25 years, with up to three 5-year renewal options. Under the terms of two of the leases, monthly rent payments are \$4,500 (for each lease) for the initial 6-year term, with 5% rent increase commencing at the end of 6 years and on each 5-year anniversary thereafter during the term of the lease. The third lease has one rental payment of \$1 for the entire term of the lease. Rent expense incurred under these lease agreements was \$99,000 for the year ended June 30, 2017.

The School Department leases certain office equipment under various noncancelable operating lease agreements, with expiration dates ranging from June 2019 to November 2019. Total lease expense incurred under these lease agreements was approximately \$75,000 for the year ended June 30, 2017.

The following is a schedule of future minimum lease payment due under the above noted lease agreements:

| <u>Year ended June 30:</u> | | |
|----------------------------|-----------|------------------|
| 2018 | \$ | 184,680 |
| 2019 | | 184,680 |
| 2020 | | 113,139 |
| 2021 | | 108,000 |
| 2022 | | 108,000 |
| Thereafter | | 2,321,566 |
| | <u>\$</u> | <u>3,020,065</u> |

TOWN OF WEST WARWICK, RHODE ISLAND

*NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017*

7. FUND BALANCES

(a) Fund Balances

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

At June 30, 2017 *Non-spendable Fund Balance* consisted of the following:

Major Governmental Funds

General Fund

| | |
|--|----------------|
| Deposits with Health Insurance Administrator | \$ 201,000 |
| Prepaid expenditures | 4,653 |
| Total Non-Spendable Fund Balance, General Fund | <u>205,653</u> |

School Unrestricted Fund

| | |
|----------------------------------|-------------------|
| Prepaid expenditures | 186,203 |
| Total Non-Spendable Fund Balance | <u>\$ 391,856</u> |

At June 30, 2017 *Restricted Fund Balance* consisted of the following:

Major Governmental Funds

Debt Service Fund

| | |
|---------------------------------------|---------------------|
| Future retirement of debt obligations | <u>\$ 2,303,915</u> |
|---------------------------------------|---------------------|

Non-Major Governmental Funds

Special Revenue Funds

| | |
|--|------------|
| Education | \$ 115,821 |
| Police investigations and police equipment | 164,384 |
| Economic Development | 84,624 |
| Public Safety | 48,142 |
| Equipment maintenance | 45,852 |
| Recreation | 2,250 |
| Town Committees | 2,117 |

Capital Project Funds

| | |
|--------------------|------------------|
| Education | 650,206 |
| General Government | <u>1,008,063</u> |

| | |
|------------------------------------|---------------------|
| Total Non-Major Governmental Funds | <u>\$ 2,121,459</u> |
|------------------------------------|---------------------|

TOWN OF WEST WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

7. FUND BALANCES (CONTINUED)

(a) Fund Balances (Continued)

At June 30, 2017 *Committed Fund Balance* consisted of the following:

Major Governmental Funds

General Fund

Capital Improvements \$ 145,247

School Unrestricted Fund

Educational programs \$ 4,169,522

Non-Major Governmental Funds

Special Revenue Funds

Public Safety \$ 678,620

Capital Project Funds

Fire Safety Equipment 669,816

Total Non-Major Governmental Funds \$ 1,348,436

(b) Fund Deficits

The following funds had deficit fund balance/net position balances at June 30, 2017. These deficit fund balances/net position balances are reported as unassigned fund balance/unrestricted net position at June 30, 2017.

Non-Major Governmental Funds

Special Revenue Funds

Open Space and Recreation Fund \$ 40,808

Library Grants Fund 206,240

Homeland Security Fund 924

Community Development Block Grant Fund 5,897

Stormwater Utility Grant Fund 103,847

Police Highway Grant Fund 7,690

LEAP Fund 22,407

Capital Project Funds

Road Bond Fund 39,474

Total Deficits Non-Major Governmental Funds \$ 427,287

Governmental Activities

Healthcare Management Fund \$ 1,194,397

Renewable Energy Efficiency Fund 75,864

Total Deficits Governmental Activities \$ 1,270,261

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

TOWN OF WEST WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

7. FUND BALANCES (CONTINUED)

(b) Fund Deficits (Continued)

The following individual funds recognized operating deficits for the year ending June 30, 2017:

| | |
|---|---------------------|
| Major Governmental Funds | |
| General Fund | <u>\$ 1,085,620</u> |
| Non-Major Governmental Funds | |
| Special Revenue Funds | |
| Bramley Bill Fund | \$ 1,168 |
| Meds Contract Fund | 1,995 |
| Economic Development Revolving Loan Fund | 10,000 |
| Stormwater Utility Grant Fund | 44,360 |
| Nordson Corporation Grant | 11,580 |
| Corporate Grants | 29,900 |
| Private Grants | 1,868 |
| Pre-School | 1,669 |
| Capital Project Funds | |
| Bond Fund | 2,033,361 |
| School Bond Fund | 1,435,965 |
| Lease Purchase Capital | <u>9,513</u> |
| Total Deficits Non-Major Governmental Funds | <u>\$ 3,581,379</u> |
| Business-Type Activities | |
| Wasterwater Authority | <u>\$ 66,528</u> |
| Governmental Activities | |
| Healthcare Management Fund | \$ 587,952 |
| Energy Efficiency Fund | <u>32,951</u> |
| Total Deficits Governmental Activities | <u>\$ 620,903</u> |

TOWN OF WEST WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

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, 2017 is as follows:

| | <u>Due From Other Funds</u> | <u>Due To Other Funds</u> |
|--------------------------------|---------------------------------|-------------------------------|
| Governmental Funds | | |
| Major Governmental Funds | | |
| General Fund | \$ - | \$ 8,430,145 |
| School Unrestricted | 5,856,135 | - |
| Total Major Governmental Funds | <u>5,856,135</u> | <u>8,430,145</u> |
| Non-Major Governmental Funds | | |
| Town Special Revenue Funds | 844,738 | 522,026 |
| School Special Revenue Funds | 118,657 | 981,930 |
| Capital Project Funds | 1,891,640 | 58,348 |
| Total Governmental Funds | <u>2,855,035</u> | <u>1,562,304</u> |
| Proprietary Funds | | |
| Wastewater Authority | 2,552,268 | - |
| Municipal Court | 139,513 | - |
| School Lunch Program | - | 6,722 |
| Civic Center | - | 800,232 |
| Healthcare Management Fund | 1,528,927 | 2,149,125 |
| Energy Efficiency Fund | 16,650 | - |
| Total Proprietary Funds | <u>4,237,358</u> | <u>2,956,079</u> |
| Total All Funds | <u>\$ 12,948,528</u> | <u>\$ 12,948,528</u> |

TOWN OF WEST WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

8. INTERFUND BALANCES AND TRANSFERS (CONTINUED)

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, 2017 is as follows:

| | <u>School Unrestricted Fund</u> | <u>Debt Service Fund</u> | <u>NonMajor Governmental Funds</u> | <u>Proprietary Funds</u> | <u>Total Transfer Out</u> |
|--------------------------|---|------------------------------|--|------------------------------|-------------------------------|
| General Fund | \$ 31,557,516 | \$ 155,673 | \$ - | \$ 322,889 | \$ 32,036,078 |
| School Unrestricted Fund | - | - | 80,200 | - | 80,200 |
| Total Transfer In | <u>\$ 31,557,516</u> | <u>\$ 155,673</u> | <u>\$ 80,200</u> | <u>\$ 322,889</u> | <u>\$ 32,116,278</u> |

9. PENSION PLANS

The Town contributes to two defined benefit pension plans - Retirement Plan of the Town of West Warwick, a single-employer plan; and the Employees' Retirement System of the State of Rhode Island (ERS), a cost-sharing multiple-employer plan. The Town's Retirement Plan is presented in the accompanying financial statements as a pension trust fund. A separate financial statement is not issued.

(a) Retirement Plan of 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 (ERS). The plan was established and is maintained in accordance with the Town Charter.

TOWN OF WEST WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

9. PENSION PLANS (CONTINUED)

(a) Retirement Plan of the Town of West Warwick (Continued)

Plan Description (Continued)

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 annual pay for up to 5 additional years with a maximum benefit of 70% of average annual compensation. Calculation of average annual 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 annual pay for the first 20 years of service plus 1% of average annual pay for the next 5 years of service plus 2.5% of average annual pay for up to 6 additional years of service. The maximum benefit of 70% of average annual compensation 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% of average annual compensation 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 the 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 and 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.

TOWN OF WEST WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

9. PENSION PLANS (CONTINUED)

(a) Retirement Plan of the Town of West Warwick (Continued)

Plan Description (Continued)

Membership of the Town's Retirement Plan consisted of the following at June 30, 2017, the date of the latest actuarial valuation:

| | |
|---|------------|
| Inactive plan members or beneficiaries currently receiving benefits | 342 |
| Inactive members entitled to but not yet receiving benefits | 35 |
| Active plan members | 307 |
| Total members | <u>684</u> |

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 Pension Board are to oversee and administer investment-related actions and decision with respect to the assets of the Town's Retirement Plan.

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, 2017:

| Asset Class | Target Allocation |
|------------------------|----------------------|
| Fixed Income | 22.5% |
| Domestic Equities | 33.0% |
| International Equities | 22.0% |
| Alternatives | 18.5% |
| Cash | 4.0% |
| Total | <u>100%</u> |

TOWN OF WEST WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

9. PENSION PLANS (CONTINUED)

(a) Retirement Plan of the Town of West Warwick (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on the pension plan investments was determined using a building-block method in which expected future real rates of return 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 real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017 are summarized as follows:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|------------------------|--------------------------|---|
| Fixed Income | 22.5% | 2.50% |
| Domestic Equities | 33.0% | 7.50% |
| International Equities | 22.0% | 8.50% |
| Alternatives | 18.5% | 6.00% |
| Cash | 4.0% | 1.50% |
| Total | <u>100%</u> | |

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the contributions will be made at rates equal to the difference between actuarially determined contribution rates and member rate. Based on those 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.

Contributions

Police officers, Fire and others are required to contribute between 9% and 13% of their salary to the Plan. The Town's contributions to the Retirement Plan for the years ended June 30, 2017, 2016 and 2015 were \$8,739,745, \$8,179,980, and \$8,062,234, respectively.

TOWN OF WEST WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

9. PENSION PLANS (CONTINUED)

(a) Retirement Plan of the Town of West Warwick (Continued)

Net Pension Liability

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The net pension liability consisted of the following components at June 30, 2017:

| | |
|-----------------------------|-----------------------|
| Total pension liability | \$ 162,079,303 |
| Plan fiduciary net position | <u>(33,697,592)</u> |
| Net pension liability | <u>\$ 128,381,711</u> |

| | |
|---|--------|
| Plan fiduciary net position as a percent of the total pension liability | 20.79% |
|---|--------|

Changes in the net pension liability for the year ended June 30, 2017 consisted of the following:

| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) |
|--|-----------------------------------|---------------------------------------|---------------------------------------|
| Balance at June 30, 2016 | <u>\$ 156,249,012</u> | <u>\$ 28,711,899</u> | <u>\$ 127,537,113</u> |
| Changes for the year: | | | |
| Service Cost | 2,549,974 | - | 2,549,974 |
| Interest | 11,562,789 | - | 11,562,789 |
| Changes of benefit terms | 38,333 | - | 38,333 |
| Differences between expected and actual experience | 1,685,538 | - | 1,685,538 |
| Changes of assumptions | (749,423) | - | (749,423) |
| Contributions - employer | - | 8,739,745 | (8,739,745) |
| Contributions - member | - | 1,966,741 | (1,966,741) |
| Net investment income | - | 3,604,321 | (3,604,321) |
| Benefit payments, including refunds | (9,256,920) | (9,256,920) | - |
| Administration expenses | - | (68,194) | 68,194 |
| Net Changes | <u>5,830,291</u> | <u>4,985,693</u> | <u>844,598</u> |
| Balance at June 30, 2017 | <u>\$ 162,079,303</u> | <u>\$ 33,697,592</u> | <u>\$ 128,381,711</u> |

TOWN OF WEST WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

9. PENSION PLANS (CONTINUED)

(a) Retirement Plan of the Town of West Warwick (Continued)

Net Pension Liability (Continued)

Governmental Activities:

| | |
|---|-----------------------|
| Net pension liability at beginning of year | \$ 121,418,194 |
| Increase in net pension liability for fiscal 2017 | 797,744 |
| Net pension liability at June 30, 2017 | <u>\$ 122,215,938</u> |

Business-Type Activities:

| | |
|---|---------------------|
| Net pension liability at beginning of year | \$ 6,118,919 |
| Increase in net pension liability for fiscal 2017 | 46,854 |
| Net pension liability at June 30, 2017 | <u>\$ 6,165,773</u> |

Actuarial Assumptions

The total pension liability as of June 30, 2017 was determined using the following actuarial assumptions:

| | |
|---------------------------|---|
| Valuation Date | 6/30/2017 |
| Actuarial cost method | Entry Age Method |
| Amortization method | Closed 25 year amortization of Unfunded Actuarial Accrued Liability as a level % of pay. |
| Asset valuation method | 5-year smoothing of gains/losses |
| Investment rate of return | 7.50% |
| Inflation rate | 2.0% |
| Annual pay increases | 2% compounded annually through June 30, 2018; 3.50% compounded annually thereafter |

Mortality rates for healthy retirees were based on the following:

Police and Fire - RP-2014 Blue Collar Mortality Table with generational improvements from 2006 based on assumptions from the 2017 SSA Trustee's Report

Others - RP-2014 Mortality Table with generational improvements from 2006 based on assumptions from the 2017 SSA Trustee's Report

Disabled retiree mortality rates were based on RP-2014 Disabled Mortality Table with generational improvements from 2006 based on assumptions from the 2017 SSA Trustee's Report.

TOWN OF WEST WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

9. PENSION PLANS (CONTINUED)

(a) Retirement Plan of the Town of West Warwick (Continued)

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

The following represents the net pension liability, calculated using the discount rate of 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

| | 1% Decrease (6.50%) | Current Discount Rate (7.50%) | 1% Increase (8.50%) |
|-----------------------|------------------------|-------------------------------------|------------------------|
| Net pension liability | \$ 147,961,601 | \$ 128,381,711 | \$ 110,912,213 |

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2017, the Town recognized pension expense of \$2,818,677 in the Government-wide statement of activities. At June 30, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to the Town's Retirement Plan from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience | \$ 2,215,476 | \$ - |
| Changes of assumptions | 1,834,266 | (599,538) |
| Net difference between projected and actual earnings on pension plan investments | 2,479,792 | (1,119,302) |
| Total | <u>\$ 6,529,534</u> | <u>\$ (1,718,840)</u> |

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended June 30: | |
|---------------------|---------------------|
| 2018 | \$ 1,511,067 |
| 2019 | 1,511,066 |
| 2020 | 1,205,837 |
| 2021 | 582,724 |
| | <u>\$ 4,810,694</u> |

TOWN OF WEST WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

9. PENSION PLANS (CONTINUED)

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

General Information about the Pension Plan

Plan Description

Certain employees of the West Warwick School Department participate in a cost-sharing multiple-employer defined benefit pension plan - the Employees' Retirement System plan - administered by the Employees' Retirement System of the State of Rhode Island (System). Under a cost-sharing plan, pension obligations for employees of all employers are pooled and plan assets are available to pay the benefits of the employees of any participating employer providing pension benefits through the plan, regardless of the status of the employers' payment of its pension obligation to the plan. The plan provides retirement and disability benefits and death benefits to plan members and beneficiaries.

The System issues a publicly available financial report that includes financial statements and required supplementary information for the plans. The report may be obtained at <http://www.ersri.org>.

Benefit Provisions

The level of benefits provided to participants is established by Chapter 36-10 of the General Laws, which is subject to amendment by the General Assembly. Member benefit provisions vary based on service credits accumulated at dates specified in various amendments to the General Laws outlining minimum retirement age, benefit accrual rates and maximum benefit provisions. In general, members accumulate service credits for each year of service subject to maximum benefit accruals of 80% or 75%. For those hired after June 30, 2012, the benefit accrual rate is 1% per year with a maximum benefit accrual of 40%. Members eligible to retire at September 30, 2009 may retire with 10 years of service at age 60 or after 28 years of service at any age. The retirement eligibility age increases proportionately for other members reflecting years of service and other factors until it aligns with the Social Security Normal Retirement Age, which applies to any member with less than 5 years of service as of July 1, 2012. Members are vested after 5 years of service.

The Plan provides for survivor's benefits for service connected death and certain lump sum death benefits. Joint and survivor benefit provision options are available to members.

Cost of living adjustments are provided but are currently suspended until the collective plans administered by ERSRI reach a funded status of 80%. Until the plans reach an 80% funded status, interim cost of living adjustments are provided at four-year intervals commencing with the plan year ending June 30, 2016.

The plan also provides nonservice-connected disability benefits after five years of service and service-connected disability benefits with no minimum service requirement.

TOWN OF WEST WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

9. PENSION PLANS (CONTINUED)

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

General Information about the Pension Plan (Continued)

Contributions

The funding policy, as set forth in the General Laws, Section 16-16-22, provides for actuarially determined periodic contributions to the plan. For fiscal 2016, West Warwick School Department teachers were required to contribute 3.75% of their annual covered salary, except for teachers with twenty or more years of service as of June 30, 2012 must contribute 11% of their annual covered salary. The state and the West Warwick School Department are required to contribute at an actuarially determined rate, 40% of which is to be paid by the state and the remaining 60% is to be paid by West Warwick School Department; the rates were 9.41% and 13.73% of annual covered payroll for the fiscal year ended June 30, 2016 for the State and West Warwick School Department, respectively. The West Warwick School Department contributed approximately \$3,228,000, \$3,527,000 and \$2,970,000 for the fiscal years ended June 30, 2016, 2015 and 2014, respectively, equal to 100% of the required contributions for each year. The on-behalf contribution made by the State of Rhode Island for the defined benefit pension plan for the fiscal year ended June 30, 2017 was \$2,389,537. This amount has been included in the Fund Statements (School Unrestricted Fund) as revenue and education expenditures.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2016, the West Warwick School Department reported a liability of \$44,563,281 for its proportionate share of the net pension liability that reflected a reduction for contributions made by the state. The amount recognized by the West Warwick School Department as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the West Warwick School Department were as follows:

| | |
|--|----------------------|
| West Warwick School Department proportionate share of the net pension liability | \$ 44,563,281 |
| State's proportionate share of the net pension liability associated with the West Warwick School Department | <u>30,444,235</u> |
| Total net pension liability | <u>\$ 75,007,516</u> |

The net pension liability was measured as of June 30, 2015, the measurement date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015. The West Warwick School Department proportion of the net pension liability was based on a projection of the West Warwick School Department long-term share of contributions to the pension plan relative to the projected contributions of all participating employers and the state, actuarially determined. At June 30, 2015 the West Warwick School Department proportion was 1.62%.

