



Town of West Warwick, Rhode Island

Annual Financial Statements

For the Fiscal Year Ended June 30, 2018

TOWN OF WEST WARWICK

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TOWN OF WEST WARWICK, RHODE ISLAND

FOR THE YEAR ENDED JUNE 30, 2018

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TOWN OF WEST WARWICK, RHODE ISLAND

LIST OF TOWN OFFICIALS

AS OF JUNE 30, 2018



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)

TOWN MANAGER

Ernest Zmyslinski

SCHOOL COMMITTEE

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

Kristen B Benoit
Karen Tarasevich
Joseph Spagna
Timothy Williamson
Marianne Kelly
Colonel John Magiera
Joseph Baris, Jr.
Sal Saccoccia
Fred Gil
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, 2018, 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of West Warwick, Rhode Island, as of June 30, 2018, 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.

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 98 respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of West Warwick, Rhode Island's financial statements. The combining and individual 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 December 28, 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 the effectiveness of the Town of West Warwick, Rhode Island's 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
December 28, 2018

TOWN OF WEST WARWICK, RHODE ISLAND
Management's Discussion and Analysis
For the Year Ended June 30, 2018

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, 2018. 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 increased by \$117,034 as a result of this year's current operations. Most of this increase was due to the increase in the Town's unrestricted fund balance of \$745,299. 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 \$143,471,093. Net position of the business-type activities decreased by \$769,218, while the net position of Governmental Activities increased by \$886,252.
- ❖ The Town's Government-wide (governmental and business-type activities) operating expenses were \$118,435,218 while revenues collected were \$118,552,252.
- ❖ As of the close of the fiscal year, the Town's governmental funds reported combined ending fund balances of \$12,319,544. 5.45% of this amount, 671,999 is unassigned.
- ❖ At the end of the current fiscal year, the General Fund's unassigned fund balance was \$962,354 or 2.51% of the total General Fund budgetary expenditures for the fiscal year. In accordance with generally accepted accounting principles (GAAP), the current fiscal year's revenues and other financing sources exceeded expenditures and other financing uses by \$775,384. As of June 30, 2018, the General Fund's committed fund balance was \$159,635 or 0.4% of the fiscal 2018 General Fund operating budget. The Town Council, as the highest level of authority, can elect to remove the commitment which was placed on this \$159,635 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, 2018

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, 2018

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 98.

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 99 through 115.

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 116 through 122.

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 \$143,471,093 as of June 30, 2018.

TOWN OF WEST WARWICK, RHODE ISLAND
Management's Discussion and Analysis
For the Year Ended June 30, 2018

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	
	2018	2017	2018	2017	2018	2017
ASSETS						
Current assets	\$ 22,418,588	\$ 18,741,748	\$ 12,038,393	\$ 11,241,170	\$ 34,456,981	\$ 29,982,918
Noncurrent assets	64,105,583	65,597,514	63,025,744	66,333,687	127,131,327	131,931,201
Total Assets	86,524,171	84,339,262	75,064,137	77,574,857	161,588,308	161,914,119
Deferred Outflows of Resources	35,875,443	18,121,591	676,785	552,631	36,552,228	18,674,222
LIABILITIES						
Current liabilities	13,254,709	9,508,373	3,856,317	3,271,231	17,111,026	12,779,604
Noncurrent liabilities	275,479,009	271,454,384	29,548,329	31,845,317	305,027,338	303,299,701
Total Liabilities	288,733,718	280,962,757	33,404,646	35,116,548	322,138,364	316,079,305
Deferred Inflows of Resources	19,282,194	8,000,646	191,071	96,517	19,473,265	8,097,163
NET POSITION						
Net Investment in Capital Assets	19,378,381	19,982,596	34,828,149	34,935,537	54,206,530	54,918,133
Restricted	3,086,443	2,767,105	-	-	3,086,443	2,767,105
Unrestricted	(208,081,122)	(209,252,251)	7,317,056	7,978,886	(200,764,066)	(201,273,365)
Total Net Position	\$ (185,616,298)	\$ (186,502,550)	\$ 42,145,205	\$ 42,914,423	\$ (143,471,093)	\$ (143,588,127)

The Town's net position includes \$54,206,530 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 net position of \$185,616,298 at June 30, 2018 is primarily attributable to the legacy costs related to unfunded pension liabilities and OPEB liabilities which totaled approximately \$229,000,000 at June 30, 2018.

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, 2018. Comparative data for fiscal 2018 and 2017 is presented in the table on the following page. Governmental activities increased the Town's net position by \$886,252 for the current period, while business-type activities decreased the Town's net position by \$769,218. Overall, the Town's net position increased by \$117,034, over the prior year's net position.

