



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				Total Enterprise Funds	Governmental Activities		
	Wastewater Authority	Municipal Court	School Lunch Program	Civic Center		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>

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

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.

TOWN OF WEST WARWICK, RHODE ISLAND

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

2. CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

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

The following table summarizes the investments of the Town, at fair value, as of June 30, 2018:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Investments by fair value level				
Government agency bonds	\$ 2,249,878	\$ --	\$ --	\$ 2,249,878
Domestic equity mutual funds	8,774,653	--	--	8,774,653
International equity mutual funds	6,230,432	--	--	6,230,432
Balanced equity mutual funds	2,597,868	--	--	2,597,868
Closed end equity mutual funds	5,802,912	--	--	5,802,912
International fixed income mutual funds	1,650,346	--	--	1,650,346
Taxable fixed income mutual funds	4,750,641	--	--	4,750,641
Vanguard equity mutual funds	1,142,765	489,757	--	1,632,522
Vanguard fixed income mutual funds	--	544,174	--	544,174
Vanguard real estate investment trust funds	189,278	--	--	189,278
Forward Purchase Contract	--	249,702	--	249,702
Total investments by fair value level	<u>\$ 33,388,773</u>	<u>\$ 1,283,633</u>	<u>\$ --</u>	34,672,406
Investments measured at the net asset value (NAV)				
Alternative investments				<u>4,180,398</u>
Total investments measured at fair value				<u>\$ 38,852,804</u>

Investment Vehicles

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

TOWN OF WEST WARWICK, RHODE ISLAND

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

2. CASH AND INVESTMENTS (CONTINUED)

Investment Vehicles (Continued)

At June 30, 2018 the Town's investments totaled \$38,852,804 (including those held in Fiduciary Funds) and consisted of the following:

	Fair Value	Interest Rate	Maturity	Rating
Government agency bonds.....	\$ 2,249,878	1.25-2.375%	8/2018 - 5/2020	Aaa
Domestic equity mutual funds.....	8,774,653	N/A	N/A	Not Rated
International equity mutual funds.....	6,230,432	N/A	N/A	Not Rated
Balanced equity mutual funds.....	2,597,868	N/A	N/A	Not Rated
Closed end equity mutual funds.....	5,802,912	N/A	N/A	Not Rated
International fixed income mutual funds.....	1,650,346	N/A	N/A	Not Rated
Taxable fixed income mutual funds.....	4,750,641	N/A	N/A	Not Rated
Vanguard equity mutual funds.....	1,632,522	N/A	N/A	Not Rated
Vanguard fixed income mutual funds.....	544,174	N/A	N/A	Not Rated
Vanguard real estate investment trust funds.....	189,278	N/A	N/A	Not Rated
Alternative investments.....	4,180,398	N/A	N/A	Not Rated
Forward purchase contract.....	249,702	4.85%	11/2021	Not Rated
Total Investments.....	<u>\$ 38,852,804</u>			

At June 30, 2018, the value of the Town's investments in the Government-wide financial statements and the Fiduciary Funds were as follows:

	<u>Government-wide</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Investments	\$ <u>2,499,580</u>	\$ <u>36,353,224</u>	\$ <u>38,852,804</u>

TOWN OF WEST WARWICK, RHODE ISLAND

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

2. CASH AND INVESTMENTS (CONTINUED)

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The Town limits its exposure to fair value losses arising from changes in interest rates by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity. The Town invests operating funds primarily in shorter-term securities, money market funds, or similar investment pools although the Town does not have a formal policy relating to a specific investment related risk.

Concentrations

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of financial institution failure, the Town's deposits and/or investments may not be returned. The Town does not believe that it has a significant custodial credit risk as substantially all investment securities are registered and held in the name of the Town. Additionally, the Town places deposits in financial institutions that are FDIC insured up to \$250,000, rated "well capitalized" on its most recent audited financial statement/SEC filings if deposits exceed \$250,000, and if the capital ratios are currently acceptable but appear to be in jeopardy, the Town will engage an outside rating agency to determine status of the institution. The Town also ensures that virtually all uninsured deposits greater than \$250,000 are collateralized.

As of June 30, 2018, the following pension investments represent 5% or more of the Town Pension Plan's net position:

Diamond Hill Short Duration Total Return Fund	\$ 2,105,349	5.6%
Blackstone Alternative Multi-Strategy Fund	\$ 2,597,868	6.9%
Dodge & Cox Stock Fund	\$ 2,530,447	6.7%
iShares Russell 1000 Growth ETF	\$ 2,698,551	7.2%
Vanguard Developed Markets Index Fund	\$ 1,979,153	5.3%
Vanguard 500 Index Fund	\$ 3,271,875	8.7%

As of June 30, 2018, the following investments represent 5% or more of the Town OPEB Plan's net position:

TOWN OF WEST WARWICK, RHODE ISLAND

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

2. CASH AND INVESTMENTS (CONTINUED)

Custodial Credit Risk (Continued)

Vanguard Total Stock Market Index Fund	\$ 1,142,765	76.5%
Vanguard Total International Stock Market Index Fund	\$ 489,757	32.8%
Vanguard Inflation-Protected Securities Fund	\$ 118,299	7.9%
Vanguard Total Bond Market Index Fund	\$ 212,938	14.3%
Vanguard Intermediate-Term Investment-Grade Fund	\$ 127,762	8.6%
Vanguard Short-Term Investment-Grade Fund	\$ 85,175	5.7%
Vanguard REIT Index Fund	\$ 189,278	12.7%

Credit Risk

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

Derivative Investment

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

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

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

TOWN OF WEST WARWICK, RHODE ISLAND

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

3. PROPERTY TAXES AND ASSESSMENTS RECEIVABLE

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

During the year ended June 30, 2018, the Town received \$777,694 from the State of Rhode Island as payment in accordance with legislation regarding the phase-out of motor vehicle tax. Under the law, excise tax on motor vehicles and trailers were originally supposed to be phased out entirely over a seven-year period commencing with the 1999-2000 fiscal year. Based on constraints within the State budget over the last several years the program has been reduced to a maximum exemption of \$6,000 as of June 30, 2007 in accordance with legislation passed as part of the State's budget for the fiscal year ended June 30, 2007. The phase-out program freezes the tax rate at \$39.00 per thousand which was the rate in fiscal year 1997-1998. The exemption remained at \$6,000 per vehicle for the 2007-2008 and 2008-2009 fiscal years. During fiscal 2010 the State reduced the reimbursement amount for the 3rd and 4th quarters of the fiscal year. Effective July 1, 2010 the State reduced the exemption amount to \$500 per vehicle however the Town was required to maintain the rate frozen at \$28.47 per thousand of assessed value.

Effective July 1, 2017, the State increased the exemption amount for motor vehicles to the greater of \$1,000 per vehicle or the exemption in effect in fiscal year 2017. Exemption amounts for fiscal years 2019 through 2023 are further increased by \$1,000 annually (up to \$6,000 for fiscal 2023), with the minimum exemption of not less than the amount in effect in fiscal year 2017. For fiscal year 2024 and thereafter, no tax shall be levied. Starting with fiscal year 2018 and thereafter, the excise tax rate applied by the Town shall not exceed the rate in effect in fiscal year 2017. For fiscal year 2018 and thereafter, the Town shall receive a reimbursement equal to the amount received in fiscal year 2017 plus an amount equal to the reduction from the fiscal 2018 baseline, as defined in Rhode Island General Laws Section 44-34.1-2.

An automatic lien is placed on the taxpayer's property if payment has not been received by the due date. Interest is charged on past due accounts at a rate of 12% per annum calculated on the unpaid portion of the total tax and is retroactive to July 15th annually.

TOWN OF WEST WARWICK, RHODE ISLAND

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

3. PROPERTY TAXES AND ASSESSMENTS RECEIVABLE (CONTINUED)

Net property taxes levied for the fiscal year 2018 were based on a net assessed value of approximately \$2,146,936,000 at December 31, 2016 and amounted to approximately \$63,962,000. Collections through June 30, 2018 amounted to approximately \$62,053,000, which represents approximately 97% of the net tax levy.

Net unpaid property taxes and other general fund assessments totaling \$2,582,076 as of June 30, 2018 are recorded as a receivable, net of an allowance for uncollectible property taxes of \$1,433,000. Those net property taxes receivable which were not collected within the 60 days immediately following June 30, 2018 are recorded as unearned tax revenue and amounted to \$2,167,033 at June 30, 2018. Property taxes recognized as revenue in the Governmental Fund Statements for the fiscal year ended June 30, 2018 (due to their collection within the 60 days immediately following June 30, 2018) amounted to \$415,043.

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

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 was as follows:

Governmental Activities	Balances 6/30/2017 (As Restated)**	Additions	Retirements & Disposals	Balances 6/30/2018
Nondepreciable Assets:				
Land	\$ 9,268,414	\$ -	\$ -	\$ 9,268,414
Construction in progress	44,384	141,438	39,285	146,537
Total Nondepreciable Assets	<u>9,312,798</u>	<u>141,438</u>	<u>39,285</u>	<u>9,414,951</u>
Depreciable Assets:				
Land improvements	1,399,947	52,792	-	1,452,739
Buildings and improvements	35,116,650	544,907	-	35,661,557
Machinery, equipment and vehicles	31,690,865	486,188	273,110	31,903,943
Infrastructure	55,564,176	660,609	-	56,224,785
Total Depreciable Assets	<u>123,771,638</u>	<u>1,744,496</u>	<u>273,110</u>	<u>125,243,024</u>
Total Capital Assets	<u>133,084,436</u>	<u>1,885,934</u>	<u>312,395</u>	<u>134,657,975</u>
Accumulated Depreciation:				
Land improvements	50,139	80,573	-	130,712
Buildings and improvements	18,429,007	678,665	-	19,107,672
Machinery, equipment and vehicles	9,423,609	1,403,604	248,893	10,578,320
Infrastructure	39,584,167	1,151,521	-	40,735,688
Total Accumulated Depreciation	<u>67,486,922</u>	<u>3,314,363</u>	<u>248,893</u>	<u>70,552,392</u>
Net Capital Assets	<u>\$ 65,597,514</u>	<u>\$ (1,428,429)</u>	<u>\$ 63,502</u>	<u>\$ 64,105,583</u>

** The balance at June 30, 2017 has been restated by \$231,724 to include a capital asset acquisition made in fiscal 2017. There is no effect on the net position at June 30, 2017 as the other side of this restatement is capital lease obligation.

TOWN OF WEST WARWICK, RHODE ISLAND

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

4. CAPITAL ASSETS (CONTINUED)

Depreciation expense for the year ended June 30, 2018 was charged to the following functions/programs of the Town:

Governmental Activities

General government	\$ 1,725,875
Public safety	326,651
Public works	305,035
Public assistance, development, recreation	78,493
Library	36,603
Education	841,706
Total	<u>\$ 3,314,363</u>

Business-Type Activities

	Balances 6/30/2017	Additions	Retirements & Disposals	Balances 6/30/2018
Nondepreciable Assets:				
Land	\$ 432,700	\$ -	\$ -	\$ 432,700
Construction in progress	109,996	-	109,996	-
Total Nondepreciable Assets	<u>542,696</u>	<u>-</u>	<u>109,996</u>	<u>432,700</u>
Depreciable Assets:				
Land improvements	1,024,400	-	-	1,024,400
Buildings and improvements	52,110,740	133,000	-	52,243,740
Machinery, equipment and vehicles	16,128,586	162,236	-	16,290,822
Infrastructure	45,070,000	-	-	45,070,000
Total Depreciable Assets	<u>114,333,726</u>	<u>295,236</u>	<u>-</u>	<u>114,628,962</u>
Total Capital Assets	<u>114,876,422</u>	<u>295,236</u>	<u>109,996</u>	<u>115,061,662</u>
Accumulated Depreciation:				
Land improvements	579,690	44,820	-	624,510
Buildings and improvements	12,510,723	1,099,451	-	13,610,174
Machinery, equipment and vehicles	8,917,040	911,408	-	9,828,448
Infrastructure	34,824,100	559,400	-	35,383,500
Total Accumulated Depreciation	<u>56,831,553</u>	<u>2,615,079</u>	<u>-</u>	<u>59,446,632</u>
Net Capital Assets	<u>\$ 58,044,869</u>	<u>\$ (2,319,843)</u>	<u>\$ 109,996</u>	<u>\$ 55,615,030</u>

TOWN OF WEST WARWICK, RHODE ISLAND

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

4. CAPITAL ASSETS (CONTINUED)

Depreciation expense for the year ended June 30, 2018 was charged to the following Business-type Activities:

Business-Type Activities

Sewer Authority	\$ 2,494,983
School Lunch Program	39,713
Civic Center	80,383
Total	<u>\$ 2,615,079</u>

5. SHORT-TERM AND LONG-TERM DEBT

(a) General Bond Anticipation Note

During the year ended June 30, 2018, the Town repaid \$12,116,000 general obligation bond anticipation note (BAN) that was outstanding at June 30, 2017. The BAN was repaid as part of two new debt issuances totaling \$12,116,000.