TOWN OF WEST WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

9. PENSION PLANS (CONTINUED)

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)

For the year ended June 30, 2016 the West Warwick School Department recognized gross pension expense of \$9,712,253 and revenue of \$3,696,759 for support provided by the State. At June 30, 2016 the West Warwick School Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | |
|---|---------------------|
| Deferred outflows of resources | |
| Contributions subsequent to the measurement date | \$ 3,227,834 |
| Net difference between projected and actual investment earnings | 2,510,923 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 3,823,795 |
| Total deferred outflows of resources | <u>\$ 9,562,552</u> |
| Deferred inflows of resources | |
| Differences between expected and actual experience | \$ 290,168 |
| Changes of assumptions | 1,198,013 |
| Net difference between projected and actual investment earnings | 2,544,542 |
| Total deferred inflows of resources | <u>\$ 4,032,723</u> |

The \$3,227,834 reported as deferred outflows of resources related to pensions resulting from the West Warwick School Department contributions in fiscal year 2016 subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended June 30 | |
|--------------------|---------------------|
| 2017 | \$ 128,163 |
| 2018 | 128,163 |
| 2019 | 128,163 |
| 2020 | 976,343 |
| 2021 | 348,613 |
| Thereafter | 592,550 |
| Total | <u>\$ 2,301,995</u> |

TOWN OF WEST WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

9. PENSION PLANS (CONTINUED)

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

Actuarial Assumptions

The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|----------------|
| Inflation | 2.75% |
| Salary increases | 3.50% to 13.5% |
| Investment rate of return | 7.50% |

Mortality – male and female teachers: 97% and 92%, respectively of rates in a GRS table based on male and female teacher experience, projected with Scale AA from 2000.

The actuarial assumptions used in the June 30, 2014 valuation rolled forward to June 30, 2015 and the calculation of the total pension liability at June 30, 2015 were consistent with the results of an actuarial experience study performed as of June 30, 2013.

The long-term expected rate of return best-estimate on pension plan investments was determined by the actuary using a building-block method. The actuary started by calculating best-estimate future expected real rates of return (expected returns net of pension plan investment expense and inflation) for each major asset class, based on a collective summary of capital market expectations from 35 sources. The June 30, 2015 expected arithmetic returns over the long-term (20 years) by asset class are summarized in the following table:

TOWN OF WEST WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

9. PENSION PLANS (CONTINUED)

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

Actuarial Assumptions (Continued)

| Type of Investment | Target Allocation | Long-Term Expected Real Rate of Return |
|--------------------------------|----------------------|--|
| Global Equity: | 38.00% | - |
| U.S. Equity | - | 6.93% |
| International Developed | - | 7.32% |
| International Emerging Markets | - | 9.52% |
| Equity Hedge Funds | 8.00% | 3.98% |
| Private Equity | 7.00% | 9.99% |
| Core Fixed Income | 15.00% | 2.18% |
| Absolute Return Hedge Funds | 7.00% | 3.98% |
| Infrastructure | 3.00% | 5.70% |
| Real Estate | 8.00% | 4.85% |
| Other Real Return Assets: | 11.00% | - |
| Master Limited Partnerships | - | 4.51% |
| Credit | - | 4.51% |
| Inflation Linked Bonds | - | 1.24% |
| Cash, Overlay, Money Market | 3.00% | 7.80% |
| Total | <u>100.00%</u> | |

These return assumptions are then weighted by the target asset allocation percentage, factoring in correlation effects, to develop the overall long-term expected rate of return best-estimate on an arithmetic basis.

Discount Rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from the employers will be made at statutorily required rates, actuarially determined. Based on those 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.

TOWN OF WEST WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

9. PENSION PLANS (CONTINUED)

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

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

The following presents the net pension liability calculated using the discount rate of 7.5 percent as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

| | | |
|---------------|---------------|---------------|
| 1.00% | Current | 1.00% |
| Decrease | Discount Rate | Increase |
| (6.5%) | (7.5%) | (8.5%) |
| | | |
| \$ 55,881,996 | \$ 44,563,281 | \$ 35,297,311 |

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued ERSRI financial report.

Summary of Defined Benefit Pension Plans

The following table summarizes the aggregate amount for the two pension plans' total net pension liability of the Town, deferred outflows, deferred inflows and pension expense for the period as of the indicated measurement date:

| | Measurement Date | Net Pension Liability | Deferred Outflows of Resources | Deferred Inflows of Resources | Pension Expense |
|------------------------------|---------------------|--------------------------|--------------------------------------|-------------------------------------|----------------------|
| Retirement Plan of the Town | 6/30/2017 | \$ 128,381,711 | \$ 6,529,534 | \$ (1,718,840) | \$ 2,818,677 |
| Teacher's Pension Plan (ERS) | 6/30/2015 | 44,563,281 | 9,562,552 | (4,032,723) | 9,712,253 |
| Total | | <u>\$ 172,944,992</u> | <u>\$ 16,092,086</u> | <u>\$ (5,751,563)</u> | <u>\$ 12,530,930</u> |

(c) GAAP Departure – Teacher's Pension Plan – Employees' Retirement System

Governments providing defined benefit pensions through a cost-sharing multiple-employer plan are required to report their proportionate shares of the plan's collective net pension liability, pension expense, and related deferred inflows and outflows of resources, measured as of a date no earlier than the end of the government's prior fiscal year. The Town is a participant in the Employees' Retirement System of the State of Rhode Island (ERSRI), which utilizes a consistent measurement date, which is twelve months prior to the Town's related financial statement date. Accordingly, the data presented for these required financial statement elements in the June 30, 2017 statements is to be measured as of June 30, 2016.

TOWN OF WEST WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

9. PENSION PLANS (CONTINUED)

(c) GAAP Departure – Teacher's Pension Plan – Employees' Retirement System (Continued)

ERSRI determines each employer's proportionate share by comparing the Town's contributions to the plan compared to the total contributions of all entities contributing to the plan, and then applying this percentage factor to the respective net pension liability and certain deferred inflows and outflows of resources for the entire plan. Employer contributions to the plan are recognized when due and when the employer has made a formal commitment to provide the contributions.

For fiscal 2016, the timing of certain contributions by the Town to the plan (ERSRI) were delayed due, in part, to a new system implementation at ERSRI. This resulted in lower contributions recognized by the plan for fiscal 2016 compared to amounts recognized by the Town and a smaller proportionate share of the net pension liability at the June 30, 2016 measurement date for the Town. Consequently, information published by ERSRI for incorporation into the June 30, 2017 financial statements does not agree with the actual contributions made by the Town and does not provide a reliable basis for presenting the allocable plan information. Accordingly, the Town has not reflected any financial information in the accompanying financial statements relating to the ERSRI plan as of the June 30, 2016 measurement date. The information included in the financial statements reflects values derived from the June 30, 2015 measurement date, which were presented in the Town's June 30, 2016 financial statements. The effects of this departure from accounting principles generally accepted in the United States of America has not been determined.

(d) Teachers Defined Contribution Pension Plan

Plan Description

Employees participating in the defined benefit plan with less than 20 years of service as of June 30, 2012, as described above, also participate in a defined contribution plan 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. Employees may choose among various investment options available to plan participants. Employees contribute 5% of their annual covered salary and employers contribute between 1% and 1.5% of annual covered salary depending on the employee's total years of service as of June 30, 2012. Employee contributions are immediately vested while employer contributions and any investment earnings thereon are vested after three years of contributory service. Benefit terms and 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.

The West Warwick School Department recognized pension expense of approximately \$240,300, for the fiscal year ended June 30, 2017.

TOWN OF WEST WARWICK, RHODE ISLAND

*NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017*

9. PENSION PLANS (CONTINUED)

(d) Teachers Defined Contribution Pension Plan (Continued)

Plan Description (Continued)

Although the School Department is required to contribute 1% to 1.5% towards the plan for certified teachers, the School Department receives reimbursement from the State of Rhode Island for .4% 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, 2017 amounted to \$95,949.

The System issues a publicly available financial report that includes financial statements and required supplementary information for plans administered by the system. The report may be obtained at <http://www.ersri.org>.

10. OTHER POST EMPLOYMENT BENEFITS (OPEB)

General Information about the OPEB Plan

Plan Description

In addition to the pension benefits described in Note 9, the Town maintains a single-employer OPEB plan administered by the Town of West Warwick. The plan 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. The Town has established an OPEB Trust Fund for these benefits. The OPEB benefits include health and dental coverage. The Town's OPEB Plan is presented in the accompanying financial statements as an OPEB trust fund. A separate financial statement is not issued.

A copy of June 30, 2017 actuarial valuation report can be obtained in the Finance Department at West Warwick Town Hall.

Benefits Provided

Eligibility: 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 or 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 differ at each eligibility requirement. Municipal Non-Union and Library employees are not eligible for health benefits at retirement.

TOWN OF WEST WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

10. OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

General Information about the OPEB Plan (Continued)

Benefits Provided (Continued)

Duration of Retiree Health Benefits: Firefighters and police officers are eligible for lifetime subsidized retiree health benefits. Municipal Union (including Wastewater) employees 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 at retirement.

The Town provides free lifetime dental benefits to all retiree groups, with the exception of School Certified employees 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.

Employees Covered by Benefit Terms

As of June 30, 2017, the following employees were covered by the benefit terms:

| | |
|--|---------------------|
| Inactive employees or beneficiaries currently receiving benefit payments | 241 |
| Inactive employees entitled to but not yet receiving benefit payments | 206 |
| Active employees | 679 |
| Total | <u><u>1,126</u></u> |

Contributions

The funding policy provides for actuarially determined contributions (ADC) to the OPEB plan. ADC are based on the Annual Required Contribution (ARC) calculated in the prior GASB 45 actuarial valuations. For fiscal year ended June 30, 2017, the actuarially determined contribution for the Town (including the School Department) was \$4,759,537 and actual contributions made in relation to ADC were \$3,646,994 for the year ended June 30, 2017. Firefighters and Police Officers contribute 1% of salary to the OPEB Trust while actively working.

Net OPEB Liability

The Town's net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

TOWN OF WEST WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

10. OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Net OPEB Liability (Continued)

The net OPEB liability at June 30, 2017 consisted of the following components:

| | |
|-----------------------------|----------------------|
| Total OPEB liability | \$ 58,016,693 |
| Plan fiduciary net position | (1,873,233) |
| Net OPEB liability | <u>\$ 56,143,460</u> |

Plan fiduciary net position as a percent of the total
OPEB liability (funded ratio) 3.2%

Actuarial Assumptions

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applies to all periods included in the measurement:

| | |
|----------------------------------|---|
| Actuarial Valuation Date: | June 30, 2017, with no adjustments to get to the June 30, 2017 measurement date. |
| Discount Rate: | 7.5% |
| Payroll Growth: | 3.5% for valuation purposes; 2.5% for amortization purposes. |
| Inflation Rate: | 3.5% per year |
| Cost Method: | Entry Age Normal Level % Salary |
| Asset Valuation Method: | Market Value |
| Mortality: | Police/Fire: RP-2014 Blue Collar Mortality Table with generational improvements from 2006 based on assumptions from the 2017 SSA Trustees' Report. All others: RP-2014 Mortality Table with generational improvements from 2006 based on assumptions from the 2017 SSA Trustees' Report. |
| Health Care Trend Rates: | Medical: 9% for 2018, decreasing by 0.5% per year to an ultimate rate of 5.0% for 2026 and later years. Dental: 5% for 2018, decreasing by 0.25% per year to an ultimate rate of 4.0% for 2022 and later years. |
| Spouse Coverage: | All retirees who currently have family coverage are assumed to have spouses. 85% of employees are assumed to be married at retirement. Husbands are assumed to be three years older than wives. |

TOWN OF WEST WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

10. OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Net OPEB Liability (Continued)

Actuarial Assumptions (Continued)

The long-term expected rate of return on OPEB 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 OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are then combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best-estimates of arithmetic real rates of return for each major asset class included in the OPEB Plan's target asset allocation as of June 30, 2017 are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|--------------------------|--------------------------|---|
| U.S. Equity | 48.3% | 6.1% |
| Non-U.S. Equity | 20.7% | 6.7% |
| U.S. Aggregate Bonds | 9.0% | 1.7% |
| Intermediate-Term Credit | 5.4% | 2.3% |
| Short-Term Credit | 3.6% | 2.0% |
| Intermediate-Term TIPS | 5.0% | 0.8% |
| REITs | 8.0% | 4.9% |
| Total | <u>100.0%</u> | |

Discount Rate

The discount rate used to measure the total OPEB liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that Town contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

TOWN OF WEST WARWICK, RHODE ISLAND

*NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017*

10. OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Changes in the Net OPEB Liability

Changes in the net pension liability for the year ended June 30, 2017 consisted of the following:

| | Total OPEB Liability (a) | Plan Fiduciary Net Position (b) | Net OPEB Liability (a) - (b) |
|---|--------------------------------|---------------------------------------|------------------------------------|
| Balance at June 30, 2016 | \$ 55,844,144 | \$ 1,338,815 | \$ 54,505,329 |
| Changes for the year: | | | |
| Service Cost | 1,063,571 | - | 1,063,571 |
| Interest | 4,066,880 | - | 4,066,880 |
| Changes of benefit terms | - | - | - |
| Changes of assumptions | (1,379,744) | - | (1,379,744) |
| Differences between expected and actual experience | 1,719,595 | - | 1,719,595 |
| Contributions - employer | - | 3,646,994 | (3,646,994) |
| Net investment income | - | 189,167 | (189,167) |
| Benefit payments | (3,297,753) | (3,297,753) | - |
| Trust administrative expenses | - | (3,990) | 3,990 |
| Net Changes | <u>2,172,549</u> | <u>534,418</u> | <u>1,638,131</u> |
| Balance at June 30, 2017 | <u>\$ 58,016,693</u> | <u>\$ 1,873,233</u> | <u>\$ 56,143,460</u> |

Governmental Activities:

| | |
|--|----------------------|
| Net OPEB liability at beginning of year | \$ 52,900,185 |
| Increase in net OPEB liability for fiscal 2017 | <u>1,589,889</u> |
| Net OPEB liability at June 30, 2017 | <u>\$ 54,490,074</u> |

Business-Type Activities:

| | |
|--|---------------------|
| Net OPEB liability at beginning of year | \$ 1,605,144 |
| Increase in net OPEB liability for fiscal 2017 | <u>48,242</u> |
| Net OPEB liability at June 30, 2017 | <u>\$ 1,653,386</u> |

TOWN OF WEST WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

10. OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Changes in the Net OPEB Liability (Continued)

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

The following presents the net OPEB liability of the Town calculated using the current discount rate of 7.5 percent as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

| | 1% Decrease (6.50%) | Current Discount Rate (7.50%) | 1% Increase (8.50%) |
|--------------------|------------------------|-------------------------------------|------------------------|
| Net OPEB liability | \$ 62,484,545 | \$ 56,143,460 | \$ 50,757,678 |

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability of the Town calculated using the current healthcare trend rates, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

| | 1% Decrease (8.0% decreasing to 4.0%) | Current Health Care Trend Rates (9.0% decreasing to 5.0%) | 1% Increase (10.0% decreasing to 6.0%) |
|--------------------|---|--|--|
| Net OPEB liability | \$ 50,253,520 | \$ 56,143,460 | \$ 63,207,089 |

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position presented in the Fiduciary Funds exhibits is included with these financial statements.

TOWN OF WEST WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

10. OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2017, the Town recognized OPEB expense of \$1,572,404 in the Government-wide Statement of Activities. At June 30, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience | \$ 1,504,646 | \$ - |
| Changes of assumptions | - | (1,207,276) |
| Net difference between projected and actual earnings in OPEB plan investments | - | (60,834) |
| Total | <u>\$ 1,504,646</u> | <u>\$ (1,268,110)</u> |

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Year ended June 30: | |
|---------------------|-------------------|
| 2018 | \$ 27,272 |
| 2019 | 27,272 |
| 2020 | 27,272 |
| 2021 | 27,274 |
| 2022 | 42,481 |
| Thereafter | 84,965 |
| | <u>\$ 236,536</u> |

TOWN OF WEST WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

11. 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 \$4,000,000 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, 2017 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, 2017 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, 2017. Approximate changes in the balances of self-insured claims liabilities were as follows:

TOWN OF WEST WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

11. RISK MANAGEMENT (CONTINUED)

Health Care (Continued)

| | |
|---|---------------------|
| Incurred but not reported claims (IBNR), June 30, 2016 | \$ 663,600 |
| Claims incurred during the year | 11,372,397 |
| Claims paid including amount in accounts payable at June 30, 2017 | <u>(11,267,991)</u> |
| Estimated IBNR Claims outstanding at June 30, 2017 | <u>\$ 768,006</u> |
| | |
| Incurred but not reported claims (IBNR), June 30, 2015 | \$ 506,777 |
| Claims incurred during the year | 10,909,285 |
| Claims paid including amount in accounts payable at June 30, 2016 | <u>(10,752,462)</u> |
| Estimated IBNR Claims outstanding at June 30, 2016 | <u>\$ 663,600</u> |

The IBNR claims outstanding at June 30, 2017 are comprised of \$380,908 and \$387,098 related to Town and School employees, respectively.

At June 30, 2017 the Town has a deposit with the Plan Administrator totaling \$201,000. 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 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, 2017 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.

12. TAX ABATEMENTS

The Town enters into property tax abatement agreements, under its Tax Incentive Program as prescribed in the Town's Code of Ordinances, Section 18-31, with commercial and industrial developers to help promote economic development. The intent of these agreements is to attract or retain businesses within the Town.

For the fiscal year ended June 30, 2017, the Town abated property taxes totaling approximately \$850,000 under this program, which includes the following tax abatement agreements to new businesses located in a commercially zoned property or existing businesses that are expanding:

TOWN OF WEST WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

12. TAX ABATEMENTS (CONTINUED)

| <u>Purpose</u> | <u>Percentage of Taxes Abated during the Fiscal Year</u> | <u>Amount of Taxes Abated during the Fiscal Year</u> |
|---|--|--|
| Street/commercial property sweeping and other leased spaces for storage/business in an industrial area | 32.2% | \$ 10,007 |
| Construction of commercial building in an industrial area | 0.0% | - |
| Redevelopment of building into multi-family residential units | 100.0% | 15,122 |
| Renovation of theater and playhouse in central business area | 0.0% | - |
| Construction of a dog boarding facility in an industrial area | 0.0% | - |
| Expansion of car dealership in a central business area | 27.6% | 41,595 |
| Renovation of building for residential units | 70.5% | 781,042 |
| Total | | <u>\$ 847,766</u> |

13. 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, 2017 the Town (including the School Department) had a number of legal cases and claims in process. These cases include claims made by Unions. 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, 2017 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.