The net change in fund balance for the fiscal year ended June 30, 2018 was an increase of \$2,049,341 for the Town's governmental fund types. In the statement of activities, expenses for capital items are not recorded as expense but shown on the balance sheet, which resulted in a decrease of \$1,179,787 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 \$2,402,947. Increases in net position included an increase in the Town's net pension and OPEB liabilities and related deferred inflows and outflows of \$2,150,259. 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, 2018

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		
	2018	2017	Change	2018	2017	Change
Revenues						
Program revenues						
Charges for services	\$ 6,818,350	\$ 5,896,956	\$ 921,394	\$ 8,730,919	\$ 6,723,986	\$ 2,006,933
Operating grants and contributions	34,593,500	30,231,055	4,362,445	1,024,443	1,038,514	(14,071)
Capital grants and contributions	310,136	680,774	(370,638)	89,799	2,305,173	(2,215,374)
General revenues						
Property taxes	64,383,721	63,165,198	1,218,523			-
Unrestricted investment earnings (loss)	(60,167)	(50,827)	(9,340)	50,084	24,028	26,056
State Aid	1,469,827	1,377,189	92,638			-
Miscellaneous	1,141,640	599,369	542,271			-
Total Revenues	108,657,007	101,899,714	6,757,293	9,895,245	10,091,701	(196,456)
Expenses						
General government	12,266,965	13,481,177	(1,214,212)	-	-	-
Public safety	21,293,929	22,960,858	(1,666,929)	-	-	-
Public works	4,643,729	4,770,892	(127,163)	-	-	-
Education	63,735,246	61,159,875	2,575,371	-	-	-
Public assistance, development, recreation, and senior center	3,567,732	3,981,785	(414,053)	-	-	-
Community development	-	-	-	-	-	-
Public libraries	1,003,736	1,006,682	(2,946)	-	-	-
Interest on long-term debt	1,379,418	1,324,474	54,944	-	-	-
Wastewater Authority			-	8,534,248	8,259,456	274,792
Municipal Court			-	108,002	100,965	7,037
School Lunch Program			-	1,355,128	1,433,295	(78,167)
Civic Center			-	547,085	497,832	49,253
Total Expenses	107,890,755	108,685,743	(794,988)	10,544,463	10,291,548	252,915
Increase (Decrease) in Net Position	766,252	(6,786,029)	7,552,281	(649,218)	(199,847)	(449,371)
Transfers	120,000	(322,889)	442,889	(120,000)	322,889	(442,889)
Increase (Decrease) in Net Position	886,252	(7,108,918)	7,995,170	(769,218)	123,042	(892,260)
Net Positions - beginning (Restated)	(186,502,550)	(179,393,632)	(7,108,918)	42,914,423	42,791,381	123,042
Net Positions - ending	\$ (185,616,298)	\$ (186,502,550)	\$ 886,252	\$ 42,145,205	\$ 42,914,423	\$ (769,218)

TOWN OF WEST WARWICK, RHODE ISLAND
Management's Discussion and Analysis
For the Year Ended June 30, 2018

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 \$12,319,544. Approximately 5.45% of the total amount, or \$671,999 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 58.

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 \$7,317,056 while the net investment in capital assets for these funds was \$34,828,149 resulting in a total net position of \$42,145,205. This net position consisted of \$40,077,898 for the Wastewater Authority, \$137,267 for the Municipal Court, \$1,216,264 for the School Lunch Program, and \$713,756 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, 2018 the Internal Service Funds incurred a gain of \$504,095. As a result, the net position as of June 30, 2018 was a cumulative deficit of \$766,166. 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 \$622,929 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, 2018, the General Fund revenues and other financing sources were over budget by \$453,360 (revenue surplus 0.4%) while expenditures and other financing uses were under budget by \$267,454 (0.3% under expenditures). This resulted in budgetary basis surplus of \$720,814 for the fiscal year ended June 30, 2018. See details on Pages 84 through 87.

Revenues

General property taxes were under budget by \$668,483, due to a decrease in collections of delinquent taxes during the operating year.

Intergovernmental revenues were over budget by \$602,152, 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 \$491,835, 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, 2018

Expenditures

General Government were over budget by \$235,576, due to higher than expected severance pay payments, workers compensation and general liability insurance.

Public Works was under budget by \$233,041, due to departmental cost reductions.

Public Safety was over budget by \$117,160, due to departmental cost overruns.

Other Financing Uses was over budget by \$84,436, due to an increase in School State Aid (which gets transferred to the School Department).

Capital Assets

The Town of West Warwick's investment in capital assets for its governmental and business-type activities as of June 30, 2018 amounts to \$119,720,613 (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	
	2018	2017	2018	2017	2018	2017
Land	\$ 9,268	\$ 9,268	\$ 433	\$ 433	\$ 9,701	\$ 9,701
Construction in Progress	146	44	-	110	146	154
Land Improvements	1,322	1,350	400	444	1,722	1,794
Buildings and improvements	16,554	16,688	38,633	39,600	55,187	56,288
Machinery, Equipment and Vehicles	21,326	22,267	6,463	7,212	27,789	29,479
Infrastructure	15,489	15,980	9,686	10,246	25,175	26,226
Cafeteria Equipment	-	-	-	-	-	-
Plant facilities and equipment	-	-	-	-	-	-
Extensions and mains	-	-	-	-	-	-
Net Capital Assets	\$ 64,105	\$ 65,597	\$ 55,615	\$ 58,045	\$ 119,720	\$ 123,642

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 \$43,036,515. 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, 2018

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

	Governmental Activities		Business-Type Activities		Totals	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
General Obligation Bonds	\$ 43,037	\$ 32,662	\$ -	\$ -	\$ 43,037	\$ 32,662
Lease Purchase Obligations	1,627	1,388	135	188	1,762	1,576
General Revenue Notes	-	-	23,765	26,005	23,765	26,005
Totals	\$ 44,664	\$ 34,050	\$ 23,900	\$ 26,193	\$ 68,564	\$ 60,243

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 \$64,000,000 at year-end. The Town's outstanding general obligation debt is \$43,036,515 at year-end; of which none is subject to the legal debt margin.