(b) General

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

The Rhode Island General Laws provide that no Town shall, without special statutory authority, incur any debt which would increase its aggregate indebtedness beyond 3% of the taxable property of the Town. Tax anticipation notes are not included in the computation of the legal debt limit. Debt may be incurred in excess of the three percent limit with the approval of the State Director of Administration. At June 30, 2018 all of the Town's bonds and notes outstanding or authorized but unissued are either specifically exempt from the three percent debt limit or are within such limit.

At June 30, 2018 the 3% debt limit of the Town was approximately \$64,000,000 based on the net assessed value of property at December 31, 2016 of approximately \$2,147,000,000.

TOWN OF WEST WARWICK, RHODE ISLAND

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

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

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

At June 30, 2018, the Town's long-term debt outstanding and activity consisted of the following:

Description	Date Issued	Original Principal	Maturity Date	Interest Rate	Outstanding June 30, 2017 (As Restated)**	Additions	Retirements	Outstanding June 30, 2018	Due Within One Year
Governmental Activities									
General Obligation Bonds									
2005 Qualified Zone Academy Bonds	11/29/2005	\$ 3,688,000	11/29/2021	1.47%	\$ 3,688,000	\$ -	\$ -	\$ 3,688,000	\$ -
2009 Refunding Bonds Series B	8/20/2009	2,370,000	4/1/2018	2%-3.5%	240,000	-	240,000	-	-
2009 Series A	8/20/2009	6,500,000	4/1/2029	2.75%-5%	4,645,000	-	4,335,000	310,000	310,000
2007 Road Bonds	7/31/2007	5,000,000	7/15/2027	4.5%-5.25%	2,750,000	-	2,750,000	-	-
2014 RIHEBC	7/10/2014	9,780,000	5/25/2029	3%-4.125%	7,440,000	-	875,000	6,565,000	900,000
2015 Town Series A	11/12/2015	6,890,000	10/1/2035	2%-5%	6,580,000	-	310,000	6,270,000	330,000
RI Infrastructure Bank Revolving Fund Loan	5/28/2015	150,515	9/1/2024	0.75%-2.25%	134,515	-	16,000	118,515	16,000
2016 Energy Efficiency Loan	7/8/2016	7,184,000	9/1/2032	1.08%-2.533%	7,184,000	-	-	7,184,000	423,000
2017 Series B	10/3/2017	6,159,000	9/1/2037	3.96%	-	6,159,000	-	6,159,000	50,000
2017 Energy Efficiency Loan	12/13/2017	5,957,000	9/1/2033	1.91%-3.66%	-	5,957,000	-	5,957,000	-
2017 Refunding Bonds Series A	7/19/2017	6,890,000	7/15/2028	2.40%	-	6,890,000	105,000	6,785,000	325,000
Total General Obligation Bonds		\$ 60,568,515			32,661,515	19,006,000	8,631,000	43,036,515	2,354,000
Lease Purchase Obligations									
Webster capital lease	2/5/2016	\$ 49,695	11/15/2018	n/a	33,273	-	16,466	16,807	16,807
US Bank capital lease	2/5/2016	486,442	8/12/2020	2.022%	392,785	-	95,098	297,687	97,249
PNC Equipment Finance	9/27/2016	522,781	9/27/2021	2.33%	522,781	-	99,796	422,985	102,121
Webster capital lease	2/2/2017	207,693	1/15/2022	2.432%	207,693	-	39,567	168,126	40,529
PNC Equipment Finance	8/29/2016	231,724	9/27/2020	2.24%	231,724	-	56,020	175,704	57,275
PNC Equipment Finance	11/9/2017	545,575	11/9/2022	2.452%	-	545,575	-	545,575	371,371
Total Lease Purchase Obligations		\$ 2,043,910	3/21/2016		1,388,256	545,575	306,947	1,626,884	685,352
Other Long-Term Obligations									
Net Pension liability					166,779,219	-	186,500	166,592,719	-
Net OPEB liability					54,490,074	8,535,945	-	63,026,019	-
Bond premium					351,635	-	22,411	329,224	-
Compensated absences					6,966,000	2,639,000	2,849,000	6,756,000	2,849,000
Total Other Long-Term Obligations					228,586,928	11,174,945	3,057,911	236,703,962	2,849,000
Governmental Activities Long-Term Obligations					\$ 262,636,699	\$ 30,726,520	\$ 11,995,858	\$ 281,367,361	\$ 5,888,352

**The balance at June 30, 2017 has been restated by \$231,724 to include a lease purchase obligation entered into in fiscal 2017. There is no effect on the net position at June 30, 2017 as the other side of this restatement is capital asset acquisition.

TOWN OF WEST WARWICK, RHODE ISLAND

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

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

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

Description	Date Issued	Original Principal	Maturity Date	Interest Rate	Outstanding June 30, 2017	Additions	Retirements	Outstanding June 30, 2018	Due Within One Year
Business-Type Activities									
General Revenue Bonds/Notes									
RI Infrastructure Bank	3/9/2006	\$ 7,719,000	9/1/2025	1.11%-1.565%	\$ 3,834,000	\$ -	\$ 393,000	\$ 3,441,000	\$ 401,000
RI Infrastructure Bank	6/5/2003	20,923,000	9/1/2023	0%	7,560,000	-	1,077,000	6,483,000	1,077,000
RI Infrastructure Bank	12/30/2004	3,000,000	9/1/2025	0.78%-1.55%	1,483,000	-	152,000	1,331,000	155,000
RI Infrastructure Bank	12/21/2006	500,000	9/1/2026	1.185%-1.355%	272,000	-	25,000	247,000	25,000
RI Infrastructure Bank	12/12/2007	1,675,000	9/1/2028	1.185%-1.645%	1,080,000	-	81,000	999,000	82,000
RI Infrastructure Bank	7/24/2014	5,500,000	9/1/2034	0.29%-2.91%	5,053,000	-	227,000	4,826,000	230,000
RI Infrastructure Bank	7/30/2015	7,000,000	9/1/2034	1.95%-3.3%	6,723,000	-	285,000	6,438,000	292,000
Total Bond Obligations		<u>\$ 46,317,000</u>			<u>26,005,000</u>	<u>-</u>	<u>2,240,000</u>	<u>23,765,000</u>	<u>2,262,000</u>
Lease Purchase Obligations									
Webster capital lease	2/5/2016	\$ 83,097	11/15/2018	n/a	55,636	-	27,533	28,103	28,103
Webster capital lease	2/2/2017	131,947	1/15/2022	2.432%	131,947	-	25,136	106,811	25,748
Total Lease Purchase Obligations		<u>\$ 215,044</u>	3/21/2016		<u>187,583</u>	<u>-</u>	<u>52,669</u>	<u>134,914</u>	<u>53,851</u>
Other Long-Term Obligations									
Net Pension liability					6,165,773	-	45,911	6,119,862	-
Net OPEB liability					1,653,386	176,620	-	1,830,006	-
Compensated absences					219,445	172,253	190,782	200,916	186,518
Total Other Long-Term Obligations					<u>8,038,604</u>	<u>348,873</u>	<u>236,693</u>	<u>8,150,784</u>	<u>186,518</u>
Business-Type Activities Long-Term Obligations					<u>\$ 34,231,187</u>	<u>\$ 348,873</u>	<u>\$ 2,529,362</u>	<u>\$ 32,050,698</u>	<u>\$ 2,502,369</u>

TOWN OF WEST WARWICK, RHODE ISLAND

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

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

(d) Municipal Debt Service Assessments Receivable

The Town of West Warwick has entered into several Inter-Municipal Agreements with surrounding local communities. Under the provisions of these agreements, the participating communities are responsible for certain costs and improvements to the wastewater/sewer treatment facility and operations. In addition to the normal operating costs and assessments these local communities are also responsible for portions of the outstanding debt obligations and interest which is due annually on these debt obligations. The portion of the debt obligations to be paid by the local communities in accordance with the Inter-Municipal Agreements has been recorded as a special assessments receivable and revenue when the project was completed and the obligation entered into. At June 30, 2018 the amount of the municipal debt service assessment receivable which is expected to be collected in future years totaled \$6,456,078. Of this amount, \$671,049 is expected to be received in fiscal 2019 to help cover the principal balance due of \$2,262,000 during fiscal 2019.

(e) Debt Service Requirements

The Town's future debt service requirements relating to outstanding bond and lease obligations consist of the following and are planned to be raised through future property tax levies, fee assessments, and state aid for school housing and improvements. The future maturities presented below does not include the amortization of the bond premium.

<u>Year Ending June 30</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2019	\$ 3,039,352	\$ 1,312,428	\$ 2,315,851	\$ 564,874	\$ 7,232,505
2020	3,090,771	1,140,600	2,313,352	513,835	7,058,558
2021	3,126,563	1,073,467	2,337,993	461,326	6,999,349
2022	6,731,051	951,650	2,367,648	406,879	10,457,228
2023	2,124,146	859,947	2,370,000	350,478	5,704,571
2024-2028	10,953,515	3,473,815	6,709,000	1,137,378	22,273,708
2029-2033	8,973,000	2,063,377	3,814,000	546,729	15,397,106
2034-2038	6,625,001	603,547	1,672,070	50,481	8,951,099
Total	\$ 44,663,399	\$ 11,478,831	\$ 23,899,914	\$ 4,031,980	\$ 84,074,124

TOWN OF WEST WARWICK, RHODE ISLAND

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

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

(e) Debt Service Requirements (Continued)

The 2005 Qualified Zone Academy Bonds outstanding totaling \$3,688,000 at June 30, 2018 requires annual interest and principal payments. However, under the terms of this debt obligation the principal payments are held in escrow until the maturity of the debt in fiscal 2022. Accordingly, the principal payment is not reflected as a current maturity obligation until fiscal 2022 when the payment will be applied to the outstanding debt obligation. As of June 30, 2018 the Town is maintaining a Debt Service Fund to reflect the restricted cash and investments which are being maintained for the future retirement of this debt obligation. As of June 30, 2018 the amount of fund balance available for the future payment of this outstanding principal debt obligation was \$2,527,980. In accordance with the fiscal agent agreement relating to the bonds, the Town is required to deposit \$155,673 into a sinking fund each year until November 2020. These deposits and the investment earnings thereon are expected to provide approximately \$3,500,000 in funding to be applied toward final redemption of the bonds in November 2021. The sinking fund assets, along with a final payment by the town of approximately \$188,000 on November 29, 2021, will fully redeem the bonds.

(f) Advanced Refundings and Defeased Debt

On July 19, 2017, the Town issued \$6,890,000 of General Obligation Refunding Bonds, Series 2017, with an average interest rate of 2.4% to refund \$2,500,000 of outstanding General Obligation Bonds, Series 2007, dated July 31, 2007 with an average interest rate of 4.6% and advance refund \$4,035,000 of outstanding General Obligation Bonds, Series 2009A, dated August 20, 2009 with an average interest rate of 4.7%. Proceeds of refunding bonds were deposited into an irrevocable escrow trust. The trust is held by an independent trustee and is invested in obligations of the United States Government and will mature and bear interest in such amounts and at such times as will be sufficient to pay the principal and interest of the defeased bonds upon maturity. Accordingly, the escrow trust fund, as well as the defeased bonds, are not reflected in the Town's financial statements. The refunding of this debt resulted in reduction of total debt service payments of \$775,680 and a present value economic gain of \$620,133.