TOWN OF WEST WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

14. RESTATEMENT

The net position of the Governmental Activities and Business-Type Activities has been restated as of June 30, 2016 to reflect the implementation of GASB Statement No. 75 - *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The following reflects the effect of implementation of GASB Statement No. 75 as well as reclassification of Energy Efficiency fund from Business-Type activities (Enterprise Fund) to Governmental activities (Internal Service Fund):

| | |
|--|-------------------------|
| Governmental activities | |
| Net Position, June 30, 2016 as originally stated | \$ (143,109,296) |
| GASB 75 implementation | (36,241,423) |
| Reclassification of Energy Efficiency fund previously reported as Enterprise Fund to Internal Service Fund | <u>(42,913)</u> |
| Net Position, July 1, 2016 as restated | <u>\$ (179,393,632)</u> |
| Business-type activities | |
| Net Position, June 30, 2016 as originally stated | \$ 44,050,705 |
| GASB 75 implementation | (1,302,237) |
| Reclassification of Energy Efficiency fund previously reported as Enterprise Fund to Internal Service Fund | <u>42,913</u> |
| Net Position, July 1, 2016 as restated | <u>\$ 42,791,381</u> |

15. SUBSEQUENT EVENTS

On July 19, 2017, the Town issued General Obligation Refunding Bonds for \$6,890,000, maturing on July 15, 2028.

On October 3, 2017, the Town also issued General Obligation Bonds for \$6,159,000 to be used for the Wind Turbine project. The bonds mature on September 1, 2037.

On November 9, 2017, the Town entered into a 5-year capital lease agreement in the amount of \$545,575 for the acquisition of a new fire truck.

Lastly, on December 13, 2017, the Town received bond proceeds totaling \$5,957,000 from Rhode Island Infrastructure Bank, maturing on September 1, 2033, to be used for the Wind Turbine project.

TOWN OF WEST WARWICK

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF WEST WARWICK, RHODE ISLAND

RSI - 1

**Required Supplementary Information
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund - Budgetary Basis
For the Year Ended June 30, 2017**

| | Original and Final Budget | Actual Revenues | Positive (Negative) Variance |
|--|--|----------------------------|---|
| General property taxes | | | |
| Property taxes | \$ 63,399,427 | \$ 62,372,238 | \$ (1,027,189) |
| PILOT - WW Housing Authority | 60,000 | 58,884 | (1,116) |
| Penalty & interest on taxes | 500,000 | 573,606 | 73,606 |
| Total general property taxes | 63,959,427 | 63,004,728 | (954,699) |
| Intergovernmental revenues | | | |
| State aid for education | 22,827,356 | 23,016,375 | 189,019 |
| School housing aid | 1,170,832 | 1,060,331 | (110,501) |
| State meals tax | 368,175 | 354,524 | (13,651) |
| State hotel tax | 129,286 | 126,850 | (2,436) |
| Distressed communities | 747,878 | 895,815 | 147,937 |
| Motor vehicle phase-out | 231,779 | 238,429 | 6,650 |
| Public utilities tax | 359,305 | 360,940 | 1,635 |
| Total intergovernmental revenues | 25,834,611 | 26,053,264 | 218,653 |
| Interest income: | | | |
| Interest - short-term investments | 5,000 | 19,638 | 14,638 |
| Departmental & miscellaneous: | | | |
| Town clerk | 600,000 | 660,806 | 60,806 |
| Building official | 300,000 | 219,154 | (80,846) |
| DPW/recycling | 5,000 | 11,821 | 6,821 |
| Planning & CDBG | 10,000 | 10,347 | 347 |
| Police department | 15,000 | 8,655 | (6,345) |
| Municipal court | 10,000 | 10,000 | - |
| Fire rescue fees | 900,000 | 955,511 | 55,511 |
| Fire plans review | 30,000 | 12,449 | (17,551) |
| Road opening permit - Zoning Board | 10,000 | 3,325 | (6,675) |
| Field rentals - Parks and Recreation | 16,000 | 18,363 | 2,363 |
| Sewer administrative fees | 323,749 | 323,749 | - |
| School crossing guards | 128,000 | 97,734 | (30,266) |
| Dog pound collection | - | 1,500 | 1,500 |
| Other revenue- lien certificates, permits etc. | - | 34,387 | 34,387 |
| Miscellaneous | 5,000 | 81,240 | 76,240 |
| Total departmental revenues | 2,352,749 | 2,449,041 | 96,292 |
| Total revenues before other financing sources | 92,151,787 | 91,526,671 | (625,116) |
| Other financing sources | | | |
| Transfers from other funds | - | - | - |
| Total other financing sources revenue | - | - | - |
| Total revenue and other financing sources | \$ 92,151,787 | \$ 91,526,671 | \$ (625,116) |

TOWN OF WEST WARWICK, RHODE ISLAND

RSI - 1 (Continued)

Required Supplementary Information
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund - Budgetary Basis
For the Year Ended June 30, 2017

| | <u>Original and Final Budget</u> | <u>Actual Expenditures</u> | <u>Positive (Negative) Variance</u> |
|---------------------------------|--|--------------------------------|---|
| General Government: | | | |
| Retirement - severance | \$ 100,000 | \$ 200,027 | \$ (100,027) |
| Dental | 212,316 | 212,316 | - |
| Health | 2,035,848 | 1,535,848 | 500,000 |
| Life insurance | - | 22,890 | (22,890) |
| Pension | 6,279,407 | 6,328,344 | (48,937) |
| OPEB contribution | 743,478 | 371,739 | 371,739 |
| Workers compensation | 350,000 | 374,143 | (24,143) |
| General liability | 350,000 | 431,020 | (81,020) |
| RI League of Cities and Towns | 11,776 | 11,776 | - |
| Unemployment expense | 10,000 | 41,421 | (31,421) |
| Pawtuxet River Authority | 5,000 | 5,000 | - |
| Telephone | 70,000 | 93,155 | (23,155) |
| Computer services | 50,000 | 159,958 | (109,958) |
| Advertising | 35,000 | 27,341 | 7,659 |
| Consulting | 40,000 | 58,321 | (18,321) |
| Bank/miscellaneous charges | - | 6,328 | (6,328) |
| Code red/Open gov | 13,495 | 13,995 | (500) |
| Miscellaneous | - | 131,829 | (131,829) |
| Total General Government | <u>10,306,320</u> | <u>10,025,451</u> | <u>280,869</u> |
| Public Works: | | | |
| Salaries and wages | 1,504,907 | 1,439,504 | 65,403 |
| Payroll Taxes | 115,125 | 106,175 | 8,950 |
| Employee benefits | 391,910 | 391,910 | - |
| Supplies and expenses | 81,000 | 79,534 | 1,466 |
| Major needs - winter | 165,000 | 165,000 | - |
| Solid waste | 350,000 | 336,342 | 13,658 |
| Petroleum | 85,000 | 103,299 | (18,299) |
| Fleet maintenance | 194,000 | 145,818 | 48,182 |
| Trash removal | 1,171,286 | 1,150,004 | 21,282 |
| Construction & drainage | 125,000 | 91,720 | 33,280 |
| Other costs | 112,360 | 109,390 | 2,970 |
| Total Public Works | <u>4,295,588</u> | <u>4,118,696</u> | <u>176,892</u> |

TOWN OF WEST WARWICK, RHODE ISLAND

RSI - 1 (Continued)

Required Supplementary Information
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 General Fund - Budgetary Basis
 For the Year Ended June 30, 2017

| | Original and Final Budget | Actual Expenditures | Positive (Negative) Variance |
|--------------------------------|---------------------------------|------------------------|------------------------------------|
| Public Safety: | | | |
| Police department | 6,918,144 | 6,983,224 | (65,080) |
| Fire department | 8,297,096 | 8,540,064 | (242,968) |
| Total Public Safety | <u>15,215,240</u> | <u>15,523,288</u> | <u>(308,048)</u> |
| Senior Center: | | | |
| West Warwick Senior Center | 213,000 | 213,000 | - |
| Capital: | | | |
| Salaries and wages | - | 19,504 | (19,504) |
| Employee benefits | - | 1,492 | (1,492) |
| Town hall improvements | 100,000 | 8,489 | 91,511 |
| Civic Center fire upgrades | - | 24,901 | (24,901) |
| Police capital | 140,656 | 92,588 | 48,068 |
| Fire capital | 168,347 | 144,361 | 23,986 |
| IT improvements | 10,000 | 45,198 | (35,198) |
| Council ward improvements | - | 33,045 | (33,045) |
| Parks and recreation | 19,000 | 301,249 | (282,249) |
| DPW | 39,000 | - | 39,000 |
| Operating capital improvements | - | 47,300 | (47,300) |
| Total Capital | <u>477,003</u> | <u>718,127</u> | <u>(241,124)</u> |
| Debt Service: | | | |
| Redemption of bonds and notes | 3,332,802 | 3,176,957 | 155,845 |
| Financing cost and other use | 10,000 | 13,795 | (3,795) |
| Total Debt Service | <u>3,342,802</u> | <u>3,190,752</u> | <u>152,050</u> |
| Library: | | | |
| Salaries and wages | 466,434 | 450,807 | 15,627 |
| FICA expense | 32,512 | 33,128 | (616) |
| Medical | 51,029 | 51,029 | - |
| Pension | 50,000 | 54,095 | (4,095) |
| Books | 2,000 | 2,000 | - |
| Building maintenance contract | 12,050 | 12,050 | - |
| Utilities | 62,384 | 62,048 | 336 |
| Repair and maintenance | 14,045 | 14,045 | - |
| Legal | 1,800 | 1,800 | - |
| Miscellaneous | 4,636 | 4,636 | - |
| Total Library | <u>696,890</u> | <u>685,638</u> | <u>11,252</u> |

TOWN OF WEST WARWICK, RHODE ISLAND

RSI - 1 (Continued)

Required Supplementary Information
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 General Fund - Budgetary Basis
 For the Year Ended June 30, 2017

| | Original and Final Budget | Actual Expenditures | Positive (Negative) Variance |
|---|---------------------------------|------------------------|------------------------------------|
| Other Expenditures: | | | |
| Town manager | 280,832 | 256,680 | 24,152 |
| Town planner | 129,934 | 120,613 | 9,321 |
| Human resources | 178,328 | 150,239 | 28,089 |
| Town council | 68,632 | 62,101 | 6,531 |
| Town clerk | 231,165 | 241,153 | (9,988) |
| Board of canvassers | 113,547 | 114,865 | (1,318) |
| Legal | 270,000 | 314,958 | (44,958) |
| EMA | 8,690 | 7,821 | 869 |
| Town sergeant | 754 | 700 | 54 |
| Finance | 415,547 | 429,501 | (13,954) |
| Tax collector | 337,403 | 337,264 | 139 |
| Tax assessor | 186,189 | 193,008 | (6,819) |
| Board of assessment review | 2,596 | 1,973 | 623 |
| Town engineer | 53,587 | 12,621 | 40,966 |
| Street lighting | 77,000 | 107,499 | (30,499) |
| Building official | 448,445 | 444,140 | 4,305 |
| Zoning | 7,740 | 5,210 | 2,530 |
| Housing board | 7,159 | 2,625 | 4,534 |
| Parks | 330,991 | 354,940 | (23,949) |
| Probate court | 71,533 | 62,648 | 8,885 |
| Total Other Expenditures | <u>3,220,072</u> | <u>3,220,559</u> | <u>(487)</u> |
| Other Financing Uses: | | | |
| Transfer to School Unrestricted fund | 54,384,872 | 54,573,891 | (189,019) |
| Transfer to other funds | - | 322,889 | (322,889) |
| Total Other Financing Uses | <u>54,384,872</u> | <u>54,896,780</u> | <u>(511,908)</u> |
| Total Expenditures and Other Financing Uses | <u>92,151,787</u> | <u>92,592,291</u> | <u>(440,504)</u> |
| Deficiency of revenues and other financing sources under expenditures and other financing uses | <u>\$ -</u> | <u>(1,065,620)</u> | <u>\$ (1,065,620)</u> |

Reconciliation to GAAP Basis - Exhibit B-2:

Donation made in fiscal 2017 reported as expenditure
for GAAP, not part of budget (20,000)

**Deficiency of revenues and other financing sources
under expenditures and other financing uses - GAAP basis** \$ (1,085,620)

TOWN OF WEST WARWICK, RHODE ISLAND

RSI - 2

*Required Supplementary Information
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
School Unrestricted Fund - Budgetary Basis*

For the Year Ended June 30, 2017

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|----------------------------|-------------------------|---------------------|---|
| Revenues: | | | | |
| State aid - Intergovernmental | \$ 22,827,356 | \$ 22,827,356 | \$ 23,016,375 | \$ 189,019 |
| Medicaid | 450,000 | 450,000 | 431,321 | (18,679) |
| Other revenues | 122,336 | 122,336 | 127,002 | 4,666 |
| Total revenues | <u>23,399,692</u> | <u>23,399,692</u> | <u>23,574,698</u> | <u>175,006</u> |
| Expenditures: | | | | |
| Salaries | 31,394,891 | 30,957,685 | 30,665,818 | 291,867 |
| Employee benefits | 14,473,149 | 14,003,860 | 15,316,959 | (1,313,099) |
| Purchased services | 7,145,079 | 6,983,110 | 6,228,499 | 754,611 |
| Supplies and materials | 1,490,664 | 1,655,425 | 1,152,672 | 502,753 |
| Other | 56,862 | 57,824 | 69,287 | (11,463) |
| Capital outlay | 396,563 | 1,299,304 | 1,539,027 | (239,723) |
| Total expenditures | <u>54,957,208</u> | <u>54,957,208</u> | <u>54,972,262</u> | <u>(15,054)</u> |
| Excess of revenues over (under) expenditures before other financing sources (uses) | <u>(31,557,516)</u> | <u>(31,557,516)</u> | <u>(31,397,564)</u> | <u>159,952</u> |
| Other financing sources (uses): | | | | |
| Operating transfer from Town appropriation | 31,557,516 | 31,557,516 | 31,557,516 | - |
| Transfer to other funds | - | - | (80,200) | (80,200) |
| Total other financing sources (uses) | <u>31,557,516</u> | <u>31,557,516</u> | <u>31,477,316</u> | <u>(80,200)</u> |
| Excess of revenues and other financing sources over expenditures and other financing uses | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 79,752</u> | <u>\$ 79,752</u> |

TOWN OF WEST WARWICK, RHODE ISLAND

RSI-3

**Required Supplementary Information
Schedule of Changes in Town's Net Pension Liability and Related Ratios
Last Four Fiscal Years
UNAUDITED**

| | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| Total pension liability: | | | | |
| Service cost | \$ 2,549,974 | \$ 2,441,566 | \$ 2,258,766 | \$ 2,815,702 |
| Interest | 11,562,789 | 10,941,637 | 10,651,438 | 11,467,012 |
| Changes of benefit terms | 38,333 | - | - | (12,421,981) |
| Differences between expected and actual experience | 1,685,538 | 1,300,570 | - | (493,359) |
| Changes of assumptions | (749,423) | 2,751,398 | - | (2,583,350) |
| Benefit payments | (9,256,920) | (9,266,182) | (9,181,180) | (9,021,629) |
| Net change in total pension liability | 5,830,291 | 8,168,989 | 3,729,024 | (10,237,605) |
| Total pension liability - beginning | 156,249,012 | 148,080,023 | 144,350,999 | 154,588,604 |
| Total pension liability - ending (a) | <u>\$ 162,079,303</u> | <u>\$ 156,249,012</u> | <u>\$ 148,080,023</u> | <u>\$ 144,350,999</u> |
| Plan fiduciary net position: | | | | |
| Contributions - employer | \$ 8,739,745 | \$ 8,179,980 | \$ 8,062,234 | \$ 6,000,000 |
| Contributions - employee | 1,966,741 | 1,885,444 | 1,748,791 | 1,318,539 |
| Net investment income | 3,604,321 | (918,239) | 592,127 | 3,265,405 |
| Benefit payments, including refunds of employee contributions | (9,256,920) | (9,266,182) | (9,181,180) | (9,021,629) |
| Administrative expenses | (68,194) | (133,947) | (185,951) | (198,764) |
| Other | - | - | - | - |
| Net change in plan fiduciary net position | 4,985,693 | (252,944) | 1,036,021 | 1,363,551 |
| Plan fiduciary net position - beginning | 28,711,899 | 28,964,843 | 27,928,822 | 26,565,271 |
| Plan fiduciary net position - ending (b) | <u>\$ 33,697,592</u> | <u>\$ 28,711,899</u> | <u>\$ 28,964,843</u> | <u>\$ 27,928,822</u> |
| Plan's net pension liability - ending (a) - (b) | <u>\$ 128,381,711</u> | <u>\$ 127,537,113</u> | <u>\$ 119,115,180</u> | <u>\$ 116,422,177</u> |
| Plan fiduciary net position as a percentage of the total pension liability | 20.79% | 18.38% | 19.56% | 19.35% |
| Covered-employee payroll | \$ 16,091,817 | \$ 15,208,402 | \$ 14,203,313 | \$ 13,956,326 |
| Net pension liability as a percentage of covered-employee payroll | 797.81% | 838.60% | 838.64% | 834.19% |

Notes:

The information in this schedule is intended to show 10 years - additional years will be displayed as they become available.

TOWN OF WEST WARWICK, RHODE ISLAND

RSI - 4

Required Supplementary Information
Schedule of Town Contributions and Investment Returns
UNAUDITED

Schedule of Town's 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 | 2017 | \$8,739,745 | \$8,739,745 | \$0 | \$16,091,817 | 54.31% |
| | 2016 | \$8,309,706 | \$8,179,980 | (\$129,726) | \$15,208,402 | 53.79% |
| | 2015 | \$8,103,839 | \$8,062,234 | (\$41,605) | \$14,203,313 | 56.76% |
| | 2014 | \$10,322,474 | \$6,000,000 | (\$4,322,474) | \$13,956,326 | 42.99% |
| | 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% |

Schedule of Investment Returns

| | Year Ended June 30 | Actual Money Weighted Rate of Return, Net of Investment Expenses |
|---------------------------------------|--------------------|--|
| Employee Retirement Trust Fund | 2017 | 12.30% |
| | 2016 | 5.92% |
| | 2015 | 5.01% |
| | 2014 | 15.20% |

Notes:

The information in these schedules is intended to show 10 years.
However, as of June 30, 2017 only four years are available for one of the components.