At June 30, 2018 the Town had repaid \$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 2019 amounts to \$97,014,884 which reflects an increase of \$2,051,903, or 2.16% above the fiscal year 2018 budget of \$94,962,981. Of the Town's 2019 budget, 58.5% is budgeted for education expenditures and 41.5% is budgeted for general government. The State of Rhode Island is budgeted to contribute \$25,155,280 to the Town's education department based on State Aid in fiscal 2019.

The Town's tax rate for Fiscal Year 2019 is \$27.18 per \$1,000 of assessed value with 41% allocated for general government and 59% allocated for education. For fiscal year 2018 the Town's tax rate was \$26.31 per \$1,000 of assessed value with 40% allocated for general government and 60% allocated for education.

Previous to fiscal year 2018, 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.

Previously, the Town had taken advantage of the state's Efficient Buildings Fund program and completed major building efficiency upgrades and converted 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, 2018

Previously, the Town had 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, 2017 & 2018. As of the July 1, 2018 Actuarial Valuation Report, the Town plan was 23.3% funded and the unfunded liability was \$127 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. Wage re-opener clauses in year four and five have been negotiated. Police received a 2.75% raise retro-active in FY 2018 and a 2.25% raise in FY 2019. Fire received a 3.5% raise in FY 2019 while the municipal employees received a 1% raise effective July 1, 2018 and will receive a 2% raise January 1, 2019. The Town will begin negotiations with the 3 unions in the 2nd half of FY 2019.

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. In September 2018, Moody's requested a rating's call with the Town. As a result, the Town's rating was reaffirmed.

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, 2018**

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 15,133,763	\$ 4,299,647	\$ 19,433,410
Restricted cash	147,782	3,151,316	3,299,098
Funds on deposit	117,639	-	117,639
Investments	2,499,580	-	2,499,580
Accounts receivable, net	4,051,867	1,819,217	5,871,084
Internal balances	(2,597,782)	2,597,782	-
Due from federal and state governments	1,971,081	170,431	2,141,512
Prepays	1,094,658	-	1,094,658
Total Current Assets	22,418,588	12,038,393	34,456,981
Noncurrent Assets:			
Assessments and fees receivable	-	1,625,685	1,625,685
Municipal debt service assessments receivable	-	5,785,029	5,785,029
Capital assets not being depreciated	9,414,951	432,700	9,847,651
Capital assets, net of accumulated depreciation	54,690,632	55,182,330	109,872,962
Total Noncurrent Assets	64,105,583	63,025,744	127,131,327
TOTAL ASSETS	86,524,171	75,064,137	161,588,308
Deferred outflows of resources			
Pension related deferred outflows of resources	26,505,581	233,220	26,738,801
OPEB related deferred outflows of resources	9,096,744	443,565	9,540,309
Deferred Outflows - Deferred gain on refunding	273,118	-	273,118
Total deferred outflows of resources	35,875,443	676,785	36,552,228
LIABILITIES:			
Current Liabilities:			
Accounts payable and accrued expenses	6,550,782	1,353,850	7,904,632
Due to federal and state governments	97,923	-	97,923
Unearned revenue	717,652	98	717,750
Current portion of compensated absences	2,849,000	186,518	3,035,518
Current portion of general obligation bonds	2,354,000	2,262,000	4,616,000
Current portion of capital lease obligations	685,352	53,851	739,203
Total Current Liabilities	13,254,709	3,856,317	17,111,026
Noncurrent Liabilities:			
Net pension and net OPEB liabilities	229,618,738	7,949,868	237,568,606
Compensated absences, net	3,907,000	14,398	3,921,398
General obligation bonds, net	40,682,515	21,503,000	62,185,515
Capital lease obligations, net	941,532	81,063	1,022,595
Bond premium	329,224	-	329,224
Total Noncurrent Liabilities	275,479,009	29,548,329	305,027,338
TOTAL LIABILITIES	288,733,718	33,404,646	322,138,364
Deferred inflows of resources			
Pension related deferred inflows of resources	16,975,955	150,179	17,126,134
OPEB related deferred inflows of resources	2,306,239	40,892	2,347,131
Total deferred inflows of resources	19,282,194	191,071	19,473,265
NET POSITION:			
Net investment in capital assets	19,378,381	34,828,149	54,206,530
Restricted	3,086,443	-	3,086,443
Unrestricted	(208,081,122)	7,317,056	(200,764,066)
TOTAL NET POSITION	\$ (185,616,298)	\$ 42,145,205	\$ (143,471,093)