As of June 30, 2018, the in-substance defeased bonds outstanding were \$6,535,000 and were excluded from the accompanying financial statements.

6. OPERATING LEASES

In December 2016, the Town entered into three Assignment and Assumption of Lease agreements for use of land located in Coventry, Rhode Island to be used for three Wind Turbines. The initial term of each of these leases is 25 years, with up to three 5-year renewal options. Under the terms of two of the leases, monthly rent payments are \$4,500 (for each lease) for the initial 6-year term, with 5% rent increase commencing at the end of 6 years and on each 5-year anniversary thereafter during the term of the lease. The third lease has one rental payment of \$1 for the entire term of the lease. Rent expense incurred under these lease agreements was \$108,000 for the year ended June 30, 2018.

TOWN OF WEST WARWICK, RHODE ISLAND

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

6. OPERATING LEASES (CONTINUED)

In January 2018, the Town entered into a 60-month noncancelable operating lease agreement for certain office equipment, with monthly payments of \$252, maturing in January 2023. Lease expense incurred under this agreement was \$1,260 for the year ended June 30, 2018.

The School Department leases certain office equipment under various noncancelable operating lease agreements, with expiration dates ranging from June 2019 to June 2022. Total lease expense incurred under these lease agreements was approximately \$75,000 for the year ended June 30, 2018.

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

<u>Year ended June 30:</u>	
2019	\$ 206,328
2020	134,787
2021	129,648
2022	129,648
2023	114,714
Thereafter	2,208,166
	<u>\$ 2,923,291</u>

7. FUND BALANCES

(a) Fund Balances

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

At June 30, 2018 *Non-spendable Fund Balance* consisted of the following:

Major Governmental Funds

General Fund

Deposits with Health Insurance Administrator	\$ 220,700
Prepaid expenditures	650
Total Non-Spendable Fund Balance, General Fund	<u>221,350</u>

School Unrestricted Fund

Prepaid expenditures	<u>183,410</u>
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NonMajor Governmental Funds

Prepaid expenditures	<u>545,575</u>
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Total Non-Spendable Fund Balance	<u>\$ 950,335</u>
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TOWN OF WEST WARWICK, RHODE ISLAND

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

7. FUND BALANCES (CONTINUED)

(a) Fund Balances (Continued)

At June 30, 2018 *Restricted Fund Balance* consisted of the following:

Major Governmental Funds

Debt Service Fund

Future retirement of debt obligations	<u>\$ 2,527,980</u>
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Non-Major Governmental Funds

Special Revenue Funds

Education	\$ 152,186
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Police investigations and police equipment	171,955
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Economic Development	122,053
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Public Safety	39,648
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Equipment maintenance	45,852
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Recreation	24,652
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Town Committees	2,117
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Capital Project Funds

Education	1,084,071
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General Government	<u>788,655</u>
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Total Non-Major Governmental Funds	<u>\$ 2,431,189</u>
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At June 30, 2018 *Committed Fund Balance* consisted of the following:

Major Governmental Funds

General Fund

Capital Improvements	<u>\$ 159,635</u>
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School Unrestricted Fund

Educational programs	<u>\$ 3,664,573</u>
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Non-Major Governmental Funds

Special Revenue Funds

Public Safety	\$ 886,189
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Capital Project Funds

Fire Safety Equipment	<u>1,027,644</u>
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Total Non-Major Governmental Funds	<u>\$ 1,913,833</u>
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TOWN OF WEST WARWICK, RHODE ISLAND

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

7. FUND BALANCES (CONTINUED)

(b) Fund Deficits

The following funds had deficit fund balance/net position balances at June 30, 2018. These deficit fund balances/net position balances are reported as unassigned fund balance/unrestricted net position at June 30, 2018.

Non-Major Governmental Funds

Special Revenue Funds

Library Grants Fund	\$ 199,651
Homeland Security Fund	924
Stormwater Utility Grant Fund	27,899
Police Highway Grant Fund	
LEAP Fund	22,407

Capital Project Funds

Road Bond Fund	39,474
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Total Deficits Non-Major Governmental Funds	<u>\$ 290,355</u>
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Governmental Activities

Healthcare Management Fund	\$ 143,237
Renewable Energy Efficiency Fund	622,929

Total Deficits Governmental Activities	<u>\$ 766,166</u>
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The deficit fund balances/net position balances noted above will be eliminated through the future issuance of bond obligations, grant funding, and/or transfer from the Town's General Fund.

TOWN OF WEST WARWICK, RHODE ISLAND

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

7. FUND BALANCES (CONTINUED)

(b) Fund Deficits (Continued)

The following individual funds recognized operating deficits for the year ending June 30, 2018:

Major Governmental Funds	
School Unrestricted Fund	<u>\$ 507,742</u>
Non-Major Governmental Funds	
Special Revenue Funds	
Bramley Bill Fund	\$ 3,086
Dog Pound Fund	6,333
Bulletproof Vest Partnership Fund	274
Recreation Fund	210
CTE Categorical Fund	16,091
Capital Project Funds	
Bond Fund	219,408
School Bond Fund	<u>454,011</u>
Total Deficits Non-Major Governmental Funds	<u>\$ 699,413</u>
Business-Type Activities	
Wastewater Authority	\$ 803,077
Municipal Court	9,942
Total Deficits Business-Type Activities	<u>\$ 813,019</u>
Governmental Activities	
Energy Efficiency Fund	<u>\$ 547,065</u>
Fiduciary Funds	
OPEB Trust Fund	<u>\$ 379,688</u>

TOWN OF WEST WARWICK, RHODE ISLAND

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

8. INTERFUND BALANCES AND TRANSFERS

Interfund balances represent short-term advances from one fund (primarily the General Fund) to another fund. The advances may represent balances resulting from operating advances or reimbursement for expenditures paid by one fund on behalf of another fund or may simply be the result of pooling financial resources to maximize investment income/return. The composition of interfund balances at June 30, 2018 is as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Governmental Funds		
Major Governmental Funds		
General Fund	\$ -	\$ 10,590,261
School Unrestricted	5,321,644	-
Total Major Governmental Funds	<u>5,321,644</u>	<u>10,590,261</u>
Non-Major Governmental Funds		
Town Special Revenue Funds	996,483	422,319
School Special Revenue Funds	147,688	962,426
Capital Project Funds	2,693,262	55,582
Total Governmental Funds	<u>3,837,433</u>	<u>1,440,327</u>
Proprietary Funds		
Wastewater Authority	3,308,929	-
Municipal Court	132,816	-
School Lunch Program	-	96,295
Civic Center	-	747,668
Healthcare Management Fund	-	3,157
Energy Efficiency Fund	276,886	-
Total Proprietary Funds	<u>3,718,631</u>	<u>847,120</u>
Total All Funds	<u>\$ 12,877,708</u>	<u>\$ 12,877,708</u>

TOWN OF WEST WARWICK, RHODE ISLAND

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

8. INTERFUND BALANCES AND TRANSFERS (CONTINUED)

The principal purpose of interfund transfers is to provide a financing source to various funds that may not have the ability to cover all operating costs or capital expenditures with revenue generated by the fund. The composition of interfund transfers for the year ended June 30, 2018 is as follows:

	School Unrestricted Fund	Debt Service Fund	NonMajor Governmental Funds	Total Transfer Out
General Fund	\$ 31,557,516	\$ 155,673	\$ -	\$ 31,713,189
School Unrestricted Fund	-	-	919,800	919,800
Proprietary Funds	-	-	120,000	120,000
Total Transfer In	<u>\$ 31,557,516</u>	<u>\$ 155,673</u>	<u>\$ 1,039,800</u>	<u>\$ 32,752,989</u>

9. PENSION PLANS

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

(a) Retirement Plan of Town of West Warwick

Plan Description

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

TOWN OF WEST WARWICK, RHODE ISLAND

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

9. PENSION PLANS (CONTINUED)

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

Plan Description (Continued)

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

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

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

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

TOWN OF WEST WARWICK, RHODE ISLAND

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

9. PENSION PLANS (CONTINUED)

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

Plan Description (Continued)

Membership of the Town's Retirement Plan consisted of the following at June 30, 2018, the date of the latest actuarial valuation:

Inactive plan members or beneficiaries currently receiving benefits	348
Inactive members entitled to but not yet receiving benefits	37
Active plan members	321
Total members	<u>706</u>

Plan Administration

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

Investment Policy

The Town's Pension Board establishes the pension plan's policy regarding asset allocation. Plan assets are managed with a long-term view. The following was the Plan's adopted asset allocation policy as of June 30, 2018:

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

TOWN OF WEST WARWICK, RHODE ISLAND

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

9. PENSION PLANS (CONTINUED)

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

Long-Term Expected Rate of Return

The long-term expected rate of return on the pension plan investments was determined using a building-block method in which expected future real rates of return are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2018 are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	22.5%	3.00%
Domestic Equities	33.0%	7.50%
International Equities	22.0%	7.00%
Alternatives	18.5%	6.00%
Cash	4.0%	2.00%
Total	<u>100%</u>	

Discount Rate

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

Contributions

Police officers, Fire and others are required to contribute between 9% and 13% of their salary to the Plan. The Town's contributions to the Retirement Plan for the years ended June 30, 2018, 2017 and 2016 were \$9,247,549, \$8,739,745, and \$8,179,980, respectively.

TOWN OF WEST WARWICK, RHODE ISLAND

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

9. PENSION PLANS (CONTINUED)

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

Net Pension Liability

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The net pension liability consisted of the following components at June 30, 2018:

Total pension liability	\$ 165,164,595
Plan fiduciary net position	<u>(37,614,044)</u>
Net pension liability	<u>\$ 127,550,551</u>

Plan fiduciary net position as a percent of the total pension liability	22.77%
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Changes in the net pension liability for the year ended June 30, 2018 consisted of the following:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2017	<u>\$ 162,079,303</u>	<u>\$ 33,697,592</u>	<u>\$ 128,381,711</u>
Changes for the year:			
Service Cost	2,502,614	-	2,502,614
Interest	11,980,238	-	11,980,238
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(1,491,599)	-	(1,491,599)
Changes of assumptions	(215,129)	-	(215,129)
Contributions - employer	-	9,247,549	(9,247,549)
Contributions - member	-	2,065,202	(2,065,202)
Net investment income	-	2,402,891	(2,402,891)
Benefit payments, including refunds	(9,690,832)	(9,690,832)	-
Administration expenses	-	(108,358)	108,358
Net Changes	<u>3,085,292</u>	<u>3,916,452</u>	<u>(831,160)</u>
Balance at June 30, 2018	<u>\$ 165,164,595</u>	<u>\$ 37,614,044</u>	<u>\$ 127,550,551</u>

TOWN OF WEST WARWICK, RHODE ISLAND

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

9. PENSION PLANS (CONTINUED)

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

Net Pension Liability (Continued)

Governmental Activities:

Net pension liability at beginning of year	\$ 122,215,938
Increase in net pension liability for fiscal 2018	(785,249)
Net pension liability at June 30, 2018	<u>\$ 121,430,689</u>

Business-Type Activities:

Net pension liability at beginning of year	\$ 6,165,773
Increase in net pension liability for fiscal 2018	(45,911)
Net pension liability at June 30, 2018	<u>\$ 6,119,862</u>

Actuarial Assumptions

The total pension liability as of June 30, 2018 was determined using the following actuarial assumptions:

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

Mortality rates for healthy retirees were based on the following:

Police and Fire - RP-2014 Blue Collar Mortality Table with generational improvements from 2006 based on assumptions from the 2018 SSA Trustee's Report

Others - RP-2014 Mortality Table with generational improvements from 2006 based on assumptions from the 2018 SSA Trustee's Report

Disabled retiree mortality rates were based on RP-2014 Disabled Mortality Table with generational improvements from 2006 based on assumptions from the 2018 SSA Trustee's Report.