TOWN OF WEST WARWICK, RHODE ISLAND

RSI - 5

Required Supplementary Information
Schedule of School District's Proportionate Share of the Net Pension Liability
Last Three Fiscal Years
UNAUDITED

Employees' Retirement System

| | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|----------------------|----------------------|----------------------|
| School District's proportion of the net pension liability | Not available | 1.62% | 1.46% |
| School District's proportionate share of the net pension liability | Not available | \$ 44,563,281 | \$ 35,463,093 |
| State's proportionate share of the net pension liability associated with the School District | <u>Not available</u> | <u>30,444,235</u> | <u>24,318,677</u> |
| Total | <u>Not available</u> | <u>\$ 75,007,516</u> | <u>\$ 59,781,770</u> |
| School District's covered employee payroll | <u>Not available</u> | <u>\$ 23,509,337</u> | <u>\$ 22,772,066</u> |
| School District's proportionate share of the net pension liability as a percentage of its covered employee payroll | Not available | 190% | 156% |
| Plan fiduciary net position as a percentage of the total pension liability | Not available | 57.55% | 61.40% |

Notes:

- 1.) The amounts presented for each fiscal year were determined as of 6/30 measurement date prior to the fiscal year-end.
- 2.) Schedule is intended to show information for 10 years - additional years will be displayed as they become available.

TOWN OF WEST WARWICK, RHODE ISLAND

RSI - 6

*Required Supplementary Information
Schedule of School District's Contributions
Last Three Fiscal Years
UNAUDITED*

Employees' Retirement System

| | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|---------------|----------------------|----------------------|
| Actuarially determined contribution | Not available | \$ 3,227,832 | \$ 3,053,734 |
| Contributions in relation to the actuarially determined contribution | Not available | 3,227,832 | 3,053,734 |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered-employee payroll | Not available | <u>\$ 23,509,337</u> | <u>\$ 22,772,066</u> |
| Contributions as a percentage of covered-employee payroll | Not available | 13.73% | 13.41% |

Notes:

1.) Employers participating in the State Employee's Retirement System are required by RI General Laws, Section 36-10-2, to contribute an actuarially determined contribution rate each year.

2.) Schedule is intended to show information for 10 years - additional years will be displayed as they become available.

TOWN OF WEST WARWICK, RHODE ISLAND

RSI - 7

Required Supplementary Information
Schedule of Changes in Town's Net OPEB Liability and Related Ratios
Last Fiscal Year
UNAUDITED

| | <u>2017</u> |
|---|----------------------|
| Total OPEB liability: | |
| Service cost | \$ 1,063,571 |
| Interest | 4,066,880 |
| Differences between expected and actual experience | 1,719,595 |
| Changes of assumptions | (1,379,744) |
| Benefit payments | <u>(3,297,753)</u> |
| Net change in total OPEB liability | 2,172,549 |
| Total OPEB liability - beginning | 55,844,144 |
| Total OPEB liability - ending (a) | <u>\$ 58,016,693</u> |
| | |
| Plan fiduciary net position: | |
| Contributions - employer | \$ 3,646,994 |
| Net investment income | 189,167 |
| Benefit payments | (3,297,753) |
| Administrative expenses | (3,990) |
| Net change in plan fiduciary net position | <u>534,418</u> |
| Plan fiduciary net position - beginning | 1,338,815 |
| Plan fiduciary net position - ending (b) | <u>\$ 1,873,233</u> |
| | |
| Town's net OPEB liability - ending (a) - (b) | <u>\$ 56,143,460</u> |
| | |
| Plan fiduciary net position as a percentage of the total OPEB liability | 3.23% |
| | |
| Covered-employee payroll | \$ 39,534,552 |
| | |
| Town's net OPEB liability as a percentage of covered-employee payroll | 142.01% |

Notes:

The information in this schedule is intended to show 10 years - additional years will be displayed as they become available.

TOWN OF WEST WARWICK, RHODE ISLAND

RSI - 8

**Required Supplementary Information
Schedule of Town's Contributions
UNAUDITED**

Schedule of Town's Contributions

| | Year Ended June 30 | Actuarially Determined Contribution | Actual Contribution | Contribution (Deficiency) Excess | Covered Payroll | Actual Contribution as a % of Covered Payroll |
|------------------------|--------------------------|---|------------------------|--|--------------------|---|
| OPEB Trust Fund | 2017 | \$4,759,537 | \$3,646,994 | (\$1,112,543) | \$39,534,552 | 9.22% |
| | 2016 | \$4,585,667 | \$4,111,091 | (\$474,576) | N/A | N/A |
| | 2015 | \$4,712,809 | \$4,019,034 | (\$693,775) | N/A | N/A |
| | 2014 | \$4,803,612 | \$3,467,681 | (\$1,335,931) | N/A | N/A |
| | 2013 | \$7,552,618 | \$5,303,716 | (\$2,248,902) | N/A | N/A |
| | 2012 | \$7,552,618 | \$4,865,794 | (\$2,686,824) | N/A | N/A |
| | 2011 | \$7,529,803 | \$4,231,074 | (\$3,298,729) | N/A | N/A |
| | 2010 | \$5,327,511 | \$3,573,395 | (\$1,754,116) | N/A | N/A |
| | 2009 | \$8,868,698 | \$3,096,416 | (\$5,772,282) | N/A | N/A |

Notes:

The information in these schedules is intended to show 10 years. However, as of June 30, 2017 only nine years are available.

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017**

(A) 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 Accounting Principles Generally Accepted in the United States of America. 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, if any, 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.

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.

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017**

(B) Employees' Retirement System (ERS) Plan

The amounts presented for each fiscal year were determined as of the June 30 measurement date prior to the fiscal year end.

The schedules are intended to show information for 10 years – additional years will be displayed as they become available.

Employers participating in the State Employee's Retirement System are required by RI General Laws, Section 36-10-2, to contribute an actuarially determined contribution rate each year.

Changes in benefit provisions –

The June 30, 2015 measurement date determination of the net pension liability for the ERS plan reflects changes in benefit changes resulting from the settlement of litigation challenging the various pension reform measures enacted in previous years by the General Assembly. The final settlement approved by the Court on July 8, 2015 also included enactment of the pension settlement provisions by the General Assembly. These amended benefit provisions, are summarized below:

- Employees with more than 20 years of service at July 1, 2012 will increase their employee contribution rates to 11% for state employees and municipal general employees will contribute 8.25% (9.25% for units with a COLA provision) and participate solely in the defined benefit plan going forward – service credit accruals will increase from 1% to 2% per year.
- Members are eligible to retire upon the attainment of: age 65 with 30 years of service, 64 with 31 years of service, 63 with 32 years of service or 62 with 33 years of service. Members may retire earlier if their RIRSA date is earlier or are eligible under a transition rule.
- Employees with more than 10 but less than 20 years of service at July 1, 2012 will receive an increased employer contribution to the defined contribution plan based on the members' years of service (an additional .25% for members with 10-15 years of service and .50% for members with 15-20 years of service). Also, members who earn less than \$35,000 per year will not be required to pay the administrative fees to the defined contribution plan.
- Members who retired from a COLA eligible plan before 7/1/2012 will receive a one-time cost of living adjustment of 2% of the first \$25,000 paid as soon as administratively possible.
- Retirees as of June 30, 2015 will receive two \$500 stipends; the interim cost of living increases will occur at 4 year rather than 5 year intervals.
- The COLA formula was adjusted to: 50% of the COLA is calculated by taking the previous 5-year average investment return, less 5.5% (5yr return - 5.5%, with a max of 4%) and 50% calculated using previous year's CPI-U (max of 3%) for a total max COLA of 3.5%. This COLA is calculated on the first \$25,855, effective 01/01/16, and indexed as of that date as well. (The indexing formula is run annually regardless of funding level each year.)
- Minor adjustments were made to the actuarial reduction for employees choosing to retire early.

TOWN OF WEST WARWICK, RHODE ISLAND

RSI - 9 (Continued)

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017**

(C) Other Post-Employment Benefits (OPEB)

The schedules are intended to show information for 10 years – additional years will be displayed as they become available.

Actuarial Assumptions

The following are methods and assumptions used to determine the actuarially determined contribution rates:

| | |
|----------------------------------|---|
| Measurement Date: | June 30, 2017 |
| Actuarial Valuation Date: | June 30, 2017 with no adjustments to get to the June 30, 2017 measurement date. Liabilities as of July 1, 2016 are based on an actuarial valuation date of June 30, 2016. |
| Discount Rate: | 7.5% |
| Payroll Growth: | 3.5% for valuation purposes; 2.5% for amortization purposes. |
| Inflation Rate: | 3.5% per year |
| Cost Method: | Entry Age Normal Level % Salary |
| Asset Valuation Method: | Market Value |
| Mortality: | Police/Fire: RP-2014 Blue Collar Mortality Table with generational improvements from 2006 based on assumptions from the 2017 SSA Trustees' Report. All others: RP-2014 Mortality Table with generational improvements from 2006 based on assumptions from the 2017 SSA Trustees' Report. |
| Health Care Trend Rates: | Medical: 9% for 2018, decreasing by 0.5% per year to an ultimate rate of 5.0% for 2026 and later years. Dental: 5% for 2018, decreasing by 0.25% per year to an ultimate rate of 4.0% for 2022 and later years. |
| Spouse Coverage: | All retirees who currently have family coverage are assumed to have spouses. 85% of employees are assumed to be married at retirement. Husbands are assumed to be three years older than wives. |

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
- Stormwater Utility Grant Fund
- Revolving Fund
- Dog Pound Fund
- Bulletproof Vest Partnership Fund
- DARE Fund
- Drug Evidence Fund
- Tower Rent Revolving Fund
- Police Detail Car Fund
- Police Highway Grant
- Assistance to Firefighters
- Demolition Revolving Fund
- Greene Cemetery Fund
- JAG Police Car Replacement
- LEAP Fund
- Recreation Fund
- 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
- Bond Fund
- School Fire Code Renovations Fund
- School Bond Fund
- School Capital Projects Fund
- Road Bond Fund
- Lease Purchase Capital Fund

(CONTINUED)

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

EXHIBIT 1

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017

| | SPECIAL REVENUE 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 |
| ASSETS | | | | | | | | | | |
| Cash and cash equivalents | \$ 1,012 | \$ 1,105 | \$ - | \$ 2,004 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 5,865 |
| Restricted cash | - | - | - | - | - | - | - | - | - | - |
| Due from federal & state governments | - | - | - | - | - | - | - | - | - | - |
| Due from other funds | - | - | 394 | 7,700 | 10,124 | - | 5,699 | 3,534 | 3,966 | - |
| TOTAL ASSETS | \$ 1,012 | \$ 1,105 | \$ 394 | \$ 9,704 | \$ 10,124 | \$ - | \$ 5,699 | \$ 3,534 | \$ 3,966 | \$ 5,865 |
| LIABILITIES | | | | | | | | | | |
| Accounts payable and accrued expenses | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 171 | \$ - | \$ - | \$ - | \$ - |
| Due to federal & state governments | - | - | - | - | - | - | - | - | - | - |
| Due to other funds | - | - | - | - | - | 40,637 | - | - | - | - |
| Unearned revenue | - | - | - | - | - | - | - | - | - | - |
| TOTAL LIABILITIES | - | - | - | - | - | 40,808 | - | - | - | - |
| FUND BALANCES | | | | | | | | | | |
| Restricted | 1,012 | 1,105 | 394 | 9,704 | 10,124 | - | 5,699 | 3,534 | 3,966 | 5,865 |
| Committed | - | - | - | - | - | - | - | - | - | - |
| Unassigned | - | - | - | - | - | (40,808) | - | - | - | - |
| TOTAL FUND BALANCES | 1,012 | 1,105 | 394 | 9,704 | 10,124 | (40,808) | 5,699 | 3,534 | 3,966 | 5,865 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 1,012 | \$ 1,105 | \$ 394 | \$ 9,704 | \$ 10,124 | \$ - | \$ 5,699 | \$ 3,534 | \$ 3,966 | \$ 5,865 |

TOWN OF WEST WARWICK, RHODE ISLAND

EXHIBIT 1 (Continued)

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017

| | SPECIAL REVENUE FUNDS | | | | | | | | | |
|--|------------------------------|----------------------|---|-------------------------|-------------------------------------|-------------------|----------------------|---|-----------------|--------------------------|
| | Library Grants | Homeland Security | Community Development Block Grant | Annie Livsey Fund | Stormwater Utility Grant Fund | Revolving Fund | Dog Pound Fund | Bulletproof Vest Partnership Fund | DARE Fund | Drug Evidence Fund |
| ASSETS | | | | | | | | | | |
| Cash and cash equivalents | \$ 20,348 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 8,172 | \$ 172,017 |
| Restricted cash | - | - | - | - | - | - | - | - | - | - |
| Due from federal & state governments | - | - | 124,687 | - | - | - | - | 3,021 | - | - |
| Due from other funds | - | - | - | - | - | 581,171 | 15,964 | - | - | - |
| TOTAL ASSETS | \$ 20,348 | \$ - | \$ 124,687 | \$ - | \$ - | \$ 581,171 | \$ 15,964 | \$ 3,021 | \$ 8,172 | \$ 172,017 |
| LIABILITIES | | | | | | | | | | |
| Accounts payable and accrued expenses | \$ 11,857 | \$ - | \$ 28,117 | \$ - | \$ - | \$ 1,187 | \$ 378 | \$ - | \$ - | \$ 1,070 |
| Due to federal & state governments | - | - | - | - | - | - | - | - | - | 526 |
| Due to other funds | 214,731 | 924 | 99,345 | - | 103,847 | - | - | 2,747 | - | 6,037 |
| Unearned revenue | - | - | 3,122 | - | - | - | - | - | - | - |
| TOTAL LIABILITIES | 226,588 | 924 | 130,584 | - | 103,847 | 1,187 | 378 | 2,747 | - | 7,633 |
| FUND BALANCES | | | | | | | | | | |
| Restricted | - | - | - | - | - | - | 15,586 | 274 | 8,172 | 164,384 |
| Committed | - | - | - | - | - | 579,984 | - | - | - | - |
| Unassigned | (206,240) | (924) | (5,897) | - | (103,847) | - | - | - | - | - |
| TOTAL FUND BALANCES | (206,240) | (924) | (5,897) | - | (103,847) | 579,984 | 15,586 | 274 | 8,172 | 164,384 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 20,348 | \$ - | \$ 124,687 | \$ - | \$ - | \$ 581,171 | \$ 15,964 | \$ 3,021 | \$ 8,172 | \$ 172,017 |

TOWN OF WEST WARWICK, RHODE ISLAND

EXHIBIT 1 (Continued)

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017

| | SPECIAL REVENUE FUNDS | | | | | | | | | | |
|--|---------------------------------|------------------------------|----------------------------|-----------------------------------|---------------------------------|----------------------------|----------------------------------|-----------------|--------------------|-------------------------------|-----------------------------------|
| | Tower Rent Revolving Fund | Police Detail Car Fund | Police Highway Grant | Assistance to Fire Fighters | Demolition Revolving Fund | Greene Cemetery Fund | JAG Police Car Replacement | LEAP Fund | Recreation Fund | School Restricted Funds | Total Special Revenue Funds |
| ASSETS | | | | | | | | | | | |
| Cash and cash equivalents | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 210,523 |
| Restricted cash | - | - | - | - | - | - | - | - | - | - | - |
| Due from federal & state governments | - | - | 11,325 | - | - | - | 12,336 | - | - | 1,000,773 | 1,152,142 |
| Due from other funds | 45,852 | 98,636 | - | 813 | 68,635 | - | - | - | 2,250 | 118,657 | 963,395 |
| TOTAL ASSETS | \$ 45,852 | \$ 98,636 | \$ 11,325 | \$ 813 | \$ 68,635 | \$ - | \$ 12,336 | \$ - | \$ 2,250 | \$ 1,119,430 | \$ 2,326,060 |
| LIABILITIES | | | | | | | | | | | |
| Accounts payable and accrued expenses | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 21,679 | \$ 64,459 |
| Due to federal & state governments | - | - | - | - | - | - | - | - | - | - | 526 |
| Due to other funds | - | - | 19,015 | - | - | - | 12,336 | 22,407 | - | 981,930 | 1,503,956 |
| Unearned revenue | - | - | - | - | - | - | - | - | - | - | 3,122 |
| TOTAL LIABILITIES | - | - | 19,015 | - | - | - | 12,336 | 22,407 | - | 1,003,609 | 1,572,063 |
| FUND BALANCES | | | | | | | | | | | |
| Restricted | 45,852 | - | - | 813 | 68,635 | - | - | - | 2,250 | 115,821 | 463,190 |
| Committed | - | 98,636 | - | - | - | - | - | - | - | - | 678,620 |
| Unassigned | - | - | (7,690) | - | - | - | - | (22,407) | - | - | (387,813) |
| TOTAL FUND BALANCES | 45,852 | 98,636 | (7,690) | 813 | 68,635 | - | - | (22,407) | 2,250 | 115,821 | 753,997 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 45,852 | \$ 98,636 | \$ 11,325 | \$ 813 | \$ 68,635 | \$ - | \$ 12,336 | \$ - | \$ 2,250 | \$ 1,119,430 | \$ 2,326,060 |

TOWN OF WEST WARWICK, RHODE ISLAND

EXHIBIT 1 (Concluded)