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, 2018**

<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	\$ 12,266,965	\$ 3,204,148	\$ 2,276	\$ 147,580	\$ (8,912,961)		\$ (8,912,961)
Public safety	21,293,929	2,514,648	53,736	-	(18,725,545)		(18,725,545)
Public works	4,643,729	16,133	78,000	-	(4,549,596)		(4,549,596)
Public assistance, development, recreation	3,354,732	94,978	509,119	-	(2,750,635)		(2,750,635)
Public libraries	1,003,736	18,000	207,651	-	(778,085)		(778,085)
Education	63,735,246	970,443	32,639,744	162,556	(29,962,503)		(29,962,503)
Senior center activities	213,000	-	-	-	(213,000)		(213,000)
Interest on long-term debt	1,379,418	-	1,102,974	-	(276,444)		(276,444)
Total governmental activities	107,890,755	6,818,350	34,593,500	310,136	(66,168,769)		(66,168,769)
Business-type activities:							
Wastewater Authority	8,534,248	7,591,288	-	89,799	-	\$ (853,161)	(853,161)
Municipal Court	108,002	98,060	-	-	-	(9,942)	(9,942)
School Lunch Program	1,355,128	474,446	1,024,443	-	-	143,761	143,761
Civic Center	547,085	567,125	-	-	-	20,040	20,040
Total business-type activities	10,544,463	8,730,919	1,024,443	89,799	-	(699,302)	(699,302)
Total	\$ 118,435,218	\$ 15,549,269	\$ 35,617,943	\$ 399,935	(66,168,769)	(699,302)	(66,868,071)
General revenues:							
Property taxes					64,383,721	-	64,383,721
Motor vehicle phase-out taxes					777,694	-	777,694
Utilities taxes					363,946	-	363,946
State Aid to distressed communities					924,370	-	924,370
Hotel, meals, and beverage tax					545,457	-	545,457
Unrestricted investment earnings (loss)					(60,167)	50,084	(10,083)
Transfers in (out)					120,000	(120,000)	-
Total general revenues and transfers					67,055,021	(69,916)	66,985,105
Change in Net Position					886,252	(769,218)	117,034
Net Position - beginning of year					(186,502,550)	42,914,423	(143,588,127)
Net Position - end of year					\$ (185,616,298)	\$ 42,145,205	\$ (143,471,093)

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, 2018*

	General Fund	School Unrestricted Fund	Debt Service Fund	NonMajor Governmental Funds	Total Governmental Funds
ASSETS:					
Cash and cash equivalents	\$ 14,489,922	\$ -	\$ 278,102	\$ 365,739	\$ 15,133,763
Restricted cash	-	-	-	147,782	147,782
Investments	-	-	2,249,878	-	2,249,878
Taxes receivable, net	2,582,076	-	-	-	2,582,076
Other receivables, net	151,219	171,954	-	-	323,173
Due from federal and state governments	363,946	129,084	-	1,478,051	1,971,081
Prepays	221,350	183,410	-	545,575	950,335
Due from other funds	-	5,321,644	-	3,837,433	9,159,077
TOTAL ASSETS	\$ 17,808,513	\$ 5,806,092	\$ 2,527,980	\$ 6,374,580	\$ 32,517,165
LIABILITIES:					
Accounts payable and accrued expenses	\$ 2,761,499	\$ 1,958,109	\$ -	\$ 326,349	\$ 5,045,957
Due to federal & state governments	90,261	-	-	7,662	97,923
Due to other funds	10,590,261	-	-	1,440,327	12,030,588
Unearned revenue	717,652	-	-	-	717,652
TOTAL LIABILITIES	14,159,673	1,958,109	-	1,774,338	17,892,120
DEFERRED INFLOWS OF RESOURCES:					
Unavailable tax and EMS revenue	2,305,501	-	-	-	2,305,501
FUND BALANCES:					
Non-spendable	221,350	183,410	-	545,575	950,335
Restricted	-	-	2,527,980	2,431,189	4,959,169
Committed	159,635	3,664,573	-	1,913,833	5,738,041
Unassigned	962,354	-	-	(290,355)	671,999
TOTAL FUND BALANCES	1,343,339	3,847,983	2,527,980	4,600,242	12,319,544
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 17,808,513	\$ 5,806,092	\$ 2,527,980	\$ 6,374,580	\$ 32,517,165

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, 2018*

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	\$ 12,319,544
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	64,105,583
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	35,602,325
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	(19,282,194)
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	(229,618,738)
Accrual for compensated absences	(6,756,000)
BANs, bonds and notes payable	(43,036,515)
Capital lease obligations	(1,626,884)
Bond premium, net of amortization	(329,224)
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	2,305,501
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	249,702
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 current year 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	372,484
Deferred gain on refunding of bonds is deferred in the Statement of Net Position and amortized over the life of related debt, but is reported as other financing use in the year of issuance in the Fund Statements	273,118
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	(195,000)
Total Net Position reported in Exhibit A-1	<u>\$ (185,616,298)</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, 2018**

	General Fund	School Unrestricted Fund	Debt Service Fund	NonMajor Governmental Funds	Total Governmental Funds
REVENUES:					
Property taxes	\$ 64,490,316	\$ -	\$ -	\$ -	\$ 64,490,316
Intergovernmental	3,714,441	24,313,144	-	3,052,358	31,079,943
Licenses, fees, fines, charges, and assessments	2,769,185	-	-	1,659,465	4,428,650
Medicaid	-	747,040	-	-	747,040
Investment income (loss)	32,856	-	68,392	-	101,248
Contributions and grants	75,000	-	-	275,254	350,254
State on behalf pension contribution	-	2,545,830	-	-	2,545,830
Non-public transportation offset	-	48,417	-	-	48,417
Other miscellaneous	21,399	118,124	-	5,549	145,072
TOTAL REVENUES	71,103,197	27,772,555	68,392	4,992,626	103,936,770
EXPENDITURES:					
Current:					
General government	11,308,128	-	-	-	11,308,128
Public Safety	15,887,197	-	-	784,237	16,671,434
Public Services	4,280,420	-	-	9,843	4,290,263
Library	696,890	-	-	219,062	915,952
Education	-	58,776,997	-	2,393,335	61,170,332
Senior Center	213,000	-	-	-	213,000
Public assistance, development & recreation	3,047,648	-	-	228,591	3,276,239
Debt Service	3,037,437	-	-	173,152	3,210,589
Capital Outlays	198,474	141,016	-	1,212,147	1,551,637
TOTAL EXPENDITURES	38,669,194	58,918,013	-	5,020,367	102,607,574
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	32,434,003	(31,145,458)	68,392	(27,741)	1,329,196
OTHER FINANCING SOURCES (USES)					
Issuance of bonds, notes, and lease purchase obligations	-	-	-	545,575	545,575
Proceeds from refunding bonds	6,890,000	-	-	-	6,890,000
Payment to refunding bond escrow agent	(6,835,430)	-	-	-	(6,835,430)
Transfers in	-	31,557,516	155,673	1,039,800	32,752,989
Transfers out	(31,713,189)	(919,800)	-	-	(32,632,989)
TOTAL OTHER FINANCING SOURCES (USES)	(31,658,619)	30,637,716	155,673	1,585,375	720,145
NET CHANGE IN FUND BALANCES	775,384	(507,742)	224,065	1,557,634	2,049,341
FUND BALANCE BEGINNING OF YEAR	567,955	4,355,725	2,303,915	3,042,608	10,270,203
FUND BALANCE AT END OF YEAR	\$ 1,343,339	\$ 3,847,983	\$ 2,527,980	\$ 4,600,242	\$ 12,319,544