TOWN OF WEST WARWICK, RHODE ISLAND

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

9. PENSION PLANS (CONTINUED)

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

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net pension liability	\$ 147,126,631	\$ 127,550,551	\$ 111,200,135

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

For the year ended June 30, 2018, the Town recognized pension expense of \$1,957,230 in the Government-wide statement of activities. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to the Town's Retirement Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,661,606	\$ (1,242,999)
Changes of assumptions	1,375,700	(628,927)
Net difference between projected and actual earnings on pension plan investments	1,696,401	(839,477)
Total	<u>\$ 4,733,707</u>	<u>\$ (2,711,403)</u>

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

Year ended June 30:	
2019	\$ 1,262,848
2020	957,619
2021	334,506
2022	(248,216)
2023	(284,453)
	<u>\$ 2,022,304</u>

TOWN OF WEST WARWICK, RHODE ISLAND

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

9. PENSION PLANS (CONTINUED)

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

General Information about the Pension Plan

Plan Description

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

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

Benefit Provisions

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

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

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

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

TOWN OF WEST WARWICK, RHODE ISLAND

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

9. PENSION PLANS (CONTINUED)

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

General Information about the Pension Plan (Continued)

Contributions

The funding policy, as set forth in the General Laws, Section 16-16-22, provides for actuarially determined periodic contributions to the plan. For fiscal 2018, West Warwick School Department teachers were required to contribute 3.75% of their annual covered salary, except for teachers with twenty or more years of service as of June 30, 2012 must contribute 11% of their annual covered salary. The state and the West Warwick School Department are required to contribute at an actuarially determined rate, 40% of which is to be paid by the state and the remaining 60% is to be paid by West Warwick School Department; the rates were 9.89% and 13.24% of annual covered payroll for the fiscal year ended June 30, 2018 for the State and West Warwick School Department, respectively. The West Warwick School Department contributed approximately \$3,526,000, \$3,461,000 and \$3,228,000 for the fiscal years ended June 30, 2018, 2017 and 2016, respectively, equal to 100% of the required contributions for each year. The on-behalf contribution made by the State of Rhode Island for the defined benefit pension plan for the fiscal year ended June 30, 2018 was \$2,447,282. This amount has been included in the Fund Statements (School Unrestricted Fund) as revenue and education expenditures.

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

At June 30, 2018, the West Warwick School Department reported a liability of \$45,162,030 for its proportionate share of the net pension liability that reflected a reduction for contributions made by the state. The amount recognized by the West Warwick School Department as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the West Warwick School Department were as follows:

West Warwick School Department proportionate share of the net pension liability	\$ 45,162,030
State's proportionate share of the net pension liability associated with the West Warwick School Department	<u>39,113,803</u>
Total net pension liability	<u>\$ 84,275,833</u>

The net pension liability was measured as of June 30, 2017, the measurement date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017. The West Warwick School Department proportion of the net pension liability was based on a projection of the West Warwick School Department long-term share of contributions to the pension plan relative to the projected contributions of all participating employers and the state, actuarially determined. At June 30, 2017 the West Warwick School Department proportion was 1.64%.

TOWN OF WEST WARWICK, RHODE ISLAND

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

9. PENSION PLANS (CONTINUED)

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

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

For the year ended June 30, 2018 the West Warwick School Department recognized gross pension expense of \$5,481,972 and revenue of \$3,418,079 for support provided by the State. At June 30, 2018 the West Warwick School Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred outflows of resources	
Contributions subsequent to the measurement date	\$ 3,525,678
Changes in assumptions	3,944,253
Net difference between projected and actual investment earnings	3,494,403
Changes in proportion and differences between employer contributions and proportionate share of contributions	11,040,760
Total deferred outflows of resources	<u>\$ 22,005,094</u>
Deferred inflows of resources	
Differences between expected and actual experience	\$ 1,070,685
Changes of assumptions	711,683
Net difference between projected and actual investment earnings	2,353,579
Changes in proportion and differences between employer contributions and proportionate share of contributions	10,278,784
Total deferred inflows of resources	<u>\$ 14,414,731</u>

The \$3,525,678 reported as deferred outflows of resources related to pensions resulting from the West Warwick School Department contributions in fiscal year 2018 subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	
2019	\$ 388,649
2020	1,140,540
2021	584,072
2022	(209,751)
2023	62,278
Thereafter	2,098,897
Total	<u>\$ 4,064,685</u>

TOWN OF WEST WARWICK, RHODE ISLAND

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

9. PENSION PLANS (CONTINUED)

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

Actuarial Assumptions

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

Inflation	2.5%
Salary increases	3.0% to 13.5%
Investment rate of return	7.0%

Mortality – variants of the RP-2014 mortality tables - for the improvement scale, update to the ultimate rates of the MP-2016 projection scale.

The actuarial assumptions used in the June 30, 2016 valuation rolled forward to June 30, 2017 and the calculation of the total pension liability at June 30, 2016 were consistent with the results of an actuarial experience study performed as of June 30, 2016.

The long-term expected rate of return best-estimate on pension plan investments was determined by the actuary using a building-block method. The actuary started by calculating best-estimate future expected real rates of return (expected returns net of pension plan investment expense and inflation) for each major asset class, based on a collective summary of capital market expectations from 35 sources. The June 30, 2017 expected arithmetic returns over the long-term (20 years) by asset class are summarized in the following table:

TOWN OF WEST WARWICK, RHODE ISLAND

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

9. PENSION PLANS (CONTINUED)

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

Actuarial Assumptions (Continued)

Asset Class	Long-Term Target Asset Allocation	Long-Term Expected Arithmetic Real Rate of Return
Global Equity:		
U.S. Equity	20.60%	6.85%
International Developed Equity	15.90%	6.71%
Emerging Markets Equity	3.50%	8.91%
Private Growth:		
Private Equity	11.30%	9.62%
Non-Core RE	2.20%	5.17%
OPP Private Credit	1.50%	9.62%
Income:		
High Yield Infrastructure	1.00%	4.26%
REITS	1.00%	5.17%
Liquid Credit	2.80%	4.26%
Private Credit	3.20%	4.26%
Crisis Protection Class:		
Treasury Duration	4.00%	0.83%
Systematic Trend	4.00%	3.81%
Inflation Protection:		
Core Real Estate	3.60%	5.17%
Private Infrastructure	2.40%	5.57%
TIPs	1.00%	1.72%
Natural Resources	1.00%	3.98%
Volatility Protection:		
IG Fixed Income	11.50%	2.12%
Absolute Return	6.50%	3.81%
Cash	3.00%	0.83%
Total	<u>100.00%</u>	

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

TOWN OF WEST WARWICK, RHODE ISLAND

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

9. PENSION PLANS (CONTINUED)

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

Discount Rate

The discount rate used to measure the total pension liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from the employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the net pension liability calculated using the discount rate of 7.0 percent as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
\$ 56,757,881	\$ 45,162,030	\$ 36,524,966

Pension Plan Fiduciary Net Position

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

Summary of Defined Benefit Pension Plans

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

	Measurement Date	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources
Retirement Plan of the Town	6/30/2018	\$ 127,550,551	\$ 4,733,707	\$ (2,711,403)
Teacher's Pension Plan (ERS)	6/30/2018	45,162,030	22,005,094	(14,414,731)
Total		\$ 172,712,581	\$ 26,738,801	\$ (17,126,134)

TOWN OF WEST WARWICK, RHODE ISLAND

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

9. *PENSION PLANS (CONTINUED)*

(c) Teachers Defined Contribution Pension Plan

Plan Description

Employees participating in the defined benefit plan with less than 20 years of service as of June 30, 2012, as described above, also participate in a defined contribution plan authorized by General Law Chapter 36-10.3. The defined contribution plan is established under IRS section 401(a) and is administered by TIAA-CREF. Employees may choose among various investment options available to plan participants. Employees contribute 5% of their annual covered salary and employers contribute between 1% and 1.5% of annual covered salary depending on the employee's total years of service as of June 30, 2012. Employee contributions are immediately vested while employer contributions and any investment earnings thereon are vested after three years of contributory service. Benefit terms and contributions required under the plan by both the employee and employer are established by the General Laws, which are subject to amendment by the General Assembly.

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

The West Warwick School Department recognized pension expense of approximately \$246,700, for the fiscal year ended June 30, 2018.

Although the School Department is required to contribute 1% to 1.5% towards the plan for certified teachers, the School Department receives reimbursement from the State of Rhode Island for .4% of the required contributions. For financial reporting purposes, the State's share of the contribution is reflected as on-behalf payments and is included as both revenue and expenditures in the accompanying financial statements. The on-behalf contributions for the defined contribution plan for the fiscal year ended June 30, 2018 amounted to \$98,548.

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

TOWN OF WEST WARWICK, RHODE ISLAND

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

10. OTHER POST EMPLOYMENT BENEFITS (OPEB)

General Information about the OPEB Plan

Plan Description

In addition to the pension benefits described in Note 9, the Town maintains a single-employer OPEB plan administered by the Town of West Warwick. The plan provides post-employment health care benefits to employees in accordance with their respective collective bargaining agreements. These benefits are for continued full family or individual health care for the employee groups as described below. The Town has established an OPEB Trust Fund for these benefits. The OPEB benefits include health and dental coverage. The Town's OPEB Plan is presented in the accompanying financial statements as an OPEB trust fund. A separate financial statement is not issued.

A copy of June 30, 2018 interim actuarial valuation report can be obtained in the Finance Department at West Warwick Town Hall.

Benefits Provided

Eligibility: Firefighters hired prior to July 1, 2014 are eligible to retire at the earlier of age 62 or age 50 with 25 years of service. Those hired on or after July 1, 2014 are eligible at the earlier of age 62 or age 55 with 25 years of service. Four grandfathered firefighters are eligible to retire upon attaining age 62.5 or 20 years of service. Police officers are eligible to retire once they have 20 years of service. For those hired on or after July 1, 2014 retiree health benefits will commence at age 50. Municipal Union employees (including Wastewater and School Non-Certified personnel) are eligible to retire at the earlier of age 62 with 12 years of service or 25 years of service. For those hired on or after July 1, 2014, if they retire with 25 years of service, retiree health benefits will commence at age 55. School certified employees are eligible to retire once they have 15 years of service or 25 years of service or 28 years of service (with no age requirements). The cost sharing requirements differ at each eligibility requirement. Municipal Non-Union and Library employees are not eligible for health benefits at retirement.

TOWN OF WEST WARWICK, RHODE ISLAND

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

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

General Information about the OPEB Plan (Continued)

Benefits Provided (Continued)

Duration of Retiree Health Benefits: Firefighters and police officers are eligible for lifetime subsidized retiree health benefits. Municipal Union (including Wastewater) employees are eligible for subsidized medical benefits until Medicare eligibility and lifetime free dental benefits. School Non-Certified employees are eligible for lifetime retiree health benefits but they are only eligible for five years of free retiree health benefits if they have 20 years of service at retirement. School Certified employees are eligible to either four years of subsidized retiree health benefits or until Medicare eligibility depending on years of service at retirement.

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

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

Employees Covered by Benefit Terms

As of June 30, 2018, the following employees were covered by the benefit terms:

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

Contributions

The funding policy provides for actuarially determined contributions (ADC) to the OPEB plan. ADC are based on the Annual Required Contribution (ARC) calculated in the prior GASB 45 actuarial valuations. For fiscal year ended June 30, 2018, the actuarially determined contribution for the Town (including the School Department) was \$4,956,467 and actual contributions made in relation to ADC were \$4,270,977 for the year ended June 30, 2018. Firefighters and Police Officers contribute 1% of salary to the OPEB Trust while actively working.