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017

| | CAPITAL PROJECT FUNDS | | | | | | | | | Total NonMajor Governmental Funds |
|--|-----------------------|-----------------------|---------------------|-----------------------------------|-------------------|------------------------------|-----------------|-----------------------------|-----------------------------|-----------------------------------|
| | EMS Rescue Fund | School QZAB Bond Fund | Bond Fund | School Fire Code Renovations Fund | School Bond Fund | School Capital Projects Fund | Road Bond Fund | Lease Purchase Capital Fund | Total Capital Project Funds | |
| ASSETS | | | | | | | | | | |
| Cash and cash equivalents | \$ 106,507 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 106,507 | \$ 317,030 |
| Restricted cash | - | - | - | - | 643,460 | - | - | - | 643,460 | 643,460 |
| Due from federal & state governments | - | 6,167 | - | - | - | - | - | - | 6,167 | 1,158,309 |
| Due from other funds | 569,141 | 7,419 | 1,238,864 | 44 | - | 76,172 | - | - | 1,891,640 | 2,855,035 |
| TOTAL ASSETS | \$ 675,648 | \$ 13,586 | \$ 1,238,864 | \$ 44 | \$ 643,460 | \$ 76,172 | \$ - | \$ - | \$ 2,647,774 | \$ 4,973,834 |
| LIABILITIES | | | | | | | | | | |
| Accounts payable and accrued expenses | \$ 5,832 | \$ - | \$ 230,801 | \$ - | \$ 38,901 | \$ 25,281 | \$ - | \$ - | \$ 300,815 | \$ 365,274 |
| Due to federal & state governments | - | - | - | - | - | - | - | - | - | 526 |
| Due to other funds | - | 6,167 | - | - | 12,707 | - | 39,474 | - | 58,348 | 1,562,304 |
| Unearned revenue | - | - | - | - | - | - | - | - | - | 3,122 |
| TOTAL LIABILITIES | 5,832 | 6,167 | 230,801 | - | 51,608 | 25,281 | 39,474 | - | 359,163 | 1,931,226 |
| FUND BALANCES | | | | | | | | | | |
| Restricted | - | 7,419 | 1,008,063 | 44 | 591,852 | 50,891 | - | - | 1,658,269 | 2,121,459 |
| Committed | 669,816 | - | - | - | - | - | - | - | 669,816 | 1,348,436 |
| Unassigned | - | - | - | - | - | - | (39,474) | - | (39,474) | (427,287) |
| TOTAL FUND BALANCES | 669,816 | 7,419 | 1,008,063 | 44 | 591,852 | 50,891 | (39,474) | - | 2,288,611 | 3,042,608 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 675,648 | \$ 13,586 | \$ 1,238,864 | \$ 44 | \$ 643,460 | \$ 76,172 | \$ - | \$ - | \$ 2,647,774 | \$ 4,973,834 |

TOWN OF WEST WARWICK, RHODE ISLAND

EXHIBIT 2

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2017

| | SPECIAL REVENUE 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 |
| REVENUES: | | | | | | | | | | |
| Intergovernmental | \$ - | \$ - | \$ 2,900 | \$ 47,453 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Fees, fines, charges and assessments | - | - | - | - | - | 7,500 | - | - | - | - |
| Investment income | 1 | 1 | - | - | - | - | - | - | - | - |
| Contributions and grants | - | - | - | - | - | - | - | - | - | - |
| Other miscellaneous | - | - | - | - | - | - | - | - | - | - |
| Total revenues | 1 | 1 | 2,900 | 47,453 | - | 7,500 | - | - | - | - |
| EXPENDITURES: | | | | | | | | | | |
| Current: | | | | | | | | | | |
| Public safety | - | - | 2,900 | 48,621 | - | - | - | - | - | - |
| Public services | - | - | - | - | - | - | - | - | - | - |
| Library | - | - | - | - | - | - | - | - | - | - |
| Education | - | - | - | - | - | - | - | - | - | - |
| Public assistance, development, & recreation | - | - | - | - | - | 3,980 | - | 1,995 | 10,000 | - |
| Debt Service | - | - | - | - | - | - | - | - | - | - |
| Capital outlays | - | - | - | - | - | - | - | - | - | - |
| Total expenditures | - | - | 2,900 | 48,621 | - | 3,980 | - | 1,995 | 10,000 | - |
| Excess (deficiency) of revenues over (under) expenditures | 1 | 1 | - | (1,168) | - | 3,520 | - | (1,995) | (10,000) | - |
| OTHER FINANCING SOURCES (USES) | | | | | | | | | | |
| Issuance of bonds, notes and lease purchase obligations | - | - | - | - | - | - | - | - | - | - |
| Transfers in | - | - | - | - | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | - | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - | - | - | - | - | - | - |
| Net change in fund balances | 1 | 1 | - | (1,168) | - | 3,520 | - | (1,995) | (10,000) | - |
| Fund balances, beginning of year | 1,011 | 1,104 | 394 | 10,872 | 10,124 | (44,328) | 5,699 | 3,534 | 5,961 | 15,865 |
| Fund balances, end of year | \$ 1,012 | \$ 1,105 | \$ 394 | \$ 9,704 | \$ 10,124 | \$ (40,808) | \$ 5,699 | \$ 3,534 | \$ 3,966 | \$ 5,865 |

TOWN OF WEST WARWICK, RHODE ISLAND

EXHIBIT 2 (Continued)

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2017

| | SPECIAL REVENUE FUNDS | | | | | | | | | |
|--|------------------------------|----------------------|---|-------------------------|-------------------------------------|-------------------|----------------------|---|-----------------|--------------------------|
| | Library Grants | Homeland Security | Community Development Block Grant | Annie Livsey Fund | Stormwater Utility Grant Fund | Revolving Fund | Dog Pound Fund | Bulletproof Vest Partnership Fund | DARE Fund | Drug Evidence Fund |
| REVENUES: | | | | | | | | | | |
| Intergovernmental | \$ 186,446 | \$ - | \$ 233,727 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Fees, fines, charges and assessments | 20,293 | - | - | - | - | 730,953 | - | - | - | 57,157 |
| Investment income | - | - | - | - | - | - | - | - | - | - |
| Contributions and grants | 12,497 | - | - | 9,695 | - | 3,000 | 4,231 | 3,021 | - | - |
| Other miscellaneous | - | - | - | - | - | - | - | - | 1,015 | - |
| Total revenues | 219,236 | - | 233,727 | 9,695 | - | 733,953 | 4,231 | 3,021 | 1,015 | 57,157 |
| EXPENDITURES: | | | | | | | | | | |
| Current: | | | | | | | | | | |
| Public safety | - | - | - | - | - | 644,384 | 778 | 3,021 | - | 19,978 |
| Public services | - | - | - | 9,695 | - | - | - | - | - | - |
| Library | 210,256 | - | - | - | - | - | - | - | - | - |
| Education | - | - | - | - | - | - | - | - | - | - |
| Public assistance, development, & recreation | - | - | 233,727 | - | - | - | - | - | 458 | - |
| Debt Service | - | - | - | - | - | - | - | - | - | - |
| Capital outlays | - | - | - | - | 44,360 | - | - | - | - | - |
| Total expenditures | 210,256 | - | 233,727 | 9,695 | 44,360 | 644,384 | 778 | 3,021 | 458 | 19,978 |
| Excess (deficiency) of revenues over (under) expenditures | 8,980 | - | - | - | (44,360) | 89,569 | 3,453 | - | 557 | 37,179 |
| OTHER FINANCING SOURCES (USES) | | | | | | | | | | |
| Issuance of bonds, notes and lease purchase obligations | - | - | - | - | - | - | - | - | - | - |
| Transfers in | - | - | - | - | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | - | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - | - | - | - | - | - | - |
| Net change in fund balances | 8,980 | - | - | - | (44,360) | 89,569 | 3,453 | - | 557 | 37,179 |
| Fund balances, beginning of year | (215,220) | (924) | (5,897) | - | (59,487) | 490,415 | 12,133 | 274 | 7,615 | 127,205 |
| Fund balances, end of year | \$ (206,240) | \$ (924) | \$ (5,897) | \$ - | \$ (103,847) | \$ 579,984 | \$ 15,586 | \$ 274 | \$ 8,172 | \$ 164,384 |

TOWN OF WEST WARWICK, RHODE ISLAND

EXHIBIT 2 (Continued)

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2017

| | SPECIAL REVENUE FUNDS | | | | | | | | | | |
|--|---------------------------------|------------------------------|----------------------------|-----------------------------------|---------------------------------|----------------------------|----------------------------------|--------------|--------------------|-------------------------------|-----------------------------------|
| | Tower Rent Revolving Fund | Police Detail Car Fund | Police Highway Grant | Assistance to Fire Fighters | Demolition Revolving Fund | Greene Cemetery Fund | JAG Police Car Replacement | LEAP Fund | Recreation Fund | School Restricted Funds | Total Special Revenue Funds |
| REVENUES: | | | | | | | | | | | |
| Intergovernmental | \$ - | \$ - | \$ 19,646 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 2,406,169 | \$ 2,896,341 |
| Fees, fines, charges and assessments | - | 97,720 | - | - | 39,645 | - | - | - | - | - | 953,268 |
| Investment income | - | - | - | - | - | - | - | - | - | - | 2 |
| Contributions and grants | - | - | - | - | - | 600 | 12,336 | - | 2,250 | 107,314 | 154,944 |
| Other miscellaneous | - | - | - | - | - | - | - | - | - | 4,090 | 5,105 |
| Total revenues | - | 97,720 | 19,646 | - | 39,645 | 600 | 12,336 | - | 2,250 | 2,517,573 | 4,009,660 |
| EXPENDITURES: | | | | | | | | | | | |
| Current: | | | | | | | | | | | |
| Public safety | - | - | 19,312 | - | - | - | - | - | - | - | 738,994 |
| Public services | - | - | - | - | - | - | - | - | - | - | 9,695 |
| Library | - | - | - | - | - | - | - | - | - | - | 210,256 |
| Education | - | - | - | - | - | - | - | - | - | 2,492,368 | 2,492,368 |
| Public assistance, development, & recreation | - | - | - | - | - | 600 | - | - | - | - | 250,760 |
| Debt Service | - | - | - | - | - | - | - | - | - | - | - |
| Capital outlays | - | 87,368 | - | - | - | - | 12,336 | - | - | 62,282 | 206,346 |
| Total expenditures | - | 87,368 | 19,312 | - | - | 600 | 12,336 | - | - | 2,554,650 | 3,908,419 |
| Excess (deficiency) of revenues over (under) expenditures | - | 10,352 | 334 | - | 39,645 | - | - | - | 2,250 | (37,077) | 101,241 |
| OTHER FINANCING SOURCES (USES) | | | | | | | | | | | |
| Issuance of bonds, notes and lease purchase obligations | - | - | - | - | - | - | - | - | - | - | - |
| Transfers in | - | - | - | - | - | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | - | - | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - | - | - | - | - | - | - | - |
| Net change in fund balances | - | 10,352 | 334 | - | 39,645 | - | - | - | 2,250 | (37,077) | 101,241 |
| Fund balances, beginning of year | 45,852 | 88,284 | (8,024) | 813 | 28,990 | - | - | (22,407) | - | 152,898 | 652,756 |
| Fund balances, end of year | \$ 45,852 | \$ 98,636 | \$ (7,690) | \$ 813 | \$ 68,635 | \$ - | \$ - | \$ (22,407) | \$ 2,250 | \$ 115,821 | \$ 753,997 |

TOWN OF WEST WARWICK, RHODE ISLAND

EXHIBIT 2 (Concluded)

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2017

| | CAPITAL PROJECT FUNDS | | | | | | | | | |
|--|-----------------------|-----------------------------|---------------------|--|------------------------|---------------------------------------|----------------------|-----------------------------------|-----------------------------------|--|
| | EMS Rescue Fund | School QZAB Bond Fund | Bond Fund | School Fire Code Renovations Fund | School Bond Fund | School Capital Projects Fund | Road Bond Fund | Lease Purchase Capital Fund | Total Capital Project Funds | Total NonMajor Governmental Funds |
| REVENUES: | | | | | | | | | | |
| Intergovernmental | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 2,896,341 |
| Fees, fines, charges and assessments | 180,303 | - | - | - | - | - | - | - | 180,303 | 1,133,571 |
| Investment income | - | - | - | - | - | - | - | - | - | 2 |
| Contributions and grants | - | - | - | - | - | - | - | - | - | 154,944 |
| Other miscellaneous | - | - | - | - | - | - | - | - | - | 5,105 |
| Total revenues | 180,303 | - | - | - | - | - | - | - | 180,303 | 4,189,963 |
| EXPENDITURES: | | | | | | | | | | |
| Current: | | | | | | | | | | |
| Public safety | - | - | - | - | - | - | - | - | - | 738,994 |
| Public services | - | - | - | - | - | - | - | - | - | 9,695 |
| Library | - | - | - | - | - | - | - | - | - | 210,256 |
| Education | - | - | - | - | - | - | - | - | - | 2,492,368 |
| Public assistance, development, & recreation | - | - | - | - | - | - | - | - | - | 250,760 |
| Debt Service | - | - | - | - | - | - | - | 15,017 | 15,017 | 15,017 |
| Capital outlays | 15,250 | - | 2,033,361 | - | 1,435,965 | 29,309 | - | 724,970 | 4,238,855 | 4,445,201 |
| Total expenditures | 15,250 | - | 2,033,361 | - | 1,435,965 | 29,309 | - | 739,987 | 4,253,872 | 8,162,291 |
| Excess (deficiency) of revenues over (under) expenditures | 165,053 | - | (2,033,361) | - | (1,435,965) | (29,309) | - | (739,987) | (4,073,569) | (3,972,328) |
| OTHER FINANCING SOURCES (USES) | | | | | | | | | | |
| Issuance of bonds, notes and lease purchase obligations | - | - | - | - | - | - | - | 730,474 | 730,474 | 730,474 |
| Transfers in | - | - | - | - | - | 80,200 | - | - | 80,200 | 80,200 |
| Transfers out | - | - | - | - | - | - | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - | - | 80,200 | - | 730,474 | 810,674 | 810,674 |
| Net change in fund balances | 165,053 | - | (2,033,361) | - | (1,435,965) | 50,891 | - | (9,513) | (3,262,895) | (3,161,654) |
| Fund balances, beginning of year | 504,763 | 7,419 | 3,041,424 | 44 | 2,027,817 | - | (39,474) | 9,513 | 5,551,506 | 6,204,262 |
| Fund balances, end of year | \$ 669,816 | \$ 7,419 | \$ 1,008,063 | \$ 44 | \$ 591,852 | \$ 50,891 | \$ (39,474) | \$ - | \$ 2,288,611 | \$ 3,042,608 |

TOWN OF WEST WARWICK, RHODE ISLAND

EXHIBIT 3

Combining Balance Sheet
School Restricted Funds
Reported As NonMajor Governmental Funds
June 30, 2017

| | <u>SPECIAL REVENUE FUNDS</u> | | | | | | |
|--|------------------------------|-------------------|-------------------|------------------|------------------|------------------|--------------------------------|
| | <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> |
| ASSETS | | | | | | | |
| Due from federal & state governments | \$ 410,864 | \$ 350,781 | \$ 125,463 | \$ 13,414 | \$ 37,051 | \$ 20,138 | \$ - |
| Due from other funds | - | - | - | - | - | - | 311 |
| TOTAL ASSETS | <u>\$ 410,864</u> | <u>\$ 350,781</u> | <u>\$ 125,463</u> | <u>\$ 13,414</u> | <u>\$ 37,051</u> | <u>\$ 20,138</u> | <u>\$ 311</u> |
| LIABILITIES | | | | | | | |
| Accounts payable and accrued expenditures | \$ 9,026 | \$ 1,859 | \$ 2,994 | \$ - | \$ 698 | \$ - | \$ - |
| Due to other funds | 401,838 | 348,922 | 122,469 | 13,414 | 36,353 | 20,138 | - |
| TOTAL LIABILITIES | <u>410,864</u> | <u>350,781</u> | <u>125,463</u> | <u>13,414</u> | <u>37,051</u> | <u>20,138</u> | <u>-</u> |
| FUND BALANCES | | | | | | | |
| Restricted | - | - | - | - | - | - | 311 |
| TOTAL FUND BALANCES | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>311</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 410,864</u> | <u>\$ 350,781</u> | <u>\$ 125,463</u> | <u>\$ 13,414</u> | <u>\$ 37,051</u> | <u>\$ 20,138</u> | <u>\$ 311</u> |

TOWN OF WEST WARWICK, RHODE ISLAND

EXHIBIT 3 (Continued)

*Combining Balance Sheet
School Restricted Funds
Reported as NonMajor Governmental Funds
June 30, 2017*

| | SPECIAL REVENUE FUNDS | | | | | | |
|--|--------------------------------|-----------------|--------------------------|---|--------------------------|---|-----------------------------------|
| | ARRA Energy <u>EECBG</u> | State Grants | School Implementation | RISCA Hands on History of <u>Pottery</u> | Big Yellow School Bus | Federal RI Council of <u>Humanities</u> | CTE Categorical <u>Fund</u> |
| ASSETS | | | | | | | |
| Due from federal & state governments | \$ - | \$ - | \$ 10,813 | \$ - | \$ - | \$ - | \$ - |
| Due from other funds | 1,162 | 3,649 | - | 240 | 877 | 1,959 | 18,164 |
| TOTAL ASSETS | \$ 1,162 | \$ 3,649 | \$ 10,813 | \$ 240 | \$ 877 | \$ 1,959 | \$ 18,164 |
| LIABILITIES | | | | | | | |
| Accounts payable and accrued expenditures | \$ - | \$ - | \$ 4,816 | \$ - | \$ 259 | \$ - | \$ - |
| Due to other funds | - | - | 5,997 | - | - | - | 1,942 |
| TOTAL LIABILITIES | - | - | 10,813 | - | 259 | - | 1,942 |
| FUND BALANCES | | | | | | | |
| Restricted | 1,162 | 3,649 | - | 240 | 618 | 1,959 | 16,222 |
| TOTAL FUND BALANCES | 1,162 | 3,649 | - | 240 | 618 | 1,959 | 16,222 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 1,162 | \$ 3,649 | \$ 10,813 | \$ 240 | \$ 877 | \$ 1,959 | \$ 18,164 |

TOWN OF WEST WARWICK, RHODE ISLAND

EXHIBIT 3 (Continued)

**Combining Balance Sheet
School Restricted Funds
Reported as NonMajor Governmental Funds
June 30, 2017**

| | <u>SPECIAL REVENUE FUNDS</u> | | | | | | |
|--|-------------------------------------|--|-----------------------------|---------------------------|-----------------------------|--|---------------------|
| | <u>Champlin Grant</u> | <u>Nordson Corporation Grant</u> | <u>Corporate Grants</u> | <u>Private Grants</u> | <u>Google Donations</u> | <u>English Learner Categorical</u> | <u>DMS Play</u> |
| ASSETS | | | | | | | |
| Due from federal & state governments | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 841 | \$ - |
| Due from other funds | 78 | 473 | 22,002 | 37,992 | 935 | - | 2,183 |
| TOTAL ASSETS | \$ 78 | \$ 473 | \$ 22,002 | \$ 37,992 | \$ 935 | \$ 841 | \$ 2,183 |
| LIABILITIES | | | | | | | |
| Accounts payable and accrued expenditures | \$ - | \$ - | \$ 568 | \$ 6 | \$ - | \$ 36 | \$ - |
| Due to other funds | - | - | - | - | - | 805 | - |
| TOTAL LIABILITIES | - | - | 568 | 6 | - | 841 | - |
| FUND BALANCES | | | | | | | |
| Restricted | 78 | 473 | 21,434 | 37,986 | 935 | - | 2,183 |
| TOTAL FUND BALANCES | 78 | 473 | 21,434 | 37,986 | 935 | - | 2,183 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 78 | \$ 473 | \$ 22,002 | \$ 37,992 | \$ 935 | \$ 841 | \$ 2,183 |