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, 2018*

Net Change in Fund Balances - Total Governmental Funds (Exhibit B-2):	\$ 2,049,341
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital expenditures in the current year.	(1,179,787)
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.	(24,217)
Governmental funds report bond premium, and bond and capital lease proceeds as revenues. However, in the Statement of Activities, these funds are reported as additions to long-term debt.	(7,435,575)
Governmental funds report principal repayments on debt obligations as an expenditure. However, the repayment of principal has no effect on the Statement of Activities.	2,402,947
Payments to refunded bond escrow agent are reported as other financing uses in the Governmental funds, however these payments have no impact on the Statement of Activities.	6,835,430
Changes to the following accounts related to the Town's pension and OPEB plans are reported as an expense in the Statement of Activities but are not reported as an expenditure in the Governmental Funds until they are paid with measurable and available resources:	
Decrease in net pension liability	186,500
Increase in net OPEB liability	(8,535,945)
Increase in deferred outflows of resources	17,480,734
Increase in deferred inflows of resources	(11,281,548)
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 current year.	22,411
Governmental funds report deferred gain on refunding as other financing uses in the year of issuance. However, the Statement of Activities amortizes this deferred gain over the life of the related obligations. This is the amortization amount for current year.	(27,312)
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 decreased from prior year.	(106,595)
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 decreased from prior year.	(83,812)
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 prior year.	31,000
Governmental funds reflect compensated absences when they will be paid with measurable and available resources. This is the decrease from prior year balances that is reflected in the statement of activities.	210,000
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 the prior fiscal year.	(161,415)
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 the current fiscal year.	<u>504,095</u>
Change in Net Position of Governmental Activities in the Statement of Activities (Exhibit A-2)	<u>\$ 886,252</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, 2018**

	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:								
Current Assets:								
Cash and cash equivalents	\$ 3,174,501	\$ -	\$ 1,124,946	\$ 200	\$ 4,299,647	\$ -	\$ -	\$ -
Restricted cash	3,113,033	-	38,283	-	3,151,316	-	-	-
Funds on deposit	-	-	-	-	-	-	117,639	117,639
Assessments and fees receivable, net	1,093,542	26,420	3,251	24,955	1,148,168	-	-	-
Other receivables	-	-	-	-	-	904,166	242,452	1,146,618
Municipal debt service assessments receivable	671,049	-	-	-	671,049	-	-	-
Due from federal and state governments	102,563	2,115	65,753	-	170,431	-	-	-
Due from other funds	3,308,929	132,816	-	-	3,441,745	-	276,886	276,886
Prepaid expenses	-	-	-	-	-	-	144,323	144,323
Total Current Assets	11,463,617	161,351	1,232,233	25,155	12,882,356	904,166	781,300	1,685,466
Noncurrent Assets:								
Assessments and fees receivable, net	1,625,685	-	-	-	1,625,685	-	-	-
Municipal debt service assessments receivable	5,785,029	-	-	-	5,785,029	-	-	-
Capital assets not being depreciated	301,600	-	-	131,100	432,700	-	-	-
Capital assets, net of accumulated depreciation	53,500,320	-	198,203	1,483,807	55,182,330	-	18,161,350	18,161,350
Total Noncurrent Assets	61,212,634	-	198,203	1,614,907	63,025,744	-	18,161,350	18,161,350
TOTAL ASSETS	72,676,251	161,351	1,430,436	1,640,062	75,908,100	904,166	18,942,650	19,846,816
Deferred Outflows of Resources								
Pension-related deferred outflows of resources	233,220	-	-	-	233,220	-	-	-
OPEB-related deferred outflows of resources	443,565	-	-	-	443,565	-	-	-
Total Deferred Outflows of Resources	676,785	-	-	-	676,785	-	-	-
LIABILITIES:								
Current Liabilities:								
Accounts payable and accrued expenses	1,187,167	24,084	117,857	24,742	1,353,850	1,044,246	265,579	1,309,825
Due to other funds	-	-	96,295	747,668	843,963	3,157	-	3,157
Unearned revenue	98	-	-	-	98	-	-	-
Current portion of compensated absences	167,536	-	-	18,982	186,518	-	-	-
Current portion of general obligation bonds	2,262,000	-	-	-	2,262,000	-	473,000	473,000
Current portion of capital lease obligations	-	-	-	53,851	53,851	-	-	-
Total Current Liabilities	3,616,801	24,084	214,152	845,243	4,700,280	1,047,403	738,579	1,785,982
Noncurrent Liabilities:								
General obligation bonds, net	21,503,000	-	-	-	21,503,000	-	18,827,000	18,827,000
Capital lease obligations, net	-	-	-	81,063	81,063	-	-	-
Net pension and net OPEB liabilities	7,949,868	-	-	-	7,949,868	-	-	-
Compensated absences, net	14,398	-	-	-	14,398	-	-	-
Total Noncurrent Liabilities	29,467,266	-	-	81,063	29,548,329	-	18,827,000	18,827,000
TOTAL LIABILITIES	33,084,067	24,084	214,152	926,306	34,248,609	1,047,403	19,565,579	20,612,982
Deferred Inflows of Resources								
Pension-related deferred inflows of resources	150,179	-	-	-	150,179	-	-	-
OPEB-related deferred inflows of resources	40,892	-	-	-	40,892	-	-	-
Total Deferred Inflows of Resources	191,071	-	-	-	191,071	-	-	-
NET POSITION:								
Net investment in capital assets	33,149,953	-	198,203	1,479,993	34,828,149	-	(1,021,011)	(1,021,011)
Unrestricted	6,927,945	137,267	1,018,081	(766,237)	7,317,056	(143,237)	398,082	254,845
TOTAL NET POSITION	\$ 40,077,898	\$ 137,267	\$ 1,216,284	\$ 713,756	\$ 42,145,205	\$ (143,237)	\$ (622,929)	\$ (766,166)