Net OPEB Liability

The Town's net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

TOWN OF WEST WARWICK, RHODE ISLAND

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

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

Net OPEB Liability (Continued)

The net OPEB liability at June 30, 2018 consisted of the following components:

Total OPEB liability	\$ 66,349,571
Plan fiduciary net position	(1,493,546)
Net OPEB liability	<u>\$ 64,856,025</u>

Plan fiduciary net position as a percent of the total OPEB liability (funded ratio) 2.3%

Actuarial Assumptions

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applies to all periods included in the measurement:

- Actuarial Valuation Date:** July 1, 2017 with liabilities projected to the June 30, 2018 measurement date on a “no loss / no gain” basis.
- Discount Rate:** 7.5%
- Payroll Growth:** 3.5% for valuation purposes; 2.5% for amortization purposes.
- Inflation Rate:** 3.5% per year
- Cost Method:** Entry Age Normal Level % Salary
- Asset Valuation Method:** Market Value
- Mortality:** Police/Fire: RP-2014 Blue Collar Mortality Table with generational improvements from 2006 based on assumptions from the 2017 SSA Trustees’ Report.
All others: RP-2014 Mortality Table with generational improvements from 2006 based on assumptions from the 2017 SSA Trustees’ Report.
- Health Care Trend Rates:** Medical: 8.5% for 2019, decreasing by 0.5% per year to an ultimate rate of 5.0% for 2026 and later years.
Dental: 4.75% for 2019, decreasing by 0.25% per year to an ultimate rate of 4.0% for 2022 and later years.
- Spouse Coverage:** All retirees who currently have family coverage are assumed to have spouses. 85% of employees are assumed to be married at retirement. Husbands are assumed to be three years older than wives.

TOWN OF WEST WARWICK, RHODE ISLAND

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

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

Net OPEB Liability (Continued)

Actuarial Assumptions (Continued)

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are then combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best-estimates of arithmetic real rates of return for each major asset class included in the OPEB Plan's target asset allocation as of June 30, 2018 are summarized in the following table:

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

Discount Rate

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

TOWN OF WEST WARWICK, RHODE ISLAND

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

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

Changes in the Net OPEB Liability

Changes in the net pension liability for the year ended June 30, 2018 consisted of the following:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at June 30, 2017	\$ 58,016,693	\$ 1,873,233	\$ 56,143,460
Changes for the year:			
Service Cost	1,000,384	-	1,000,384
Interest	4,247,890	-	4,247,890
Changes of benefit terms	-	-	-
Changes of assumptions	-	-	-
Differences between expected and actual experience	7,929,261	-	7,929,261
Contributions - employer	-	4,270,977	(4,270,977)
Net investment income	-	199,561	(199,561)
Benefit payments	(4,844,657)	(4,844,657)	-
Trust administrative expenses	-	(5,568)	5,568
Net Changes	<u>8,332,878</u>	<u>(379,687)</u>	<u>8,712,565</u>
Balance at June 30, 2018	<u>\$ 66,349,571</u>	<u>\$ 1,493,546</u>	<u>\$ 64,856,025</u>

Governmental Activities:

Net OPEB liability at beginning of year	\$ 54,490,074
Increase in net OPEB liability for fiscal 2018	<u>8,535,945</u>
Net OPEB liability at June 30, 2018	<u>\$ 63,026,019</u>

Business-Type Activities:

Net OPEB liability at beginning of year	\$ 1,653,386
Increase in net OPEB liability for fiscal 2018	<u>176,620</u>
Net OPEB liability at June 30, 2018	<u>\$ 1,830,006</u>

TOWN OF WEST WARWICK, RHODE ISLAND

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

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

Changes in the Net OPEB Liability (Continued)

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net OPEB liability	\$ 71,962,145	\$ 64,856,025	\$ 58,804,908

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

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

	1% Decrease (7.5% decreasing to 4.0%)	Current Health Care Trend Rates (8.5% decreasing to 5.0%)	1% Increase (9.5% decreasing to 6.0%)
Net OPEB liability	\$ 57,739,147	\$ 64,856,025	\$ 73,399,486

OPEB Plan Fiduciary Net Position

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

TOWN OF WEST WARWICK, RHODE ISLAND

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

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

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

For the year ended June 30, 2018, the Town recognized OPEB expense of \$1,762,925 in the Government-wide Statement of Activities. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 8,337,929	\$ -
Changes of assumptions	-	(1,034,808)
Net difference between projected and actual earnings in OPEB plan investments	-	(109,943)
Total	<u>\$ 8,337,929</u>	<u>\$ (1,144,751)</u>

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

Year ended June 30:	
2019	\$ 892,221
2020	892,221
2021	892,223
2022	907,432
2023	923,510
Thereafter	2,685,571
	<u>\$ 7,193,178</u>

TOWN OF WEST WARWICK, RHODE ISLAND

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

11. RISK MANAGEMENT

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

The Trust provides this insurance coverage through a pooled, self-insurance mechanism, which includes reinsurance purchased by the Trust to protect against large, catastrophic claims above losses the Trust retains internally for payment from the pooled contributions of its members. Under the participation agreement, the Town is insured for a maximum of \$4,000,000 per occurrence. Settled claims resulting from these risks have not exceeded the Trust coverage in any of the past three fiscal years, and are not expected to increase the Trust coverage in future fiscal years. There were no reductions in the insurance coverage during the fiscal year up to and through the date of this report.

Health Care

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

The Town currently maintains stop loss insurance to protect the taxpayers from catastrophic loss resulting from excessive health insurance claims. At June 30, 2018 the stop loss insurance contract covered all claims exceeding \$175,000 per individual on an annual basis.

The Town's Finance Department oversees the self-insured program for all employees and claims payment services are provided by Blue Cross and Blue Shield of Rhode Island (Plan Administrator). At June 30, 2018 the Town has estimated a liability for incurred but not reported claims (IBNR) based on actual claims paid subsequent to year end but related to claims incurred prior to July 1, 2018. Approximate changes in the balances of self-insured claims liabilities were as follows:

TOWN OF WEST WARWICK, RHODE ISLAND

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

11. RISK MANAGEMENT (CONTINUED)

Health Care (Continued)

Incurred but not reported claims (IBNR), June 30, 2017	\$ 768,006
Claims incurred during the year	11,511,880
Claims paid including amount in accounts payable at June 30, 2018	<u>(11,637,716)</u>
Estimated IBNR Claims outstanding at June 30, 2018	<u>\$ 642,170</u>
Incurred but not reported claims (IBNR), June 30, 2016	\$ 663,600
Claims incurred during the year	11,372,397
Claims paid including amount in accounts payable at June 30, 2017	<u>(11,267,991)</u>
Estimated IBNR Claims outstanding at June 30, 2017	<u>\$ 768,006</u>

The IBNR claims outstanding at June 30, 2018 are comprised of \$266,845 and \$375,325 related to Town and School employees, respectively.

At June 30, 2018 the Town has a deposit with the Plan Administrator totaling \$220,700. This deposit was required as part of the contract with the Plan Administrator to ensure reimbursement of claims is made in a timely manner. This deposit has been classified as a prepaid of the General Fund and as such has been included in non-spendable fund balance in the governmental activities of the Fund Statements.

Unemployment

The Town is self-insured for unemployment benefits. As of June 30, 2018 management does not believe that there are any incurred but not reported claims that are required to be accrued in the Fund Statements of the Government-wide Statement of Net Position.

12. TAX ABATEMENTS

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

For the fiscal year ended June 30, 2018, the Town abated property taxes totaling approximately \$67,000 under this program, which includes the following tax abatement agreements to new businesses located in a commercially zoned property or existing businesses that are expanding:

TOWN OF WEST WARWICK, RHODE ISLAND

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

12. TAX ABATEMENTS (CONTINUED)

<u>Purpose</u>	<u>Percentage of Taxes Abated during the Fiscal Year</u>	<u>Amount of Taxes Abated during the Fiscal Year</u>
Construction of commercial building in an industrial area	0.0%	\$ -
Redevelopment of building into multi-family residential units	100.0%	17,719
Renovation of theater and playhouse in central business area	100.0%	7,396
Construction of a dog boarding facility in an industrial area	0.0%	-
Expansion of car dealership in a central business area	26.3%	41,595
Total		<u>\$ 66,710</u>

13. COMMITMENTS AND CONTINGENCIES

Liabilities for legal cases and other claims against governmental funds are recorded in the governmental funds when the ultimate liability can be estimated and such cases are expected to be settled with available expendable financial resources. The Government-wide statements would include all estimated claims regardless of when they are expected to be settled. At June 30, 2018 the Town (including the School Department) had a number of legal cases and claims in process. These cases include claims made by Unions. Management and legal counsel have reviewed these outstanding claims and determined that the estimated liability, if any, that may result from these claims would not materially affect the basic financial statements of the Town. As such, the Statement of Net Position at June 30, 2018 does not include any liability for claims, judgments, or unasserted claims.

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

TOWN OF WEST WARWICK

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF WEST WARWICK, RHODE ISLAND

RSI - 1

**Required Supplementary Information
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund - Budgetary Basis
For the Year Ended June 30, 2018**

	Original and Final Budget	Actual Revenues	Positive (Negative) Variance
General property taxes			
Property taxes	\$ 64,598,799	\$ 63,897,059	\$ (701,740)
PILOT - WW Housing Authority	60,000	59,843	(157)
Penalty & interest on taxes	500,000	533,414	33,414
Total general property taxes	65,158,799	64,490,316	(668,483)
Intergovernmental revenues			
State aid for education	24,228,708	24,313,144	84,436
School housing aid	1,183,810	1,102,974	(80,836)
State meals tax	368,175	390,729	22,554
State hotel tax	129,286	154,728	25,442
Distressed communities	924,370	924,370	-
Motor vehicle phase-out	231,779	777,694	545,915
Public utilities tax	359,305	363,946	4,641
Total intergovernmental revenues	27,425,433	28,027,585	602,152
Interest income:			
Interest - short-term investments	5,000	32,856	27,856
Departmental & miscellaneous:			
Town clerk	620,000	820,781	200,781
Building official	320,000	398,110	78,110
DPW/recycling	5,000	16,133	11,133
Planning & CDBG	10,000	7,021	(2,979)
Police department	15,000	10,485	(4,515)
Municipal court	10,000	10,000	-
Fire rescue fees	900,000	994,035	94,035
Fire plans review	35,000	25,157	(9,843)
Road opening permit - Zoning Board	10,000	6,425	(3,575)
Field rentals - Parks and Recreation	20,000	18,632	(1,368)
Sewer administrative fees	323,749	323,749	-
School crossing guards	100,000	101,555	1,555
Dog pound collection	-	3,375	3,375
Other revenue- lien certificates, permits etc.	-	33,727	33,727
Miscellaneous	5,000	96,399	91,399
Total departmental revenues	2,373,749	2,865,584	491,835
Total revenues before other financing sources	94,962,981	95,416,341	453,360
Other financing sources			
Transfers from other funds	-	-	-
Total other financing sources	-	-	-
Total revenues and other financing sources	\$ 94,962,981	\$ 95,416,341	\$ 453,360

TOWN OF WEST WARWICK, RHODE ISLAND

RSI - 1 (Continued)

Required Supplementary Information
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund - Budgetary Basis
For the Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Expenditures</u>	<u>Positive (Negative) Variance</u>
General Government:				
FICA expense - employer	\$ -	\$ -	\$ 30,091	\$ (30,091)
Retirement - severance	100,000	100,000	469,059	(369,059)
Dental	182,835	182,835	182,835	-
Health	2,174,716	2,174,716	2,174,716	-
Pension	6,731,449	6,731,449	6,731,449	-
OPEB contribution	250,000	250,000	-	250,000
Workers compensation	350,000	350,000	460,097	(110,097)
General liability	400,000	400,000	526,576	(126,576)
RI League of Cities and Towns	11,776	11,776	11,776	-
Unemployment expense	15,000	15,000	6,147	8,853
Pawtuxet River Authority	5,000	5,000	5,000	-
Telephone	100,000	100,000	100,769	(769)
Utilities	400,000	400,000	400,000	-
Computer services	12,281	12,281	135,038	(122,757)
Advertising	35,000	35,000	20,109	14,891
Postage	1,000	1,000	-	1,000
Consulting	40,000	40,000	32,060	7,940
Bank/miscellaneous charges	-	-	1,191	(1,191)
Code red/Open gov	13,495	13,495	4,995	8,500
Fund balance	250,000	250,000	-	250,000
Miscellaneous	-	-	16,220	(16,220)
Total General Government	<u>11,072,552</u>	<u>11,072,552</u>	<u>11,308,128</u>	<u>(235,576)</u>
Public Works:				
Salaries and wages	1,562,988	1,562,988	1,476,453	86,535
Payroll Taxes	119,568	119,568	107,769	11,799
Employee benefits	417,528	417,528	418,618	(1,090)
Supplies and expenses	100,000	100,000	94,919	5,081
Major needs - winter	165,000	165,000	104,952	60,048
Solid waste	450,000	450,000	427,178	22,822
Petroleum	80,000	80,000	49,299	30,701
Fleet maintenance	194,000	194,000	142,017	51,983
Trash removal	1,176,277	1,176,277	1,259,983	(83,706)
Construction & drainage	125,000	125,000	99,068	25,932
Other costs	123,100	123,100	100,164	22,936
Total Public Works	<u>4,513,461</u>	<u>4,513,461</u>	<u>4,280,420</u>	<u>233,041</u>