TOWN OF WEST WARWICK, RHODE ISLAND

EXHIBIT 3 (Concluded)

*Combining Balance Sheet
School Restricted Funds
Reported as NonMajor Governmental Funds
June 30, 2017*

| | SPECIAL REVENUE FUNDS | | | | | | Total |
|--|----------------------------------|-------------------------------------|---|------------------|------------------|-------------|-------------------------------|
| | RIDE Leadership Mini-Grant | Science Designing Units Grant | RI Foundation Spark Reading Grant | Pre-School | Summer School | | School Restricted Funds |
| ASSETS | | | | | | | |
| Due from federal & state governments | \$ 30,213 | \$ 1,195 | \$ - | \$ - | \$ - | \$ - | \$ 1,000,773 |
| Due from other funds | - | - | 344 | 15,338 | 12,950 | - | 118,657 |
| TOTAL ASSETS | \$ 30,213 | \$ 1,195 | \$ 344 | \$ 15,338 | \$ 12,950 | \$ - | \$ 1,119,430 |
| LIABILITIES | | | | | | | |
| Accounts payable and accrued expenditures | \$ 549 | \$ 807 | \$ - | \$ 61 | \$ - | \$ - | \$ 21,679 |
| Due to other funds | 29,664 | 388 | - | - | - | - | 981,930 |
| TOTAL LIABILITIES | 30,213 | 1,195 | - | 61 | - | - | 1,003,609 |
| FUND BALANCES | | | | | | | |
| Restricted | - | - | 344 | 15,277 | 12,950 | - | 115,821 |
| TOTAL FUND BALANCES | - | - | 344 | 15,277 | 12,950 | - | 115,821 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 30,213 | \$ 1,195 | \$ 344 | \$ 15,338 | \$ 12,950 | \$ - | \$ 1,119,430 |

TOWN OF WEST WARWICK, RHODE ISLAND

EXHIBIT 4

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 School Restricted Funds
 Reported As NonMajor Governmental Funds
 For the Year Ended June 30, 2017

| | <u>SPECIAL REVENUE FUNDS</u> | | | | | | |
|---|------------------------------|----------------|-----------------|------------------|----------------|---------------|--------------------------------|
| | <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> |
| REVENUES: | | | | | | | |
| Intergovernmental | \$ 1,021,095 | \$ 918,676 | \$ 289,365 | \$ 22,598 | \$ 37,051 | \$ 45,584 | \$ - |
| Contributions and grants | - | - | - | - | - | - | - |
| Other miscellaneous | - | - | - | - | - | - | - |
| Total revenues | 1,021,095 | 918,676 | 289,365 | 22,598 | 37,051 | 45,584 | - |
| EXPENDITURES: | | | | | | | |
| Salaries | 694,320 | 623,440 | 189,707 | 17,295 | 5,974 | - | - |
| Employee benefits | 292,045 | 231,009 | 79,559 | 1,304 | 442 | - | - |
| Purchased services | 19,084 | 62,730 | 19,041 | 1,786 | - | 45,584 | - |
| Supplies and materials | 4,401 | 1,497 | 608 | 264 | 8,478 | - | - |
| Other expenses | 65 | - | 450 | 1,949 | - | - | - |
| Capital outlays | 11,180 | - | - | - | 22,157 | - | - |
| Total expenditures | 1,021,095 | 918,676 | 289,365 | 22,598 | 37,051 | 45,584 | - |
| Net change in fund balances | - | - | - | - | - | - | - |
| Fund balances, beginning of year | - | - | - | - | - | - | 311 |
| Fund balances, end of year | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 311 |

TOWN OF WEST WARWICK, RHODE ISLAND

EXHIBIT 4 (Continued)

*Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
School Restricted Funds
Reported As NonMajor Governmental Funds
For the Year Ended June 30, 2017*

| | SPECIAL REVENUE FUNDS | | | | | | |
|---|------------------------------|-----------------|--------------------------|--|--------------------------|--|----------------------------|
| | ARRA Energy EECBG | State Grants | School Implementation | RISCA Hands on History of Pottery | Big Yellow School Bus | Federal RI Council of Humanities | CTE Categorical Fund |
| REVENUES: | | | | | | | |
| Intergovernmental | \$ - | \$ - | \$ 10,813 | \$ - | \$ 400 | \$ - | \$ 16,204 |
| Contributions and grants | - | - | - | 1,100 | - | - | - |
| Other miscellaneous | - | - | - | - | - | - | - |
| Total revenues | - | - | 10,813 | 1,100 | 400 | - | 16,204 |
| EXPENDITURES: | | | | | | | |
| Salaries | - | - | 10,048 | - | - | - | - |
| Employee benefits | - | - | 765 | - | - | - | - |
| Purchased services | - | - | - | 300 | 258 | - | - |
| Supplies and materials | - | - | - | 560 | - | - | - |
| Other expenses | - | - | - | - | - | - | - |
| Capital outlays | - | - | - | - | - | - | 9,590 |
| Total expenditures | - | - | 10,813 | 860 | 258 | - | 9,590 |
| Net change in fund balances | - | - | - | 240 | 142 | - | 6,614 |
| Fund balances, beginning of year | 1,162 | 3,649 | - | - | 476 | 1,959 | 9,608 |
| Fund balances, end of year | \$ 1,162 | \$ 3,649 | \$ - | \$ 240 | \$ 618 | \$ 1,959 | \$ 16,222 |

TOWN OF WEST WARWICK, RHODE ISLAND

EXHIBIT 4 (Continued)

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 School Restricted Funds
 Reported As NonMajor Governmental Funds
 For the Year Ended June 30, 2017

| | <u>SPECIAL REVENUE FUNDS</u> | | | | | | |
|---|------------------------------|--|-----------------------------|---------------------------|-----------------------------|--|---------------------|
| | <u>Champlin Grant</u> | <u>Nordson Corporation Grant</u> | <u>Corporate Grants</u> | <u>Private Grants</u> | <u>Google Donations</u> | <u>English Learner Categorical</u> | <u>DMS Play</u> |
| REVENUES: | | | | | | | |
| Intergovernmental | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 8,188 | \$ - |
| Contributions and grants | - | - | 88,535 | 7,900 | - | - | - |
| Other miscellaneous | - | - | - | - | - | - | - |
| Total revenues | - | - | 88,535 | 7,900 | - | 8,188 | - |
| EXPENDITURES: | | | | | | | |
| Salaries | - | - | 6,862 | 9,087 | - | 6,333 | - |
| Employee benefits | - | - | 484 | 330 | - | 472 | - |
| Purchased services | - | - | 90,564 | - | - | - | - |
| Supplies and materials | - | - | 13,836 | 251 | - | 1,383 | - |
| Other expenses | - | - | - | 100 | - | - | - |
| Capital outlays | - | 11,580 | 6,689 | - | - | - | - |
| Total expenditures | - | 11,580 | 118,435 | 9,768 | - | 8,188 | - |
| Net change in fund balances | - | (11,580) | (29,900) | (1,868) | - | - | - |
| Fund balances, beginning of year | 78 | 12,053 | 51,334 | 39,854 | 935 | - | 2,183 |
| Fund balances, end of year | \$ 78 | \$ 473 | \$ 21,434 | \$ 37,986 | \$ 935 | \$ - | \$ 2,183 |

TOWN OF WEST WARWICK, RHODE ISLAND

EXHIBIT 4 (Concluded)

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 School Restricted Funds
 Reported As NonMajor Governmental Funds
 For the Year Ended June 30, 2017

| | SPECIAL REVENUE FUNDS | | | | | | |
|---|----------------------------------|-------------------------------------|---|------------------|------------------|--|--|
| | RIDE Leadership Mini-Grant | Science Designing Units Grant | RI Foundation Spark Reading Grant | Pre-School | Summer School | Total School Restricted Funds | |
| REVENUES: | | | | | | | |
| Intergovernmental | \$ 35,000 | \$ 1,195 | \$ - | \$ - | \$ - | \$ 2,406,169 | |
| Contributions and grants | - | - | 9,779 | - | - | 107,314 | |
| Other miscellaneous | - | - | - | 3,490 | 600 | 4,090 | |
| Total revenues | 35,000 | 1,195 | 9,779 | 3,490 | 600 | 2,517,573 | |
| EXPENDITURES: | | | | | | | |
| Salaries | 27,962 | 1,110 | 1,094 | - | - | 1,593,232 | |
| Employee benefits | - | 85 | 80 | - | - | 606,575 | |
| Purchased services | 1,430 | - | 4,925 | - | - | 245,702 | |
| Supplies and materials | 5,608 | - | 2,250 | 5,159 | - | 44,295 | |
| Other expenses | - | - | - | - | - | 2,564 | |
| Capital outlays | - | - | 1,086 | - | - | 62,282 | |
| Total expenditures | 35,000 | 1,195 | 9,435 | 5,159 | - | 2,554,650 | |
| Net change in fund balances | - | - | 344 | (1,669) | 600 | (37,077) | |
| Fund balances, beginning of year | - | - | - | 16,946 | 12,350 | 152,898 | |
| Fund balances, end of year | \$ - | \$ - | \$ 344 | \$ 15,277 | \$ 12,950 | \$ 115,821 | |

TOWN OF WEST WARWICK, RHODE ISLAND

EXHIBIT 5

*Statement of Changes in Assets and Liabilities
Agency Funds
June 30, 2017*

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deductions</u> | <u>Ending Balance</u> |
|--------------------------------------|------------------------------|--------------------------|--------------------------|---------------------------|
| <u>Student Activity Funds</u> | | | | |
| ASSETS: | | | | |
| Cash | <u>\$ 184,246</u> | <u>\$ 420,066</u> | <u>\$ 411,897</u> | <u>\$ 192,415</u> |
| TOTAL ASSETS | <u><u>\$ 184,246</u></u> | <u><u>\$ 420,066</u></u> | <u><u>\$ 411,897</u></u> | <u><u>\$ 192,415</u></u> |
| LIABILITIES: | | | | |
| Deposits held in custody for others | <u>\$ 184,246</u> | <u>\$ 420,066</u> | <u>\$ 411,897</u> | <u>\$ 192,415</u> |
| TOTAL LIABILITIES | <u><u>\$ 184,246</u></u> | <u><u>\$ 420,066</u></u> | <u><u>\$ 411,897</u></u> | <u><u>\$ 192,415</u></u> |

TOWN OF WEST WARWICK

OTHER EXHIBITS

Town of West Warwick
Annual Supplemental Transparency Report (MTP2)
Fiscal Year Ended June 30, 2017

| <u>REVENUE</u> | <u>Municipal</u> | <u>Education Department</u> |
|--|----------------------|---------------------------------|
| Current Year Levy Tax Collection | \$ 60,656,001 | \$ - |
| Last Year's Levy Tax Collection | 1,293,110 | - |
| Prior Years Property Tax Collection | 415,012 | - |
| Interest & Penalty | 573,606 | - |
| PILOT & Tax Treaty (excluded from levy) Collection | 58,884 | - |
| Other Local Property Taxes | 42,502 | - |
| Licenses and Permits | 883,285 | - |
| Fines and Forfeitures | 10,000 | - |
| Investment Income | 96,721 | - |
| Departmental | 585,496 | - |
| Rescue Run Revenue | 955,511 | - |
| Police & Fire Detail | 97,720 | - |
| Other Local Non-Property Tax Revenues | - | - |
| Tuition | - | 3,490 |
| Impact Aid | - | - |
| Medicaid | - | 431,321 |
| Federal Stabilization Funds | - | - |
| Federal Food Service Reimbursement | - | 999,867 |
| CDBG | 71,674 | - |
| COPS Grants | 5,921 | - |
| SAFER Grants | - | - |
| Other Federal Aid Funds | 19,646 | 2,345,183 |
| MV Excise Tax Reimbursement | 238,429 | - |
| State PILOT Program | - | - |
| Distressed Community Relief Fund | 895,815 | - |
| Library Resource Aid | - | - |
| Library Construction Aid | - | - |
| Public Service Corporation Tax | 360,940 | - |
| Meals & Beverage Tax / Hotel Tax | 481,374 | - |
| LEA Aid | - | 23,016,375 |
| Group Home | - | - |
| Housing Aid Capital Projects | 843,089 | - |
| Housing Aid Bonded Debt | 217,242 | - |
| State Food Service Revenue | - | 20,438 |
| Incentive Aid | - | - |
| Property Revaluation Reimbursement | - | - |
| Other State Revenue | - | 62,087 |
| Other Revenue | - | 668,039 |
| Local Appropriation for Education | - | 31,557,516 |
| Regional Appropriation for Education | - | - |
| Supplemental Appropriation for Education | - | - |
| Regional Supplemental Appropriation for Education | - | - |
| Other Education Appropriation | - | - |
| Rounding | - | - |
| Total Revenue | \$ 68,801,978 | \$ 59,104,316 |
| Financing Sources: Transfer from Capital Funds | \$ - | \$ - |
| Financing Sources: Transfer from Other Funds | - | - |
| Financing Sources: Debt Proceeds | - | - |
| Financing Sources: Other | - | - |
| Rounding | - | - |
| Total Other Financing Sources | \$ - | \$ - |

Town of West Warwick
Annual Supplemental Transparency Report (MTP2)
Fiscal Year Ended June 30, 2017

| EXPENDITURES | General Government | Finance | Social Services | Centralized IT | Planning | Libraries | Public Works | Parks and Rec | Police Department |
|---|-----------------------|---------------------|--------------------|-------------------|-------------------|-------------------|---------------------|-------------------|----------------------|
| Compensation- Group A | \$ 854,417 | \$ 590,128 | \$ - | \$ - | \$ 72,749 | \$ 449,607 | \$ 1,332,890 | \$ 142,081 | \$ 3,869,518 |
| Compensation - Group B | - | - | - | - | - | - | - | - | 277,712 |
| Compensation - Group C | - | - | - | - | - | - | - | - | - |
| Compensation -Volunteer | - | - | - | - | - | - | - | - | - |
| Overtime- Group A | 21,061 | 25,505 | - | - | - | - | 98,814 | 64,601 | 753,813 |
| Overtime - Group B | - | - | - | - | - | - | - | - | 198,591 |
| Overtime - Group C | - | - | - | - | - | - | - | - | - |
| Police & Fire Detail | - | - | - | - | - | - | - | - | - |
| Active Medical Insurance - Group A | 167,083 | 113,583 | - | - | - | 51,029 | 347,829 | 31,246 | 533,914 |
| Active Medical Insurance- Group B | - | - | - | - | - | - | - | - | 143,286 |
| Active Medical Insurance- Group C | - | - | - | - | - | - | - | - | - |
| Active Dental insurance- Group A | 229,973 | 13,014 | - | - | 1,395 | - | 30,381 | 2,729 | 48,345 |
| Active Dental Insurance- Group B | - | - | - | - | - | - | - | - | 12,977 |
| Active Dental Insurance- Group C | - | - | - | - | - | - | - | - | - |
| Payroll Taxes | 110,570 | 46,681 | - | - | 5,588 | 33,128 | 106,175 | 15,680 | 394,423 |
| Life Insurance | 25,917 | 3,259 | - | - | 1,004 | - | 4,320 | 391 | 22,663 |
| State Defined Contribution- Group A | - | - | - | - | - | - | - | - | - |
| State Defined Contribution - Group B | - | - | - | - | - | - | - | - | - |
| State Defined Contribution - Group C | - | - | - | - | - | - | - | - | - |
| Other Benefits- Group A | 575,970 | 2,100 | - | - | - | 1,200 | 7,800 | 1,200 | 239,523 |
| Other Benefits- Group B | - | - | - | - | - | - | - | - | - |
| Other Benefits- Group C | - | - | - | - | - | - | - | - | - |
| Local Defined Benefit Pension- Group A | 599,026 | 326,560 | - | - | 32,656 | 54,095 | 979,681 | 32,656 | 1,934,598 |
| Local Defined Benefit Pension - Group B | - | - | - | - | - | - | - | - | 520,853 |
| Local Defined Benefit Pension - Group C | - | - | - | - | - | - | - | - | - |
| State Defined Benefit Pension- Group A | - | - | - | - | - | - | - | - | - |
| State Defined Benefit Pension - Group B | - | - | - | - | - | - | - | - | - |
| State Defined Benefit Pension - Group C | - | - | - | - | - | - | - | - | - |
| Other Defined Benefit / Contribution | - | - | - | - | - | - | - | - | - |
| Purchased Services | 454,803 | 55,255 | - | - | 6,556 | 15,850 | 49,999 | - | 24,963 |
| Materials/Supplies | 63,745 | 39,649 | - | - | 28,370 | - | 79,534 | 95,529 | 37,516 |
| Software Licenses | - | 46,399 | - | - | - | - | - | - | 31,069 |
| Capital Outlays | 55,789 | - | - | 45,198 | - | 1,136 | 54,041 | 326,150 | 92,588 |
| Insurance | 431,020 | - | - | - | - | - | - | - | 4,990 |
| Maintenance | 33,970 | - | - | - | - | 14,045 | - | 660 | - |
| Vehicle Operations | - | - | - | - | - | - | 249,117 | - | 48,812 |
| Utilities | 133,008 | - | - | - | - | 62,048 | 459 | - | 85,076 |
| Contingency | - | - | - | - | - | - | - | - | - |
| Street Lighting | - | - | - | - | - | - | 107,499 | - | - |
| Revaluation | - | - | - | - | - | - | - | - | - |
| Snow Removal-Raw Material & External Contracts | - | - | - | - | - | - | 165,000 | - | - |
| Trash Removal & Recycling | - | - | - | - | - | - | 1,150,004 | - | - |
| Claims & Settlements | 34,985 | - | - | - | - | - | - | - | - |
| Community Support | 40,641 | - | - | - | - | - | - | - | - |
| Other Operation Expenditures | 290,568 | 4,959 | 213,000 | - | 39,844 | 3,500 | 499,615 | - | 97,443 |
| Local Appropriation for Education | - | - | - | - | - | - | - | - | - |
| Regional Appropriation for Education | - | - | - | - | - | - | - | - | - |
| Supplemental Appropriation for Education | - | - | - | - | - | - | - | - | - |
| Regional Supplemental Appropriation for Education | - | - | - | - | - | - | - | - | - |
| Other Education Appropriation | - | - | - | - | - | - | - | - | - |
| Municipal Debt- Principal | - | - | - | - | - | - | - | - | - |
| Municipal Debt- Interest | - | - | - | - | - | - | - | - | - |
| School Debt- Principal | - | - | - | - | - | - | - | - | - |
| School Debt- Interest | - | - | - | - | - | - | - | - | - |
| Retiree Medical Insurance- Total | - | - | - | - | - | - | - | - | - |
| Retiree Dental Insurance- Total | - | - | - | - | - | - | - | - | - |
| OPEB Contribution- Total | - | - | - | - | - | - | - | - | - |
| Non-Qualified OPEB Trust Contribution | - | - | - | - | - | - | - | - | - |
| Rounding | - | - | - | - | - | - | - | - | - |
| Total Expenditures | \$ 4,122,546 | \$ 1,267,092 | \$ 213,000 | \$ 45,198 | \$ 188,162 | \$ 685,638 | \$ 5,263,158 | \$ 712,923 | \$ 9,372,673 |