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, 2018*

	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	\$ 7,536,916	\$ 98,060	\$ -	\$ 549,196	\$ 8,184,172	\$ 10,851,548	\$ 1,325,961	\$ 12,177,509
Food sales	-	-	474,446	17,929	492,375	-	-	-
Intergovernmental	50,950	-	1,024,443	-	1,075,393	-	-	-
Other revenues	3,422	-	-	-	3,422	-	-	-
Total Operating Revenues	7,591,288	98,060	1,498,889	567,125	9,755,362	10,851,548	1,325,961	12,177,509
OPERATING EXPENSES:								
Salaries and benefits	2,769,638	78,412	37,992	363,299	3,249,341	9,517,066	-	9,517,066
Other operating expenses	2,645,136	16,850	1,272,300	58,996	3,993,282	283,322	389,161	672,483
Depreciation and amortization	2,494,983	-	39,713	80,383	2,615,079	-	779,331	779,331
Materials, supplies, repairs and maintenance	92,959	12,740	5,123	39,569	150,391	-	106,659	106,659
Total Operating Expenses	8,002,716	108,002	1,355,128	542,247	10,008,093	9,800,388	1,275,151	11,075,539
OPERATING INCOME (LOSS)	(411,428)	(9,942)	143,761	24,878	(252,731)	1,051,160	50,810	1,101,970
NONOPERATING REVENUES (EXPENSES):								
Contributions from other communities	89,799	-	-	-	89,799	-	-	-
Interest income	50,084	-	-	-	50,084	-	-	-
Interest expense	(531,532)	-	-	(4,838)	(536,370)	-	(498,265)	(498,265)
Bond issuance costs	-	-	-	-	-	-	(99,610)	(99,610)
Net Nonoperating Revenues	(391,649)	-	-	(4,838)	(396,487)	-	(597,875)	(597,875)
INCOME (LOSS) BEFORE TRANSFERS	(803,077)	(9,942)	143,761	20,040	(649,218)	1,051,160	(547,065)	504,095
Transfers out	-	-	(120,000)	-	(120,000)	-	-	-
Total transfers	-	-	(120,000)	-	(120,000)	-	-	-
CHANGE IN NET POSITION	(803,077)	(9,942)	23,761	20,040	(769,218)	1,051,160	(547,065)	504,095
TOTAL NET POSITION - BEGINNING	40,880,975	147,209	1,192,523	693,716	42,914,423	(1,194,397)	(75,864)	(1,270,261)
TOTAL NET POSITION - ENDING	\$ 40,077,898	\$ 137,267	\$ 1,216,284	\$ 713,756	\$ 42,145,205	\$ (143,237)	\$ (622,929)	\$ (766,166)

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, 2018

	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
CASH FLOWS FROM OPERATING ACTIVITIES:								
Cash received from customers	\$ 7,858,350	\$ 106,527	\$ 1,633,029	\$ 572,808	\$ 10,170,714	\$ 11,478,651	\$ 1,589,269	\$ 13,067,920
Cash paid to suppliers for goods and services and other operating payments	(2,263,383)	(34,812)	(1,277,851)	(99,138)	(3,675,184)	(283,322)	(428,636)	(711,958)
Cash paid for employees and benefits	(2,686,757)	(78,412)	(37,992)	(363,600)	(3,166,761)	(11,195,329)	-	(11,195,329)
Net cash provided by (used in) operating activities	<u>2,908,210</u>	<u>(6,697)</u>	<u>317,186</u>	<u>110,070</u>	<u>3,328,769</u>	<u>-</u>	<u>1,160,633</u>	<u>1,160,633</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:								
Transfers from (to) other funds	-	-	(120,000)	-	(120,000)	-	-	-
Receipts from (payments to) other funds	(756,662)	6,697	89,573	(52,563)	(712,955)	-	(260,236)	(260,236)
Net cash (used in) provided by noncapital financing activities	<u>(756,662)</u>	<u>6,697</u>	<u>(30,427)</u>	<u>(52,563)</u>	<u>(832,955)</u>	<u>-</u>	<u>(260,236)</u>	<u>(260,236)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:								
Contributions from other communities for capital acquisitions and debt service	702,175	-	-	-	702,175	-	-	-
Funds on deposit	-	-	-	-	-	-	141,389	141,389
Acquisition of capital assets	(82,192)	-	(103,048)	-	(185,240)	-	(491,404)	(491,404)
Proceeds from long-term debt obligations	-	-	-	-	-	-	12,116,000	12,116,000
Principal payments on long-term debt	(2,240,000)	-	-	(52,669)	(2,292,669)	-	-	-
Payments on bond anticipation note obligation	-	-	-	-	-	-	(12,116,000)	(12,116,000)
Interest and finance charges paid on debt obligations	(531,532)	-	-	(4,838)	(536,370)	-	(550,382)	(550,382)
Net cash used in capital and related financing activities	<u>(2,151,549)</u>	<u>-</u>	<u>(103,048)</u>	<u>(57,507)</u>	<u>(2,312,104)</u>	<u>-</u>	<u>(900,397)</u>	<u>(900,397)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:								
Investment income	50,084	-	-	-	50,084	-	-	-
Net cash provided by investing activities	<u>50,084</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,084</u>	<u>-</u>	<u>-</u>	<u>-</u>