TOWN OF WEST WARWICK, RHODE ISLAND

RSI - 1 (Continued)

Required Supplementary Information
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 General Fund - Budgetary Basis
 For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual Expenditures	Positive (Negative) Variance
Public Safety:				
Police department	7,075,389	7,075,389	7,003,932	71,457
Fire department	8,694,648	8,694,648	8,883,265	(188,617)
Total Public Safety	<u>15,770,037</u>	<u>15,770,037</u>	<u>15,887,197</u>	<u>(117,160)</u>
Senior Center:				
West Warwick Senior Center	213,000	213,000	213,000	-
Capital:				
Salaries and wages	-	-	13,440	(13,440)
Employee benefits	-	-	1,028	(1,028)
Town hall improvements	159,000	159,000	13,244	145,756
Police capital	79,707	79,707	83,746	(4,039)
Fire capital	89,676	89,676	51,132	38,544
IT improvements	25,000	25,000	21,272	3,728
Council ward improvements	-	-	612	(612)
DPW	76,000	76,000	14,000	62,000
Total Capital	<u>429,383</u>	<u>429,383</u>	<u>198,474</u>	<u>230,909</u>
Debt Service:				
Principal and interest payments	3,296,514	3,296,514	3,131,661	164,853
Financing costs	10,000	10,000	61,449	(51,449)
Total Debt Service	<u>3,306,514</u>	<u>3,306,514</u>	<u>3,193,110</u>	<u>113,404</u>
Library:				
Salaries and wages	469,233	469,233	462,570	6,663
FICA expense	34,398	25,248	33,476	(8,228)
Medical	53,029	62,408	62,980	(572)
Pension	40,249	46,049	44,344	1,705
Books	3,000	3,000	3,000	-
Building maintenance contract	12,050	12,088	12,088	-
Utilities	64,140	58,111	57,887	224
Repair and maintenance	12,867	12,829	12,621	208
Legal	2,288	2,288	2,288	-
Miscellaneous	5,636	5,636	5,636	-
Total Library	<u>696,890</u>	<u>696,890</u>	<u>696,890</u>	<u>-</u>

TOWN OF WEST WARWICK, RHODE ISLAND

RSI - 1 (Continued)

Required Supplementary Information
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 General Fund - Budgetary Basis
 For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual Expenditures	Positive (Negative) Variance
Other Expenditures:				
Town manager	197,403	197,403	173,411	23,992
Town planner	106,822	106,822	91,297	15,525
Human resources	142,877	142,877	142,537	340
Town council	53,889	53,889	46,297	7,592
Town clerk	258,340	258,340	257,346	994
Board of canvassers	78,308	78,308	71,959	6,349
Legal	270,000	270,000	385,668	(115,668)
EMA	8,690	8,690	1,395	7,295
Town sergeant	754	754	646	108
Finance	438,306	438,306	430,785	7,521
Tax collector	346,315	346,315	343,747	2,568
Tax assessor	219,118	219,118	199,736	19,382
Board of assessment review	2,596	2,596	1,727	869
Town engineer	25,500	25,500	21,308	4,192
Street lighting	77,000	77,000	92,426	(15,426)
Building official	528,753	528,753	430,538	98,215
Zoning	7,837	7,837	4,692	3,145
Housing board	7,159	7,159	1,250	5,909
Parks	331,979	331,979	283,842	48,137
Probate court	73,274	73,274	67,041	6,233
Total Other Expenditures	3,174,920	3,174,920	3,047,648	127,272
Other Financing Uses:				
Transfer to School Unrestricted fund	55,786,224	55,786,224	55,870,660	(84,436)
Total Other Financing Uses	55,786,224	55,786,224	55,870,660	(84,436)
Total Expenditures and Other Financing Uses	94,962,981	94,962,981	94,695,527	267,454
Excess of revenues and other financing sources over expenditures and other financing uses	\$ -	\$ -	720,814	\$ 720,814

Reconciliation to GAAP Basis - Exhibit B-2:

Proceeds from refunding bond issuance reported as other financing source for GAAP, not part of budget	6,890,000
Payment to refunding bond escrow agent reported as other financing use for GAAP, not part of budget	(6,835,430)

**Excess of revenues and other financing sources
over expenditures and other financing uses - GAAP basis** \$ 775,384

TOWN OF WEST WARWICK, RHODE ISLAND

RSI - 2

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

For the Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
State aid - Intergovernmental	\$ 24,228,708	\$ 24,228,708	\$ 24,313,144	\$ 84,436
Medicaid	500,000	500,000	747,040	247,040
Other revenues	63,500	63,500	118,124	54,624
Total revenues	<u>24,792,208</u>	<u>24,792,208</u>	<u>25,178,308</u>	<u>386,100</u>
Expenditures:				
Salaries	32,372,291	32,183,800	31,451,126	732,674
Employee benefits	14,639,049	14,639,049	15,173,855	(534,806)
Purchased services	7,360,495	7,408,971	6,775,598	633,373
Supplies and materials	1,410,154	1,447,723	1,407,430	40,293
Other	62,205	68,788	90,903	(22,115)
Capital outlay	505,530	601,393	567,032	34,361
Total expenditures	<u>56,349,724</u>	<u>56,349,724</u>	<u>55,465,944</u>	<u>883,780</u>
Excess of revenues over (under) expenditures before other financing sources (uses)	<u>(31,557,516)</u>	<u>(31,557,516)</u>	<u>(30,287,636)</u>	<u>1,269,880</u>
Other financing sources (uses):				
Operating transfer from Town appropriation	31,557,516	31,557,516	31,557,516	-
Transfer to other funds	-	-	(919,800)	(919,800)
Total other financing sources (uses)	<u>31,557,516</u>	<u>31,557,516</u>	<u>30,637,716</u>	<u>(919,800)</u>
Excess of revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	350,080	<u>\$ 350,080</u>

Reconciliation to GAAP Basis - Exhibit B-2:

Additional payments made for healthcare expenses during fiscal
2018 reported as an expenditure for GAAP, not part of budget (857,822)

**Excess of revenues and other financing sources over
expenditures and other financing uses - GAAP basis** \$ (507,742)

TOWN OF WEST WARWICK, RHODE ISLAND

RSI - 3

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability:					
Service cost	\$ 2,502,614	\$ 2,549,974	\$ 2,441,566	\$ 2,258,766	\$ 2,815,702
Interest	11,980,238	11,562,789	10,941,637	10,651,438	11,467,012
Changes of benefit terms	-	38,333	-	-	(12,421,981)
Differences between expected and actual experience	(1,491,599)	1,685,538	1,300,570	-	(493,359)
Changes of assumptions	(215,129)	(749,423)	2,751,398	-	(2,583,350)
Benefit payments	<u>(9,690,832)</u>	<u>(9,256,920)</u>	<u>(9,266,182)</u>	<u>(9,181,180)</u>	<u>(9,021,629)</u>
Net change in total pension liability	3,085,292	5,830,291	8,168,989	3,729,024	(10,237,605)
Total pension liability - beginning	<u>162,079,303</u>	<u>156,249,012</u>	<u>148,080,023</u>	<u>144,350,999</u>	<u>154,588,604</u>
Total pension liability - ending (a)	<u>\$ 165,164,595</u>	<u>\$ 162,079,303</u>	<u>\$ 156,249,012</u>	<u>\$ 148,080,023</u>	<u>\$ 144,350,999</u>
Plan fiduciary net position:					
Contributions - employer	\$ 9,247,549	\$ 8,739,745	\$ 8,179,980	\$ 8,062,234	\$ 6,000,000
Contributions - employee	2,065,202	1,966,741	1,885,444	1,748,791	1,318,539
Net investment income	2,402,891	3,604,321	(918,239)	592,127	3,265,405
Benefit payments, including refunds of employee contributions	(9,690,832)	(9,256,920)	(9,266,182)	(9,181,180)	(9,021,629)
Administrative expenses	(108,358)	(68,194)	(133,947)	(185,951)	(198,764)
Other	-	-	-	-	-
Net change in plan fiduciary net position	3,916,452	4,985,693	(252,944)	1,036,021	1,363,551
Plan fiduciary net position - beginning	<u>33,697,592</u>	<u>28,711,899</u>	<u>28,964,843</u>	<u>27,928,822</u>	<u>26,565,271</u>
Plan fiduciary net position - ending (b)	<u>\$ 37,614,044</u>	<u>\$ 33,697,592</u>	<u>\$ 28,711,899</u>	<u>\$ 28,964,843</u>	<u>\$ 27,928,822</u>
Plan's net pension liability - ending (a) - (b)	<u>\$ 127,550,551</u>	<u>\$ 128,381,711</u>	<u>\$ 127,537,113</u>	<u>\$ 119,115,180</u>	<u>\$ 116,422,177</u>
Plan fiduciary net position as a percentage of the total pension liability	22.77%	20.79%	18.38%	19.56%	19.35%
Covered-employee payroll	\$ 15,781,633	\$ 16,091,817	\$ 15,208,402	\$ 14,203,313	\$ 13,956,326
Net pension liability as a percentage of covered-employee payroll	808.22%	797.81%	838.60%	838.64%	834.19%

Notes:

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

TOWN OF WEST WARWICK, RHODE ISLAND

RSI - 4

Required Supplementary Information
Schedule of Town Contributions and Investment Returns
UNAUDITED

Schedule of Town's Contributions

	Year Ended June 30	Actuarially Determined Contribution	Actual Contribution	Contribution (Deficiency) Excess	Covered Payroll	Actual Contribution as a % of Covered Payroll
Employee Retirement Trust Fund	2018	\$9,257,300	\$9,247,549	(\$9,751)	\$15,781,633	58.60%
	2017	\$8,739,745	\$8,739,745	\$0	\$16,091,817	54.31%
	2016	\$8,309,706	\$8,179,980	(\$129,726)	\$15,208,402	53.79%
	2015	\$8,103,839	\$8,062,234	(\$41,605)	\$14,203,313	56.76%
	2014	\$10,322,474	\$6,000,000	(\$4,322,474)	\$13,956,326	42.99%
	2013	\$9,264,065	\$5,301,352	(\$3,962,713)	\$14,855,258	35.69%
	2012	\$8,708,689	\$1,100,592	(\$7,608,097)	\$15,164,989	7.26%
	2011	\$6,912,110	\$1,289,098	(\$5,623,012)	\$16,303,378	7.91%
	2010	\$5,799,056	\$2,500,000	(\$3,299,056)	\$16,891,909	14.80%
	2009	\$4,676,096	\$1,000,000	(\$3,676,096)	\$17,047,080	5.87%

Schedule of Investment Returns

	Year Ended June 30	Actual Money Weighted Rate of Return, Net of Investment Expenses
Employee Retirement Trust Fund	2018	6.97%
	2017	12.30%
	2016	5.92%
	2015	5.01%
	2014	15.20%

Notes:

The information in these schedules is intended to show 10 years.
However, as of June 30, 2018 only five years are available for one of the components.