Town of West Warwick
Annual Supplemental Transparency Report (MTP2)
Fiscal Year Ended June 30, 2017

| EXPENDITURES | Fire Department | Centralized Dispatch | Public Safety Other | Education Appropriation | Debt | OPEB | Total Municipal | Education Department |
|---|----------------------|----------------------|---------------------|-------------------------|---------------------|---------------------|----------------------|----------------------|
| Compensation - Group A | \$ 4,609,845 | \$ - | \$ 4,821 | \$ - | \$ - | \$ - | \$ 11,926,056 | \$ 25,086,314 |
| Compensation - Group B | 147,959 | - | - | - | - | - | 425,671 | 2,176,647 |
| Compensation - Group C | - | - | - | - | - | - | - | 4,880,787 |
| Compensation -Volunteer | - | - | - | - | - | - | - | - |
| Overtime - Group A | 1,140,261 | - | - | - | - | - | 2,104,055 | - |
| Overtime - Group B | 120,937 | - | - | - | - | - | 319,528 | - |
| Overtime - Group C | - | - | - | - | - | - | - | 141,629 |
| Police & Fire Detail | - | - | - | - | - | - | - | - |
| Active Medical Insurance - Group A | 804,523 | - | - | - | - | - | 2,049,207 | 3,457,159 |
| Active Medical Insurance- Group B | 85,328 | - | - | - | - | - | 228,614 | 262,421 |
| Active Medical Insurance- Group C | - | - | - | - | - | - | - | 1,734,406 |
| Active Dental Insurance- Group A | 70,714 | - | - | - | - | - | 396,551 | 287,317 |
| Active Dental Insurance- Group B | 7,500 | - | - | - | - | - | 20,477 | 20,475 |
| Active Dental Insurance- Group C | - | - | - | - | - | - | - | 108,752 |
| Payroll Taxes | 464,537 | - | 369 | - | - | - | 1,177,151 | 2,423,361 |
| Life Insurance | 29,202 | - | - | - | - | - | 86,756 | 299,930 |
| State Defined Contribution- Group A | - | - | - | - | - | - | - | 133,780 |
| State Defined Contribution - Group B | - | - | - | - | - | - | - | 10,346 |
| State Defined Contribution - Group C | - | - | - | - | - | - | - | - |
| Other Benefits- Group A | 107,468 | - | - | - | - | - | 935,261 | 196,313 |
| Other Benefits- Group B | - | - | - | - | - | - | - | 42,920 |
| Other Benefits- Group C | - | - | - | - | - | - | - | 84,971 |
| Local Defined Benefit Pension- Group A | 2,244,690 | - | - | - | - | - | 6,203,963 | 40,382 |
| Local Defined Benefit Pension - Group B | 238,073 | - | - | - | - | - | 758,926 | 79,449 |
| Local Defined Benefit Pension - Group C | - | - | - | - | - | - | - | 1,272,150 |
| State Defined Benefit Pension- Group A | - | - | - | - | - | - | - | 3,352,311 |
| State Defined Benefit Pension - Group B | - | - | - | - | - | - | - | 247,166 |
| State Defined Benefit Pension - Group C | - | - | - | - | - | - | - | - |
| Other Defined Benefit / Contribution | - | - | - | - | - | - | - | - |
| Purchased Services | 78,044 | - | - | - | - | - | 685,470 | 7,059,205 |
| Materials/Supplies | 49,733 | - | - | - | - | - | 394,076 | 784,629 |
| Software Licenses | 8,101 | - | - | - | - | - | 85,569 | 129,717 |
| Capital Outlays | 144,361 | - | - | - | - | - | 719,263 | 2,929,947 |
| Insurance | - | - | - | - | - | - | 431,020 | 190,574 |
| Maintenance | - | - | - | - | - | - | 53,665 | 251,810 |
| Vehicle Operations | 115,666 | - | - | - | - | - | 413,595 | 9,443 |
| Utilities | 391,687 | - | - | - | - | - | 672,278 | 577,833 |
| Contingency | - | - | - | - | - | - | - | - |
| Street Lighting | - | - | - | - | - | - | 107,499 | - |
| Revaluation | - | - | - | - | - | - | - | - |
| Snow Removal-Raw Material & External Contracts | - | - | - | - | - | - | 165,000 | - |
| Trash Removal & Recycling | - | - | - | - | - | - | 1,150,004 | - |
| Claims & Settlements | - | - | - | - | - | - | - | 34,985 |
| Community Support | - | - | - | - | - | - | - | 40,641 |
| Other Operation Expenditures | 64,606 | - | 2,631 | - | - | - | 1,216,166 | 234,891 |
| Local Appropriation for Education | - | - | - | 31,557,516 | - | - | 31,557,516 | - |
| Regional Appropriation for Education | - | - | - | - | - | - | - | - |
| Supplemental Appropriation for Education | - | - | - | - | - | - | - | - |
| Regional Supplemental Appropriation for Education | - | - | - | - | - | - | - | - |
| Other Education Appropriation | - | - | - | - | - | - | - | - |
| Municipal Debt- Principal | - | - | - | - | 895,551 | - | 895,551 | - |
| Municipal Debt- Interest | - | - | - | - | 553,698 | - | 553,698 | - |
| School Debt- Principal | - | - | - | - | 1,038,719 | - | 1,038,719 | - |
| School Debt- Interest | - | - | - | - | 547,111 | - | 547,111 | - |
| Retiree Medical Insurance- Total | - | - | - | - | - | - | - | - |
| Retiree Dental Insurance- Total | - | - | - | - | - | - | - | - |
| OPEB Contribution- Total | - | - | - | - | - | 1,907,587 | 1,907,587 | 1,871,191 |
| Non-Qualified OPEB Trust Contribution | - | - | - | - | - | - | - | - |
| Rounding | - | - | - | - | - | - | - | - |
| Total Expenditures | \$ 10,923,235 | \$ - | \$ 7,821 | \$ 31,557,516 | \$ 3,035,079 | \$ 1,907,587 | \$ 69,301,629 | \$ 60,378,226 |

| | | |
|--|---------------------|---------------------|
| Financing Uses: Transfer to Capital Funds | \$ 322,889 | \$ 80,200 |
| Financing Uses: Transfer to Other Funds | - | - |
| Financing Uses: Payment to Bond Escrow Agent | - | - |
| Financing Uses: Other | - | - |
| Total Other Financing Uses | \$ 322,889 | \$ 80,200 |
| Net Change in Fund Balance¹ | (822,540) | (1,354,110) |
| Fund Balance¹- beginning of year | 1,728,606 | 7,635,439 |
| Funds removed from Reportable Government Services (RGS) | - | - |
| Funds added to Reportable Government Services (RGS) | 2,051,521 | - |
| Prior period adjustments | - | (162,724) |
| Misc. Adjustment | 5,897 | 33 |
| Fund Balance¹ - beginning of year adjusted | 3,786,024 | 7,472,748 |
| Rounding | - | - |
| Fund Balance¹ - end of year | \$ 2,963,484 | \$ 6,118,638 |

¹ and Net Position if Enterprise Fund activity is included in the transparency portal report.

Town of West Warwick
 Combining Schedule of
 Reportable Government Services with
 Reconciliation to MTP2
 Municipal
 Fiscal Year Ended June 30, 2017

| Per Audited Fund Financial Statements Fund Description | Total Revenue | Total Other Financing Sources | Total Expenditures | Total Other Financing Uses | Net Change in Fund Balance ¹ | Beginning Fund Fund Balance ¹ (Deficit) | Prior Period Adjustment | Restated Beginning Fund Balance ¹ (Deficit) | Ending Fund Balance ¹ (Deficit) |
|---|----------------------|-------------------------------------|-----------------------|----------------------------------|---|--|----------------------------|--|--|
| Fund Balance¹ - per MTP-2 at June 30, 2016 | | | | | | \$ 1,728,606 | | \$ 1,728,606 | |
| <i>No funds removed from RGS for fiscal 2017</i> | | | | | | - | | - | |
| <i>Debt Service Fund (190) added to RGS for Fiscal 2017</i> | | | | | | 2,051,521 | | 2,051,521 | |
| <i>MTP 2 Prior year adjustment due to CDBG funds</i> | | | | | | 5,897 | | 5,897 | |
| Fund Balance¹ - per MTP-2 at June 30, 2016 adjusted | | | | | | <u>\$ 3,786,024</u> | | <u>\$ 3,786,024</u> | |
| General Fund (100) | \$ 68,510,296 | \$ - | \$ 37,559,838 | \$ 32,036,078 | \$ (1,085,620) | \$ 1,653,575 | \$ - | \$ 1,653,575 | \$ 567,955 |
| Debt Service Fund (190) | 96,721 | 155,673 | - | - | 252,394 | 2,051,521 | - | 2,051,521 | 2,303,915 |
| Police Highway Grant Fund (419) | 19,646 | - | 19,312 | - | 334 | (8,024) | - | (8,024) | (7,690) |
| JAG Peer to Peer Fund (455) | 2,900 | - | 2,900 | - | - | 394 | - | 394 | 394 |
| Bulletproof Vest Partnership Fund (474) | 3,021 | - | 3,021 | - | - | 274 | - | 274 | 274 |
| CDBG Community Development (606) | 233,727 | - | 233,727 | - | - | (5,897) | - | (5,897) | (5,897) |
| Police and Fire Details (800) | 97,720 | - | 87,368 | - | 10,352 | 88,284 | - | 88,284 | 98,636 |
| Totals per audited financial statements | <u>\$ 68,964,031</u> | <u>\$ 155,673</u> | <u>\$ 37,906,166</u> | <u>\$ 32,036,078</u> | <u>\$ (822,540)</u> | <u>\$ 3,780,127</u> | <u>\$ -</u> | <u>\$ 3,780,127</u> | <u>\$ 2,957,587</u> |
| <u>Reconciliation from financial statements to MTP2</u> | | | | | | | | | |
| Reclassify transfer of municipal appropriation to Education Department as on state report. | \$ - | \$ - | \$ 31,557,516 | \$ (31,557,516) | \$ - | \$ - | \$ - | \$ - | \$ - |
| Program activity in CDBG Funds that are not reported on the MTP2 because they are for program revenues & expenses and not for administration. | (162,053) | - | (162,053) | - | - | 5,897 | - | 5,897 | 5,897 |
| Reclassify transfer of appropriation to Debt Service Sinking Fund. | - | (155,673) | - | (155,673) | - | - | - | - | - |
| Rounding | - | - | - | - | - | - | - | - | - |
| Totals Per MTP2 | <u>\$ 68,801,978</u> | <u>\$ -</u> | <u>\$ 69,301,629</u> | <u>\$ 322,889</u> | <u>\$ (822,540)</u> | <u>\$ 3,786,024</u> | <u>\$ -</u> | <u>\$ 3,786,024</u> | <u>\$ 2,963,484</u> |

¹ and Net Position If Enterprise Fund activity is included in the transparency portal report.

Town of West Warwick
Combining Schedule of
Reportable Government Services with
Reconciliation to MTP2
Education Department
Fiscal Year Ended June 30, 2017

| Per Audited Fund Financial Statements Fund Description | Total Other | | Total Other | | Net Change in Fund Balance ¹ | Beginning Fund Fund Balance ¹ (Deficit) | Prior Period Adjustment | Restated Beginning Fund Balance ¹ (Deficit) | Ending Fund Balance ¹ (Deficit) |
|--|----------------------|----------------------|-----------------------|-------------------|---|--|----------------------------|--|--|
| | Total Revenue | Financing Sources | Total Expenditures | Financing Uses | | | | | |
| Fund Balance¹ - per MTP-2 at June 30, 2016 | | | | | | \$ 7,635,439 | - | \$ 7,635,439 | |
| <i>LESS NET INVESTMENT IN CAPITAL ASSETS FOR SCHOOL LUNCH FUND AS OF JUNE 30, 2016</i> | | | | | | \$ (162,724) | | \$ (162,724) | |
| <i>Rounding adjustment reported in MTP2 in FY16</i> | | | | | | 33 | - | 33 | |
| Fund Balance¹ - per MTP-2 at June 30, 2016 adjusted | | | | | | <u>\$ 7,472,748</u> | - | <u>\$ 7,472,748</u> | |
| School Unrestricted Fund | \$ 26,117,426 | \$ 31,557,516 | \$ 57,514,990 | \$ 80,200 | \$ 79,752 | \$ 4,275,973 | | \$ 4,275,973 | \$ 4,355,725 |
| Enterprise Fund ¹ | 1,454,453 | | 1,433,295 | | 21,158 | 1,171,365 | | 1,171,365 | 1,192,523 |
| Capital Fire Safety Improvement Bond | - | - | 1,435,965 | | (1,435,965) | 2,027,817 | | 2,027,817 | 591,852 |
| Capital Projects Fund | - | - | 29,309 | | (29,309) | 7,419 | | 7,419 | (21,890) |
| School Special Revenue Funds | 2,517,573 | | 2,554,650 | | (37,077) | 152,898 | | 152,898 | 115,821 |
| Totals per audited financial statements | <u>\$ 30,089,452</u> | <u>\$ 31,557,516</u> | <u>\$ 62,968,209</u> | <u>\$ 80,200</u> | <u>\$ (1,401,441)</u> | <u>\$ 7,635,472</u> | <u>\$ -</u> | <u>\$ 7,635,472</u> | <u>\$ 6,234,031</u> |
| Reconciliation from financial statements to MTP2 | | | | | | | | | |
| Municipal appropriation for Education reported as a transfer on financial statements but a revenue on MTP2 | \$ 31,557,516 | \$ (31,557,516) | \$ - | \$ - | \$ - | \$ - | | \$ - | \$ - |
| State contributions on behalf of teacher pensions are reported as revenue and expenditures on financial statements only | (2,485,486) | - | (2,485,486) | - | - | - | | - | - |
| Depreciation Expenses recognized on Financial Statements NOT recognized for MTP2 or UCOA and NET INVESTMENT IN CAPITAL ASSETS FOR SCHOOL LUNCH FUND AS OF JUNE 30, 2016 NOT RECOGNIZED IN UCOA | - | - | (47,328) | - | 47,328 | (162,724) | | (162,724) | (115,396) |
| Non-public transportation offset reported as revenue in financial statements | (57,242) | - | (57,242) | - | - | - | | - | - |
| Miscellaneous variances between UCOA & FS | 76 | - | 73 | - | 3 | - | | - | 3 |
| Rounding | - | - | - | - | - | - | | - | - |
| Totals Per MTP2 | <u>\$ 59,104,316</u> | <u>\$ -</u> | <u>\$ 60,378,226</u> | <u>\$ 80,200</u> | <u>\$ (1,354,110)</u> | <u>\$ 7,472,748</u> | <u>\$ (162,724)</u> | <u>\$ 7,472,748</u> | <u>\$ 6,118,638</u> |
| Reconciliation from MTP2 to UCOA | | | | | | | | | |
| Miscellaneous variances between UCOA & FS | - | | (70.00) | | | | | | |
| Totals per UCOA Validated Totals Report | <u>\$ 59,104,316</u> | | <u>\$ 60,378,156</u> | | | | | | |

¹ and Net Position If Enterprise Fund activity is included in the transparency portal report.

**NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 1 – BASIS OF PRESENTATION

The *Annual Supplemental Transparency Report (MTP2)* is a supplemental schedule required by the State of Rhode Island General Laws 45-12-22.2 and 44-35-10. This supplementary schedule included within the audit report is part of a broader project to create a municipal transparency portal (MTP) website to host municipal financial information in a centralized location.

The format of the *Annual Supplemental Transparency Report (MTP2)* was prescribed by the State Department of Revenue (Division of Municipal Finance), Office of the Auditor General, and the Department of Education.

NOTE 2 – REPORTABLE GOVERNMENT SERVICES

Data consistency and comparability are among the key objectives of the State's Municipal Transparency portal. Consistent with that goal, the State has defined "reportable government services", RGS, to include those operational revenues, expenditures, and transfers related to activities which are essential to the achievement of municipal operations. The determination of RGS may be different from the activities included within the legally adopted budget of the municipality. In practice, some communities report certain RGS in separate funds (e.g., special revenue funds, enterprise funds) rather than the municipality's general fund. The *Annual Supplemental Transparency Report (MTP2)* includes a reconciliation to the fund level statements.

NOTE 3 – ALLOCATIONS

The State reporting requires expenditures to be reported by departments, as defined by the State. Some of the departmental groupings are not consistent with the departments reflected in the Town's budget and accounting system. To report these costs, the Town made allocations of costs to the State's departmental groupings based on a reasonable basis.

NOTE 4 – EMPLOYEE GROUPS - COMPENSATION AND BENEFIT COSTS

Compensation includes salaries, longevity, stipends, clothing allowance/maintenance, shift differential, out-of-rank, holiday pay and bonuses.

For Public Safety departments (i.e., police, fire, and centralized dispatch) and the Education Department, compensation and most benefits costs are reported in the following employee groupings:

**NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 4 – EMPLOYEE GROUPS - COMPENSATION AND BENEFIT COSTS (CONTINUED)

Group A: This group consists of employees who serve the primary function of the department.

- Police Department - police officers (e.g., uniform personnel - including, leadership positions)
- Fire Department - fire fighters (e.g., uniform personnel - including, leadership positions)
- Centralized Dispatch Department - civilian dispatchers only
- Education Department - professional staff providing direct services to students
- For the remaining departments - all employees' compensation and benefits are reported under Group A

Group B: For Police and Fire Departments, compensation and benefits paid to its administrative employees and civilian dispatch employees are reported under Group B. The Education Department reports compensation and benefits paid to executive/mid-level educational administration employees under Group B.

Group C: This group is only used for the Education Department and it includes administrative and support staff.

Other post-employment benefits (OPEB) are not reported by employee groups on the MTP2. They are reported in total as either (1) contributions to a qualified OPEB trust or (2) the amount paid for medical and dental insurance for retirees when an OPEB trust fund has not been established. The detail employee group information for the Education Department can be found on the State's Municipal Transparency portal website.