TOWN OF WEST WARWICK, RHODE ISLAND

EXHIBIT C-3 (Continued)

**Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2018**

	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 INCREASE IN CASH AND CASH EQUIVALENTS	50,083	-	183,711	-	233,794	-	-	-
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT BEGINNING OF YEAR	6,237,451	-	979,518	200	7,217,169	-	-	-
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT END OF YEAR	<u>\$ 6,287,534</u>	<u>\$ -</u>	<u>\$ 1,163,229</u>	<u>\$ 200</u>	<u>\$ 7,450,963</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:								
Operating income (loss)	\$ (411,428)	\$ (9,942)	\$ 143,761	\$ 24,878	\$ (252,731)	\$ 1,051,160	\$ 50,810	\$ 1,101,970
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:								
Depreciation and amortization expense	2,494,983	-	39,713	80,383	2,615,079	-	779,331	779,331
(Increase) decrease in assessments and fees receivable	317,914	8,467	199,893	5,683	531,957	-	-	-
(Increase) decrease in other receivable	-	-	-	-	-	(1,018,865)	263,308	(755,557)
(Increase) decrease in due from federal and state governments	(50,950)	-	(65,753)	-	(116,703)	-	-	-
(Increase) decrease in deferred outflows of resources	(124,154)	-	-	-	(124,154)	-	-	-
(Increase) decrease in prepaid expenses	-	-	-	-	-	-	71,277	71,277
Increase (decrease) in accounts payable and accrued expenses	474,810	(5,222)	(428)	(573)	468,587	(32,295)	(4,093)	(36,388)
Increase (decrease) in compensated absences, net pension liability, net OPEB liability	112,481	-	-	(301)	112,180	-	-	-
Increase (decrease) in deferred inflows of resources	94,554	-	-	-	94,554	-	-	-
Net cash provided by (used in) operating activities	<u>\$ 2,908,210</u>	<u>\$ (6,697)</u>	<u>\$ 317,186</u>	<u>\$ 110,070</u>	<u>\$ 3,328,769</u>	<u>\$ -</u>	<u>\$ 1,160,633</u>	<u>\$ 1,160,633</u>

TOWN OF WEST WARWICK, RHODE ISLAND

EXHIBIT D-1

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2018

	Employee Retirement Trust Fund	OPEB Trust Fund	Agency Funds	Total
ASSETS				
Cash and cash equivalents	\$ 1,295,752	\$ -	\$ 194,629	\$ 1,490,381
Other receivables	2,331,042	71,692	40,000	2,442,734
<i>Investments, at fair value:</i>				
Equity mutual funds	27,586,263	1,821,800	-	29,408,063
Fixed income mutual funds	6,400,987	544,174	-	6,945,161
TOTAL ASSETS	<u>37,614,044</u>	<u>2,437,666</u>	<u>234,629</u>	<u>40,286,339</u>
LIABILITIES				
Accounts payable and accrued expenses	5,386	944,120	-	949,506
Deposits held in custody for others	-	-	234,629	234,629
TOTAL LIABILITIES	<u>5,386</u>	<u>944,120</u>	<u>234,629</u>	<u>1,184,135</u>
NET POSITION				
Restricted for pensions and other post-employment benefits	<u>\$ 37,608,658</u>	<u>\$ 1,493,546</u>	<u>\$ -</u>	<u>\$ 39,102,204</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, 2018*

	Employee Retirement Trust Fund	OPEB Trust Fund	Total
ADDITIONS:			
Contributions			
Employee contributions	\$ 1,993,902	\$ -	\$ 1,993,902
Employer contributions	9,247,549	4,270,977	13,518,526
Total contributions	<u>11,241,451</u>	<u>4,270,977</u>	<u>15,512,428</u>
Investment earnings			
Realized and unrealized gains on investments	1,878,665	199,560	2,078,225
Interest and dividends	674,086	-	674,086
Less: investment management fees	(149,859)	(5,568)	(155,427)
Total investment earnings	<u>2,402,892</u>	<u>193,992</u>	<u>2,596,884</u>
Total additions	<u>13,644,343</u>	<u>4,464,969</u>	<u>18,109,312</u>
DEDUCTIONS:			
Benefits paid	9,690,832	4,844,657	14,535,489
Other operating expenses	108,631	-	108,631
Total deductions	<u>9,799,463</u>	<u>4,844,657</u>	<u>14,644,120</u>
CHANGE IN NET POSITION	3,844,880	(379,688)	3,465,192
NET POSITION - Restricted for pensions and other post-employment benefits - BEGINNING OF YEAR	33,763,778	1,873,234	35,637,012
NET POSITION - Restricted for pensions and other post-employment benefits - END OF YEAR	<u>\$ 37,608,658</u>	<u>\$ 1,493,546</u>	<u>\$ 39,102,204</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, 2018**