TOWN OF WEST WARWICK, RHODE ISLAND

RSI - 5

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

Employees' Retirement System

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
School District's proportion of the net pension liability	1.64%	Not available	1.62%	1.46%
School District's proportionate share of the net pension liability	\$ 45,162,030	Not available	\$ 44,563,281	\$ 35,463,093
State's proportionate share of the net pension liability associated with the School District	<u>39,113,803</u>	<u>Not available</u>	<u>30,444,235</u>	<u>24,318,677</u>
Total	<u>\$ 84,275,833</u>	<u>Not available</u>	<u>\$ 75,007,516</u>	<u>\$ 59,781,770</u>
School District's covered employee payroll	<u>\$ 26,628,988</u>	<u>Not available</u>	<u>\$ 23,509,337</u>	<u>\$ 22,772,066</u>
School District's proportionate share of the net pension liability as a percentage of its covered employee payroll	170%	Not available	190%	156%
Plan fiduciary net position as a percentage of the total pension liability	54.00%	Not available	57.55%	61.40%

Notes:

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

TOWN OF WEST WARWICK, RHODE ISLAND

RSI - 6

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

Employees' Retirement System

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 3,525,678	Not available	\$ 3,227,832	\$ 3,053,734
Contributions in relation to the actuarially determined contribution	<u>3,525,678</u>	<u>Not available</u>	<u>3,227,832</u>	<u>3,053,734</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	<u>\$ 26,628,988</u>	<u>Not available</u>	<u>\$ 23,509,337</u>	<u>\$ 22,772,066</u>
Contributions as a percentage of covered-employee payroll	13.24%	Not available	13.73%	13.41%

Notes:

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

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

TOWN OF WEST WARWICK, RHODE ISLAND

RSI - 7

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

	<u>2018</u>	<u>2017</u>
Total OPEB liability:		
Service cost	\$ 1,000,384	\$ 1,063,571
Interest	4,247,890	4,066,880
Changes of assumptions	-	(1,379,744)
Differences between expected and actual experience	7,929,261	1,719,595
Benefit payments	<u>(4,844,657)</u>	<u>(3,297,753)</u>
Net change in total OPEB liability	8,332,878	2,172,549
Total OPEB liability - beginning	58,016,693	55,844,144
Total OPEB liability - ending (a)	<u>\$ 66,349,571</u>	<u>\$ 58,016,693</u>
Plan fiduciary net position:		
Contributions - employer	\$ 4,270,977	\$ 3,646,994
Net investment income	199,561	189,167
Benefit payments	(4,844,657)	(3,297,753)
Administrative expenses	<u>(5,568)</u>	<u>(3,990)</u>
Net change in plan fiduciary net position	(379,687)	534,418
Plan fiduciary net position - beginning	1,873,233	1,338,815
Plan fiduciary net position - ending (b)	<u>\$ 1,493,546</u>	<u>\$ 1,873,233</u>
Town's net OPEB liability - ending (a) - (b)	<u>\$ 64,856,025</u>	<u>\$ 56,143,460</u>
Plan fiduciary net position as a percentage of the total OPEB liability	2.3%	3.2%
Covered-employee payroll	\$ 40,918,261	\$ 39,534,552
Town's net OPEB liability as a percentage of covered-employee payroll	158.5%	142.0%

Notes:

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

TOWN OF WEST WARWICK, RHODE ISLAND

RSI - 8

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

Schedule of Town's Contributions

	Year Ended June 30	Actuarially Determined Contribution	Actual Contribution	Contribution (Deficiency) Excess	Covered Payroll	Actual Contribution as a % of Covered Payroll
OPEB Trust Fund	2018	\$4,956,467	\$4,270,977	(\$685,490)	\$40,918,261	10.4%
	2017	\$4,759,537	\$3,646,994	(\$1,112,543)	\$39,534,552	9.2%
	2016	\$4,585,667	\$4,111,091	(\$474,576)	N/A	N/A
	2015	\$4,712,809	\$4,019,034	(\$693,775)	N/A	N/A
	2014	\$4,803,612	\$3,467,681	(\$1,335,931)	N/A	N/A
	2013	\$7,552,618	\$5,303,716	(\$2,248,902)	N/A	N/A
	2012	\$7,552,618	\$4,865,794	(\$2,686,824)	N/A	N/A
	2011	\$7,529,803	\$4,231,074	(\$3,298,729)	N/A	N/A
	2010	\$5,327,511	\$3,573,395	(\$1,754,116)	N/A	N/A
	2009	\$8,868,698	\$3,096,416	(\$5,772,282)	N/A	N/A

Notes:

The information in these schedules is intended to show 10 years.

*NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018*

(A) Budgetary Process

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

Appropriations, if any, in addition to those contained in the annual operating budgets, except for the purpose of meeting a public emergency, are made upon the recommendation of the Town Manager with the Director of Finance's certification as to the General Fund surplus to meet such appropriations and with the Town Council's approval and approval of the citizens at a Financial Town Meeting.

Amendments to the operating budgets that do not result in additional appropriations may be made within departments by means of a transfer. The Finance Director has authority to make such transfers within departments for the first nine months of the fiscal year. Any other departmental transfers made and transfers made outside of the departmental level in the last three months of the fiscal year require Town Council approval through passage of an ordinance.

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018**

(B) Employees' Retirement System (ERS) Plan

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

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

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

June 30, 2017 measurement date –

As part of the 2017 Actuarial Experience Investigation Study for the six-year period ending June 30, 2016 as approved by the System Board on May 15, 2017, certain assumptions were modified and reflected in the determination of the net pension liability (asset) at the June 30, 2017 measurement date. The following summarizes the more significant changes in assumptions:

- Decreased the general inflation assumption from 2.75% to 2.50%;
- Decreased the nominal investment return assumption from 7.50% to 7.00%;
- Decreased the general wage growth assumption from 3.25% to 3.00%;
- Decreased salary increase assumptions; and
- Updated the post-retirement mortality tables to variants of the RP-2014 table. For the improvement scale, update to the ultimate rates of the MP-2016 projection scale.

June 30, 2016 measurement date –

There were no changes in actuarial methods or assumptions reflected in the calculation of the net pension liability (asset) of the plans as of the June 30, 2016 measurement date compared to the June 30, 2015 measurement date.

June 30, 2015 measurement date –

There were no changes in actuarial methods or assumptions reflected in the calculation of the net pension liability (asset) of the plans as of the June 30, 2015 measurement date compared to the June 30, 2014 measurement date.

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

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018**

(B) Employees' Retirement System (ERS) Plan (Continued)

June 30, 2015 measurement date (continued) –

- Employees with more than 20 years of service at July 1, 2012 will increase their employee contribution rates to 11% for state employees and municipal general employees will contribute 8.25% (9.25% for units with a COLA provision) and participate solely in the defined benefit plan going forward – service credit accruals will increase from 1% to 2% per year.
- Members are eligible to retire upon the attainment of: age 65 with 30 years of service, 64 with 31 years of service, 63 with 32 years of service, or 62 with 33 years of service. Members may retire earlier if their RIRSA date is earlier or are eligible under a transition rule.
- Employees with more than 10 but less than 20 years of service at July 1, 2012 will receive an increased employer contribution to the defined contribution plan. Also, members who earn less than \$35,000 per year will not be required to pay the administrative fees to the defined contribution plan.
- Members who retired from a COLA eligible plan before July 1, 2012 will receive a one-time cost of living adjustment of 2% of the first \$25,000 paid as soon as administratively possible.
- Retirees as of June 30, 2015 will receive two \$500 stipends; the interim cost of living increases will occur at 4 year rather than 5 year intervals.
- The COLA formula was adjusted to: 50% of the COLA is calculated by taking the previous 5-year average investment return, less 5.5% (5yr return - 5.5%, with a max of 4%) and 50% calculated using previous year's CPI-U (max of 3%) for a total max COLA of 3.5%. This COLA is calculated on the first \$25,855, effective January 1, 2016, and indexed as of that date as well. (The indexing formula is run annually regardless of funding level each year.)
- Minor adjustments were made to the actuarial reduction for employees choosing to retire early.

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018**

(C) Other Post-Employment Benefits (OPEB)

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

Actuarial Assumptions

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

Measurement Date:	June 30, 2018
Actuarial Valuation Date:	July 1, 2017 with liabilities projected to the June 30, 2018 measurement date on a “no loss / no gain” basis.
Discount Rate:	7.5%
Payroll Growth:	3.5% for valuation purposes; 2.5% for amortization purposes.
Inflation Rate:	3.5% per year
Cost Method:	Entry Age Normal Level % Salary
Asset Valuation Method:	Market Value
Mortality:	Police/Fire: RP-2014 Blue Collar Mortality Table with generational improvements from 2006 based on assumptions from the 2017 SSA Trustees’ Report. All others: RP-2014 Mortality Table with generational improvements from 2006 based on assumptions from the 2017 SSA Trustees’ Report.
Health Care Trend Rates:	Medical: 8.5% for 2019, decreasing by 0.5% per year to an ultimate rate of 5.0% for 2026 and later years. Dental: 4.75% for 2019, decreasing by 0.25% per year to an ultimate rate of 4.0% for 2022 and later years.
Spouse Coverage:	All retirees who currently have family coverage are assumed to have spouses. 85% of employees are assumed to be married at retirement. Husbands are assumed to be three years older than wives.

TOWN OF WEST WARWICK

OTHER SUPPLEMENTARY INFORMATION

TOWN OF WEST WARWICK

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

- Tricentennial Committee
- Benjamin R. Vaughn
- JAG Peer to Peer
- Bramley Bill Fund
- Riverwalk Fund
- Open Space Recreation
- JAG ARRA Fund
- JAG Fund
- Meds Contract Fund
- Economic Development Revolving Loan Fund
- Library Grants
- Homeland Security
- Community Development Block Grant
- Annie Livsey Fund
- Stormwater Utility Grant Fund
- Revolving Fund
- Animal Shelter Fund
- Bulletproof Vest Partnership Fund
- DARE Fund
- Drug Evidence Fund
- Tower Rent Revolving Fund
- Police Detail Car Fund
- Police Highway Grant
- Assistance to Firefighters
- Demolition Revolving Fund
- Greene Cemetery Fund
- LEAP Fund
- Recreation Fund
- School Restricted Funds

(CONTINUED)

TOWN OF WEST WARWICK

NONMAJOR GOVERNMENTAL FUNDS (Continued)

CAPITAL PROJECTS FUNDS

Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition of capital facilities and other capital assets. The following capital project funds are reported as nonmajor governmental funds.

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

(CONTINUED)

TOWN OF WEST WARWICK

AGENCY FUNDS

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

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

TOWN OF WEST WARWICK, RHODE ISLAND

EXHIBIT 1

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2018

	SPECIAL REVENUE FUNDS									
	<u>Tricentennial Committee</u>	<u>Benjamin R. Vaughn</u>	<u>JAG Peer to Peer</u>	<u>Brambley Bill Fund</u>	<u>Riverwalk Fund</u>	<u>Open Space Recreation</u>	<u>JAG ARRA Fund</u>	<u>JAG Fund</u>	<u>Meds Contract Fund</u>	<u>Economic Development Revolving Loan Fund</u>
ASSETS										
Cash and cash equivalents	\$ 1,012	\$ 1,105	\$ -	\$ 1,004	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,865
Restricted cash	-	-	-	-	-	-	-	-	-	-
Prepaid expenses	-	-	-	-	-	-	-	-	-	-
Due from federal & state governments	-	-	5,000	334	-	-	-	-	-	-
Due from other funds	-	-	433	5,468	10,124	22,782	5,699	3,534	3,966	-
TOTAL ASSETS	\$ 1,012	\$ 1,105	\$ 5,433	\$ 6,806	\$ 10,124	\$ 22,782	\$ 5,699	\$ 3,534	\$ 3,966	\$ 5,865
LIABILITIES										
Accounts payable and accrued expenses	\$ -	\$ -	\$ 5,000	\$ 188	\$ -	\$ 170	\$ -	\$ -	\$ -	\$ -
Due to federal & state governments	-	-	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	-	-	5,000	188	-	170	-	-	-	-
FUND BALANCES										
Non-spendable	-	-	-	-	-	-	-	-	-	-
Restricted	1,012	1,105	433	6,618	10,124	22,612	5,699	3,534	3,966	5,865
Committed	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-
TOTAL FUND BALANCES	1,012	1,105	433	6,618	10,124	22,612	5,699	3,534	3,966	5,865
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,012	\$ 1,105	\$ 5,433	\$ 6,806	\$ 10,124	\$ 22,782	\$ 5,699	\$ 3,534	\$ 3,966	\$ 5,865

TOWN OF WEST WARWICK, RHODE ISLAND

EXHIBIT 1 (Continued)