NOTE 5 – EDUCATION REVENUE AND EXPENDITURES

The revenues and expenditures presented on the MTP2 under the Education Department is consistent with existing Uniform Chart of Accounts (UCOA) guidelines. Each MTP account code has been mapped to the corresponding UCOA code or group of UCOA codes to facilitate the preparation of the MTP reporting.

Additional guidance and definitions regarding the State's Municipal Transparency Portal can be found on the State Division of Municipal Finance website: <http://www.municipalfinance.ri.gov/>.

TOWN OF WEST WARWICK, RHODE ISLAND

EXHIBIT 8

SCHEDULE OF PROPERTY TAXES RECEIVABLE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

| Tax Roll Year | Residential Mill Rate | Property Taxes Receivable July 1, 2016 | Current Year Assessment | Transfers Addendums (Net) | Abatements and Adjustments | Amount to be Collected | Fiscal 2017 Collections | Property Taxes Receivable June 30, 2017 | Fiscal 2017 Collections Summary | | | Subject to 60-Day Rule July 2017 to August 2017 |
|---|-----------------------------|---|----------------------------|---------------------------------|----------------------------------|------------------------------|----------------------------|--|---------------------------------|---------------------------------------|----------------------------------|--|
| | | | | | | | | | Subject to 60-Day Rule | Not Subject to 60-Day Rule | Total Fiscal 2017 Collections | |
| | | | | | | | | | July 2016 to August 2016 | September 1, 2016 to June 30, 2017 | | |
| 2016 | \$25.84 | | \$ 62,883,201 | \$ 128,413 | \$ (354,932) | \$ 62,656,682 | \$ 60,554,286 | \$ 2,102,396 | \$ - | \$ 60,554,286 | \$ 60,554,286 | \$ 464,941 |
| 2015 | \$25.96 | 1,818,156 | - | (1,417) | 13,079 | 1,829,818 | 1,372,182 | 457,636 | 315,058 | 1,057,124 | 1,372,182 | 66,770 |
| 2014 | \$25.39 | 420,435 | - | (3,239) | (2,691) | 414,505 | 163,657 | 250,848 | 45,753 | 117,904 | 163,657 | 6,862 |
| 2013 | \$24.67 | 315,173 | - | 17,488 | (2,332) | 330,329 | 95,071 | 235,258 | 37,869 | 57,202 | 95,071 | 3,014 |
| 2012 | \$21.40 | 209,283 | - | 102 | (2,047) | 207,338 | 40,809 | 166,529 | 25,081 | 15,728 | 40,809 | 1,796 |
| 2011 | \$21.40 | 152,430 | - | 88 | (1,275) | 151,243 | 25,944 | 125,299 | 19,107 | 6,837 | 25,944 | 1,029 |
| 2010 | \$16.82 | 134,655 | - | 51 | (1,332) | 133,374 | 22,558 | 110,816 | 17,576 | 4,982 | 22,558 | 31 |
| 2009 | \$15.92 | 104,259 | - | (73) | (557) | 103,629 | 37,498 | 66,131 | 34,881 | 2,617 | 37,498 | - |
| 2008 | \$15.26 | 98,637 | - | 437 | (688) | 98,386 | 20,560 | 77,826 | 17,018 | 3,542 | 20,560 | 644 |
| 2007 | \$18.63 | 57,327 | - | (3) | (527) | 56,797 | 2,985 | 53,812 | 581 | 2,404 | 2,985 | 129 |
| 2006 | \$17.74 | 51,299 | - | (16) | 8,524 | 59,807 | 1,280 | 58,527 | 142 | 1,138 | 1,280 | 99 |
| 2005 | \$17.31 | 51,334 | - | - | (126) | 51,208 | 781 | 50,427 | 72 | 709 | 781 | 427 |
| 2004 and prior | various | 354,843 | - | (50) | 430 | 355,223 | 1,915 | 353,308 | 135 | 1,780 | 1,915 | 243 |
| Subtotal | | 3,767,831 | \$ 62,883,201 | \$ 141,781 | \$ (344,474) | \$ 66,448,339 | \$ 62,339,526 | 4,108,813 | \$ 513,273 | \$ 61,826,253 | \$ 62,339,526 | \$ 545,985 |
| Less: allowance for uncollectable accounts | | (1,141,400) | | | | | | (1,289,200) | | | | |
| Net property taxes receivable | | <u>\$ 2,626,431</u> | | | | | | <u>\$ 2,819,613</u> | | | | |

(CONTINUED)

TOWN OF WEST WARWICK, RHODE ISLAND

EXHIBIT 8 (Continued)

**SCHEDULE OF PROPERTY TAXES RECEIVABLE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

| <u>Schedule of Net Assessed Property Value by Category</u> | | | <u>Reconciliation of Current Year Property Tax Revenue</u> | |
|--|---|-----------------------------|--|-----------------------------|
| <u>Description of Property</u> | <u>Assessed December 31, 2015 (2016 tax roll)</u> | | | |
| | <u>Valuations</u> | <u>Levy</u> | | |
| Real Property | \$ 1,853,817,530 | | Current year collections | \$ 62,339,526 |
| Exemptions on Real Property | <u>(21,151,471)</u> | | July - August 2017 collections subject to 60-day rule (Fiscal 2017 accrual) | <u>545,985</u> |
| Net assessed value - Real Property | <u>1,832,666,059</u> | \$ 51,396,049 | Subtotal | <u>62,885,511</u> |
| Motor Vehicles | 228,306,440 | | July - August 2016 collections subject to 60-day rule (Fiscal 2016 accrual) | <u>(513,273)</u> |
| Exemptions on Motor Vehicles | <u>(40,344,265)</u> | | | |
| Net assessed value - Motor Vehicles | <u>187,962,175</u> | 5,350,617 | | |
| Tangible property | 149,556,300 | | | |
| Exemptions on Tangible Property | <u>-</u> | | | |
| Net assessed value - Tangible Property | <u>149,556,300</u> | 6,136,535 | Current year property tax revenue | <u><u>\$ 62,372,238</u></u> |
| Net assessed value/levy | <u><u>\$ 2,170,184,534</u></u> | <u><u>\$ 62,883,201</u></u> | | |

(CONCLUDED)

TOWN OF WEST WARWICK

SINGLE AUDIT SECTION

This section contains information regarding federal grant activity for the year ended June 30, 2017, 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 audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

**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**

The Honorable President and Members of the Town Council
Town of West Warwick, Rhode Island

We have audited, 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, 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, 2017, 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 January 9, 2018, which contained a qualified opinion on the governmental activities financial statements relating to financial information presented in connection with the Town's participation in a cost-sharing retirement system and unmodified opinions on the other basic financial statements listed above.

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.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of West Warwick, Rhode Island's financial statements are free from 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*.

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, RI
January 9, 2018

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE;
AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY UNIFORM GUIDANCE**

The Honorable President and Members of Town Council
Town of West Warwick, Rhode Island

Report on 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 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 ended June 30, 2017. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of West Warwick'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; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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.

Opinion on Each Major Federal Program

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 major federal programs for the year ended June 30, 2017.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2017-001 and 2017-002. Our opinion on each major federal program is not modified with respect to these matters.

The Town of West Warwick, Rhode Island's response to the noncompliance 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 compliance and, accordingly, we express no opinion on the response.

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 the Uniform Guidance, 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.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2017-001 and 2017-002 that we consider to be significant deficiencies.

The Town of West Warwick, Rhode Island's response to the internal control over compliance findings identified in our audit is described in the accompanying corrective action plan. 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of West Warwick, Rhode Island as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town of West Warwick, Rhode Island's basic financial statements. We issued our report thereon dated January 9, 2018, which contained a qualified opinion on the governmental activities, and unmodified opinions on the remaining basic financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 basic 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Marcum LLP

Providence, RI
January 9, 2018

TOWN OF WEST WARWICK, RHODE ISLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2017

| <i>Federal Grantor</i> | Federal | Pass-Through | | |
|--|---------------|--------------------|-------------------------|---------------------|
| <i>Pass-Through Grantor</i> | CFDA | Entity Identifying | Passed Through | Total Federal |
| <i>Program Title</i> | <i>Number</i> | <i>Number</i> | <i>to Subrecipients</i> | <i>Expenditures</i> |
| U.S. Department of Agriculture | | | | |
| Passed through Rhode Island Department of Education: | | | | |
| <i>Child Nutrition Cluster:</i> | | | | |
| National School Lunch Program | 10.555 | | \$ - | \$ 789,587 |
| National School Breakfast Program | 10.553 | | | 165,529 |
| <i>Total Child Nutrition Cluster</i> | | | | 955,116 |
| Fresh Fruit and Vegetable Program | 10.582 | | | 45,584 |
| <i>Food Distribution Cluster:</i> | | | | |
| Commodity Supplemental Food Program | 10.565 | | | 99,009 |
| <i>Total U.S. Department of Agriculture</i> | | | - | 1,099,709 |
| U.S. Department of Housing and Urban Development | | | | |
| Passed through Rhode Island Office of Housing and Community Development | | | | |
| Community Development Block Grant | 14.228 | | 7,875 | 233,727 |
| <i>Total U.S. Department of Housing and Urban Development</i> | | | 7,875 | 233,727 |
| U.S. Department of Justice | | | | |
| Passed through RI Department of Public Safety: | | | | |
| Bulletproof Vest Partnership Program | 16.607 | | | 3,021 |
| Peer to Peer JAG Grant | 16.738 | | | 2,900 |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | DJ-BX-0336 | | 12,336 |
| <i>Total U.S. Department of Justice</i> | | | - | 18,257 |
| U.S. Department of Transportation | | | | |
| Passed through Rhode Island Department of Transportation | | | | |
| <i>Highway Safety Cluster:</i> | | | | |
| State and Community Highway Safety | 20.600 | 402OP-17-03 | | 1,511 |
| State and Community Highway Safety | 20.600 | 402OP-17-05 | | 1,020 |
| State and Community Highway Safety | 20.600 | 402PT-17-03 | | 8,781 |
| National Priority Safety Programs | 20.616 | M5HVE-17-01 | | 8,000 |
| <i>Total U.S. Department of Transportation</i> | | | - | 19,312 |
| U.S. Department of Education | | | | |
| Passed through Rhode Island Department of Education | | | | |
| <i>Special Education Cluster (IDEA):</i> | | | | |
| Special Education Grants to States | 84.027 | 2725-13202-701/710 | | 1,016,732 |
| Special Education Preschool Grants | 84.173 | 2725-13502-701 | | 15,176 |
| <i>Total Special Education Cluster (IDEA)</i> | | | | 1,031,908 |
| Title I - Part A - Disadvantaged Youth | 84.010 | 2725-11702-701 | | 918,676 |
| Title II - Part A - Teacher Quality | 84.367 | 2725-16402-701 | | 289,365 |
| English Language Acquisition Grants | 84.365 | 2725-16502-701 | | 22,598 |
| Passed through City of Warwick | | | | |
| Perkins - Career and Technical Education | 84.048 | 2725-15302-301 | | 37,051 |
| <i>Total U.S. Department of Education</i> | | | - | 2,299,598 |
| U.S. Centers for Disease Control | | | | |
| Passed through Rhode Island Department of Health | | | | |
| Rhode Island Tobacco Control Program | 93.305 | | | 30,000 |
| <i>Total U.S. Centers for Disease Control</i> | | | - | 30,000 |
| U.S. Department of Homeland Security | | | | |
| Passed through Rhode Island Emergency Management Agency | | | | |
| Flood Mitigation Assistance | 97.029 | | | 51,613 |
| <i>Total U.S. Department of Homeland Security</i> | | | - | 51,613 |
| <i>Total Expenditures of Federal Awards</i> | | | \$ 7,875 | \$ 3,752,216 |

See notes to schedule of expenditures of federal awards.

TOWN OF WEST WARWICK, RHODE ISLAND

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2017

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Town of West Warwick, Rhode Island under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Town of West Warwick, Rhode Island, it is not intended to and does not present the financial position, changes in net position/fund balance, or cash flows of the Town of West Warwick, Rhode Island.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. SCHOOL LUNCH COMMODITIES

Nonmonetary assistance is reported in the schedule of expenditures of federal awards at the cost of commodities provided to the School Lunch Program. The total federal share of these commodities was \$99,009 for the year ended June 30, 2017. The amounts have been included in the schedule of expenditures of federal awards under CFDA 10.565.

4. MATCHING REQUIREMENTS

Certain federal programs require that the Town contribute non-federal funds (matching funds) to support the federally funded programs. The Town has complied with the matching requirements. The expenditure of non-federal matching funds is not included on this schedule.

5. INDIRECT COST RATE

Town of West Warwick, Rhode Island has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

TOWN OF WEST WARWICK, RHODE ISLAND

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2017

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditors’ report issued on whether the financial statements audited were prepared in accordance with GAAP: *Unmodified opinion on the basic financial statements, except for the financial statements of governmental activities, which contained a qualified opinion*

Internal control over financial reporting:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified? _____ yes X no

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified? X yes _____ none reported

Type of auditors’ report issued on compliance for major federal programs:

Unmodified Opinion

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

 X yes _____ no

Identification of major federal programs:

| <u>CFDA Number</u> | <u>Name of Federal Program or Cluster</u> |
|--------------------|---|
| 10.553 & 10.555 | Child Nutrition Cluster |
| 84.027 & 84.173 | IDEA Cluster |
| 14.228 | Community Development Block Grant |

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

\$750,000

Auditee qualified as low risk auditee?

_____ yes X no

TOWN OF WEST WARWICK, RHODE ISLAND

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2017

SECTION II – FINDINGS - FINANCIAL STATEMENT AUDIT

CURRENT YEAR FINDINGS:

None reported.

SECTION III – FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

CURRENT YEAR FINDINGS:

Significant Deficiency

2017-001: Community Development Block Grants (CDBG) CFDA #14.228 – Allowable Costs and Reporting

Criteria: Internal controls over compliance should be in place and operating effectively in order to deter federal funds being expended on activities that are not allowed and to ensure reporting is accurate before submission to the State of Rhode Island.

Condition: During our audit of the CDBG program activity, we noted that out of a sample of 5 items, all of them had instances where personnel completed and approved their own time sheet for payment. Furthermore, we also noted instances where personnel completed and approved the reports before submission to the State of Rhode Island, without independent review by Town management.

Cause: The lack of approval within the allowable payroll costs and reporting requirements is the result of a lack of controls over the program monitoring.

Effect: Personnel could be charging time to the program that is not allowed and could have inaccurate reporting being submitted to the State of Rhode Island.

Questioned Costs: \$-0-

Prior Year Finding: Yes, #2016-002 not corrected during the year ended June 30, 2017.

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: See management's Corrective Action Plan.

TOWN OF WEST WARWICK, RHODE ISLAND

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2017

**SECTION III – FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS
AUDIT (CONTINUED)**

CURRENT YEAR FINDINGS (CONTINUED):

Significant Deficiency

2017-002: Special Education Cluster (IDEA) CFDA #84.027 and #84.173 – Earmarking

Criteria: An LEA can use not more than 15 percent of the amount of federal funds, in combination with other funds for early intervening services for children in kindergarten through grade 12 who have not been identified under IDEA but need additional academic and behavioral support to succeed in the general education environment.

Condition: The percentage allowed according to the Uniform Guidance was 15%, equating to \$175,121 for this program. The Town expended \$179,459, resulting in a difference of \$4,338.

Cause: A reconciliation would have served to identify the difference and allow for corrective measures to be taken regarding the reports submitted to the State.

Effect: Improper classification of expenditures resulting in inaccurate financial data being submitted to the State of Rhode Island.

Questioned Costs: \$4,338

Recommendation: We recommend that the School Department establish adequate controls and procedures for monitoring the activity and compliance requirements relative to the IDEA program and ensuring agreement and reconciliation between the School's accounting system and what is reported to the State of Rhode Island.

View of Responsible Official and Corrective Action: See management's Corrective Action Plan.

TOWN OF WEST WARWICK, RHODE ISLAND

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED JUNE 30, 2017

SECTION II – FINDINGS - FINANCIAL STATEMENT AUDIT

PRIOR YEAR FINDINGS:

None reported.

SECTION III – FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

PRIOR YEAR FINDINGS:

2016-001: Community Development Block Grants (CDBG) CFDA #14.228 –Cash Management

Finding: Town did not maintain adequate policies and procedures to ensure that expenditures for program costs were paid for by the Town before reimbursement was requested from the federal government.

Current Status: Corrected during fiscal year 2017.

2016-002: Community Development Block Grants (CDBG) CFDA #14.228 – Allowable Costs and Reporting

Finding: Town did not maintain adequate policies and procedures to ensure that approval of payments for personnel costs were performed by independent personnel. In addition the Town did not maintain adequate policies and procedures to ensure the approval of reports submitted to the State of Rhode Island were performed by independent personnel.

Current Status: Repeated in the current year as finding 2017-001.



TOWN OF WEST WARWICK
Town Hall – 1170 Main Street
West Warwick, RI 02893
Phone: (401) 822-9210 Fax: 822-9263

***CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2017***

2017-001: CDBG-Allowable Costs and Reporting

Condition: During the fiscal 2017 audit testing of the CDBG program activity, instances were noted where the CDBG Manager completed and approved their own time sheet for payment. Furthermore, instances were also noted where the CDBG Manager completes and approves the reports before submission to the State of Rhode Island, without independent review by Town Management.

Corrective Action Plan: Policies and procedures in regard to management review of expenses of the CDBG program were implemented late in fiscal year 2017. The Manager is reviewing and signing documents for the CDBG program. The Finance Director will implement new policies and procedures in regard to time sheet approval and they will be implemented immediately.

2017-002: Special Education Cluster (IDEA) CFDA #84.027 and #84.173 Earmarking

Condition: During the fiscal 2017 audit testing of the IDEA program, it was noted that the percentage allowed according to the Uniform Guidance exceeded the 15% cap applied to the amount of federal funds, in combination with other funds for early intervening services for children in kindergarten through grade 12 who have not been identified under IDEA but need additional academic and behavioral support to succeed in the general education environment. The 15% equated to \$175,121 for this program and the School expended \$179,459, resulting in a difference of \$4,338.

Corrective Action Plan: The Director of Education does review IDEA activity on Acelegrants and iVisions (Districts financial software) to ensure the District remains within the approved budget. Going forward the Director of Special Education, or his/her designee, will reconcile between what is reported to Acelegrants and what is reported within iVisions. This reconciliation will verify that federal funds being spent agree to the approved CRP, which includes the total funds spent on early intervening services.