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, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Issued Accounting Standards

During the year ended June 30, 2018 the Town implemented the following new governmental accounting pronouncements:

- GASB Statement No. 81 – *Irrevocable Split-Interest Agreements*.
- GASB Statement No. 85 – *Omnibus 2017*.
- GASB Statement No. 86 – *Certain Debt Extinguishment Issues*

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

- 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. 87 – *Leases*, effective for the Town’s fiscal year ending June 30, 2021.
- GASB Statement No. 88 – *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, effective for the Town’s fiscal year ending June 30, 2019.
- GASB Statement No. 89 – *Accounting for Interest Cost Incurred before the End of a Construction Period*, effective for the Town’s fiscal year ending June 30, 2021.
- GASB Statement No. 90 – *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*, effective for the Town’s fiscal year ending June 30, 2020.

Management has not yet fully 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, 2018**

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, 2018***

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 six agency funds (all of which are Student Activity Funds) at June 30, 2018. 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, 2018**

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, 2018**

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-three (53) Special Revenue Funds which have been classified as Non-Major Governmental Funds. These funds include twenty-eight (28) maintained by the Town and twenty-five (25) 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 seven (7) 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, 2018**

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, 2018**

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, 2018**

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, 2018 the Town's Wastewater Authority also reported a debt service assessments receivable of \$6,456,078 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, 2018 the Town has estimated the allowance for doubtful accounts as follows: Allowance for delinquent taxes - \$1,433,000; Allowance for EMS Rescue Billings - \$678,000; Allowance for Municipal Court receivables - \$222,200.

TOWN OF WEST WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

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 are 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, 2018**

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. There were no impairment losses recognized in fiscal 2018.

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, 2018 the Town reported \$36,279,110 of 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, at June 30, 2018 the Town also reported \$273,118 of deferred outflows related to deferred gain on refunding in the Government-wide statement of net position. The deferred gain on refunding is the unamortized balance of the difference between the carrying value of the refunded debt and the new debt. This amount is deferred and amortized over the shorter of the life of the refunded or the refunding debt.

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, 2018 the Town reported \$19,473,265 of 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).

TOWN OF WEST WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

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)

At June 30, 2018 the Town also had two items that qualified as a deferred inflow of resources in the governmental funds balance sheet. The unavailable tax revenue of \$2,167,033 at June 30, 2018 represents property taxes receivables which are assessed on December 31, 2016 and prior and are not collected within 60 days of June 30, 2018. The unearned EMS revenue of \$138,468 at June 30, 2018 represents rescue fees for services provided prior to June 30, 2018 but not recognized as revenue since they are considered unavailable as of June 30, 2018. The net unavailable tax and EMS revenue 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, 2018**

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, 2018**

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, 2018**

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, 2018 as a result of employee resignation or retirements. Compensated absences recorded in the Governmental Activities at June 30, 2018 totaled \$6,756,000 (\$3,512,000 for Town personnel and \$3,244,000 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, 2018 but these obligations are not reported on the Fund Statements." The details of this \$229,618,738 are as follows:

TOWN OF WEST WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Net pension liability	\$ 166,592,719
Net OPEB liability	<u>63,026,019</u>
Total	<u>\$ 229,618,738</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 \$(1,179,787) difference are as follows:

Capital outlays (excluding those acquired by Internal Service Fund)	\$ 1,355,245
Depreciation expense (excluding amount charged to Internal Service Fund)	<u>(2,535,032)</u>
Net adjustment	<u>\$ (1,179,787)</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 \$(190,407) difference are as follows:

	<u>Tax Revenues</u>	<u>EMS Revenues</u>	<u>Total</u>
Unavailable revenue - ending	\$ 2,167,033	\$ 138,468	\$ 2,305,501
Unavailable revenue – beginning	<u>(2,273,628)</u>	<u>(222,280)</u>	<u>(2,495,908)</u>
Net adjustment (increase in net position)	<u>\$ (106,595)</u>	<u>\$ (83,812)</u>	<u>\$ (190,407)</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, 2018**

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, 2018 was \$24,222,889 (including restricted cash and Fiduciary Funds) while the bank balance was \$24,333,904. Of the bank balance, approximately \$1,988,300 was covered by federal depository insurance while the remaining balance was collateralized.

At June 30, 2018 the Town's cash and cash equivalents, including restricted cash, were comprised of the following:

General Fund	\$ 14,489,922
Debt Service Fund	278,102
Non-Major Special Revenue Funds	223,525
Non-Major Capital Project Funds	289,996
Wastewater Authority Fund	6,287,534
School Lunch Program Fund	1,163,229
Civic Center Fund	200
Employee Retirement Trust Fund	1,295,752
Student Activity Agency Funds	194,629
Total Cash and Cash Equivalents	<u>\$ 24,222,889</u>

Funds on Deposit

Funds on deposit balance of \$117,639 at June 30, 2018 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, 2018**

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: 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). 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.