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2018

	SPECIAL REVENUE FUNDS									
	Library Grants	Homeland Security	Community Development Block Grant	Annie Livsey Fund	Stormwater Utility Grant Fund	Revolving Fund	Animal Shelter Fund	Bulletproof Vest Partnership Fund	DARE Fund	Drug Evidence Fund
ASSETS										
Cash and cash equivalents	\$ 22,369	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,060	\$ 183,110
Restricted cash	-	-	-	-	-	-	-	-	-	-
Prepaid expenses	-	-	-	-	-	-	-	-	-	-
Due from federal & state governments	-	-	351,965	-	-	82,285	-	4,120	-	-
Due from other funds	-	-	-	-	-	649,296	9,955	-	-	-
TOTAL ASSETS	\$ 22,369	\$ -	\$ 351,965	\$ -	\$ -	\$ 731,581	\$ 9,955	\$ 4,120	\$ 9,060	\$ 183,110
LIABILITIES										
Accounts payable and accrued expenses	\$ 7,340	\$ -	\$ 183,638	\$ -	\$ -	\$ 18,088	\$ 702	\$ -	\$ -	\$ 1,069
Due to federal & state governments	-	-	-	-	-	-	-	-	-	7,662
Due to other funds	214,680	924	146,983	-	27,899	-	-	4,120	-	2,424
TOTAL LIABILITIES	222,020	924	330,621	-	27,899	18,088	702	4,120	-	11,155
FUND BALANCES										
Non-spendable	-	-	-	-	-	-	-	-	-	-
Restricted	-	-	21,344	-	-	-	9,253	-	9,060	171,955
Committed	-	-	-	-	-	713,493	-	-	-	-
Unassigned	(199,651)	(924)	-	-	(27,899)	-	-	-	-	-
TOTAL FUND BALANCES	(199,651)	(924)	21,344	-	(27,899)	713,493	9,253	-	9,060	171,955
TOTAL LIABILITIES AND FUND BALANCES	\$ 22,369	\$ -	\$ 351,965	\$ -	\$ -	\$ 731,581	\$ 9,955	\$ 4,120	\$ 9,060	\$ 183,110

TOWN OF WEST WARWICK, RHODE ISLAND

EXHIBIT 1 (Continued)

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2018

	<u>SPECIAL REVENUE FUNDS</u>									
	<u>Tower Rent Revolving Fund</u>	<u>Police Detail Car Fund</u>	<u>Police Highway Grant</u>	<u>Assistance to Fire Fighters</u>	<u>Demolition Revolving Fund</u>	<u>Greene Cemetery Fund</u>	<u>LEAP Fund</u>	<u>Recreation Fund</u>	<u>School Restricted Funds</u>	<u>Total Special Revenue Funds</u>
ASSETS										
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 223,525
Restricted cash	-	-	-	-	-	-	-	-	-	-
Prepaid expenses	-	-	-	-	-	-	-	-	-	-
Due from federal & state governments	-	20,895	3,154	-	-	-	-	-	1,004,131	1,471,884
Due from other funds	45,852	151,801	-	813	84,720	-	-	2,040	147,688	1,144,171
TOTAL ASSETS	\$ 45,852	\$ 172,696	\$ 3,154	\$ 813	\$ 84,720	\$ -	\$ -	\$ 2,040	\$ 1,151,819	\$ 2,839,580
LIABILITIES										
Accounts payable and accrued expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 37,207	\$ 253,402
Due to federal & state governments	-	-	-	-	-	-	-	-	-	7,662
Due to other funds	-	-	2,882	-	-	-	22,407	-	962,426	1,384,745
TOTAL LIABILITIES	-	-	2,882	-	-	-	22,407	-	999,633	1,645,809
FUND BALANCES										
Non-spendable	-	-	-	-	-	-	-	-	-	-
Restricted	45,852	-	272	813	84,720	-	-	2,040	152,186	558,463
Committed	-	172,696	-	-	-	-	-	-	-	886,189
Unassigned	-	-	-	-	-	-	(22,407)	-	-	(250,881)
TOTAL FUND BALANCES	45,852	172,696	272	813	84,720	-	(22,407)	2,040	152,186	1,193,771
TOTAL LIABILITIES AND FUND BALANCES	\$ 45,852	\$ 172,696	\$ 3,154	\$ 813	\$ 84,720	\$ -	\$ -	\$ 2,040	\$ 1,151,819	\$ 2,839,580

TOWN OF WEST WARWICK, RHODE ISLAND

EXHIBIT 1 (Concluded)

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2018

	CAPITAL PROJECT FUNDS								Total
	EMS Rescue Fund	School QZAB Bond Fund	Bond Fund	School Fire Code Renovations Fund	School Bond Fund	School Capital Projects Fund	Road Bond Fund	Total Capital Project Funds	Total NonMajor Governmental Funds
ASSETS									
Cash and cash equivalents	\$ 142,214	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 142,214	\$ 365,739
Restricted cash	-	-	-	-	147,782	-	-	147,782	147,782
Prepaid expenses	545,575	-	-	-	-	-	-	545,575	545,575
Due from federal & state governments	-	6,167	-	-	-	-	-	6,167	1,478,051
Due from other funds	897,687	7,419	819,645	44	-	968,467	-	2,693,262	3,837,433
TOTAL ASSETS	\$ 1,585,476	\$ 13,586	\$ 819,645	\$ 44	\$ 147,782	\$ 968,467	\$ -	\$ 3,535,000	\$ 6,374,580
LIABILITIES									
Accounts payable and accrued expenses	\$ 12,257	\$ -	\$ 30,990	\$ -	\$ -	\$ 29,700	\$ -	\$ 72,947	\$ 326,349
Due to federal & state governments	-	-	-	-	-	-	-	-	7,662
Due to other funds	-	6,167	-	-	9,941	-	39,474	55,582	1,440,327
TOTAL LIABILITIES	12,257	6,167	30,990	-	9,941	29,700	39,474	128,529	1,774,338
FUND BALANCES									
Non-spendable	545,575	-	-	-	-	-	-	545,575	545,575
Restricted	-	7,419	788,655	44	137,841	938,767	-	1,872,726	2,431,189
Committed	1,027,644	-	-	-	-	-	-	1,027,644	1,913,833
Unassigned	-	-	-	-	-	-	(39,474)	(39,474)	(290,355)
TOTAL FUND BALANCES	1,573,219	7,419	788,655	44	137,841	938,767	(39,474)	3,406,471	4,600,242
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,585,476	\$ 13,586	\$ 819,645	\$ 44	\$ 147,782	\$ 968,467	\$ -	\$ 3,535,000	\$ 6,374,580

TOWN OF WEST WARWICK, RHODE ISLAND

EXHIBIT 2

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2018**

	SPECIAL REVENUE FUNDS									
	Tricentennial Committee	Benjamin R. Vaughn	JAG Peer to Peer	Brambley Bill Fund	Riverwalk Fund	Open Space Recreation	JAG ARRA Fund	JAG Fund	Meds Contract Fund	Economic Development Revolving Loan Fund
REVENUES:										
Intergovernmental	\$ -	\$ -	\$ 7,630	\$ 34,054	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fees, fines, charges and assessments	-	-	-	-	-	67,500	-	-	-	-
Contributions and grants	-	-	-	-	-	-	-	-	-	-
Other miscellaneous	-	-	-	-	-	-	-	-	-	-
Total revenues	-	-	7,630	34,054	-	67,500	-	-	-	-
EXPENDITURES:										
Current:										
Public safety	-	-	7,591	37,140	-	-	-	-	-	-
Public services	-	-	-	-	-	-	-	-	-	-
Library	-	-	-	-	-	-	-	-	-	-
Education	-	-	-	-	-	-	-	-	-	-
Public assistance, development, & recreation	-	-	-	-	-	4,080	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-	-	-
Capital outlays	-	-	-	-	-	-	-	-	-	-
Total expenditures	-	-	7,591	37,140	-	4,080	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	-	-	39	(3,086)	-	63,420	-	-	-	-
OTHER FINANCING SOURCES										
Issuance of bonds, notes and lease purchase obligations	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-
Total other financing sources	-	-	-	-	-	-	-	-	-	-
Net change in fund balances	-	-	39	(3,086)	-	63,420	-	-	-	-
Fund balances, beginning of year	1,012	1,105	394	9,704	10,124	(40,808)	5,699	3,534	3,966	5,865
Fund balances, end of year	\$ 1,012	\$ 1,105	\$ 433	\$ 6,618	\$ 10,124	\$ 22,612	\$ 5,699	\$ 3,534	\$ 3,966	\$ 5,865

TOWN OF WEST WARWICK, RHODE ISLAND

EXHIBIT 2 (Continued)

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2018

	SPECIAL REVENUE FUNDS									
	Library Grants	Homeland Security	Community Development Block Grant	Annie Livsey Fund	Stormwater Utility Grant Fund	Revolving Fund	Animal Shelter Fund	Bulletproof Vest Partnership Fund	DARE Fund	Drug Evidence Fund
REVENUES:										
Intergovernmental	\$ 188,897	\$ -	\$ 499,276	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fees, fines, charges and assessments	18,000	-	-	-	-	765,705	2,472	-	-	138,351
Contributions and grants	18,754	-	-	9,843	78,000	3,000	1,676	825	-	-
Other miscellaneous	-	-	-	-	-	-	-	-	1,825	-
Total revenues	225,651	-	499,276	9,843	78,000	768,705	4,148	825	1,825	138,351
EXPENDITURES:										
Current:										
Public safety	-	-	-	-	-	635,196	10,481	1,099	-	73,936
Public services	-	-	-	9,843	-	-	-	-	-	-
Library	219,062	-	-	-	-	-	-	-	-	-
Education	-	-	-	-	-	-	-	-	-	-
Public assistance, development, & recreation	-	-	222,764	-	-	-	-	-	937	-
Debt Service	-	-	-	-	-	-	-	-	-	-
Capital outlays	-	-	249,271	-	2,052	-	-	-	-	56,844
Total expenditures	219,062	-	472,035	9,843	2,052	635,196	10,481	1,099	937	130,780
Excess (deficiency) of revenues over (under) expenditures	6,589	-	27,241	-	75,948	133,509	(6,333)	(274)	888	7,571
OTHER FINANCING SOURCES										
Issuance of bonds, notes and lease purchase obligations	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-
Total other financing sources	-	-	-	-	-	-	-	-	-	-
Net change in fund balances	6,589	-	27,241	-	75,948	133,509	(6,333)	(274)	888	7,571
Fund balances, beginning of year	(206,240)	(924)	(5,897)	-	(103,847)	579,984	15,586	274	8,172	164,384
Fund balances, end of year	\$ (199,651)	\$ (924)	\$ 21,344	\$ -	\$ (27,899)	\$ 713,493	\$ 9,253	\$ -	\$ 9,060	\$ 171,955

TOWN OF WEST WARWICK, RHODE ISLAND

EXHIBIT 2 (Continued)

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2018**

	SPECIAL REVENUE FUNDS									
	Tower Rent Revolving Fund	Police Detail Car Fund	Police Highway Grant	Assistance to Fire Fighters	Demolition Revolving Fund	Greene Cemetery Fund	LEAP Fund	Recreation Fund	School Restricted Funds	Total Special Revenue Funds
REVENUES:										
Intergovernmental	\$ -	\$ -	\$ 8,227	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,314,274	\$ 3,052,358
Fees, fines, charges and assessments	-	120,372	-	-	16,085	-	-	-	-	1,128,485
Contributions and grants	-	-	-	-	-	600	-	-	162,556	275,254
Other miscellaneous	-	-	-	-	-	-	-	-	3,724	5,549
Total revenues	-	120,372	8,227	-	16,085	600	-	-	2,480,554	4,461,646
EXPENDITURES:										
Current:										
Public safety	-	18,529	265	-	-	-	-	-	-	784,237
Public services	-	-	-	-	-	-	-	-	-	9,843
Library	-	-	-	-	-	-	-	-	-	219,062
Education	-	-	-	-	-	-	-	-	2,393,335	2,393,335
Public assistance, development, & recreation	-	-	-	-	-	600	-	210	-	228,591
Debt Service	-	-	-	-	-	-	-	-	-	-
Capital outlays	-	27,783	-	-	-	-	-	-	50,854	386,804
Total expenditures	-	46,312	265	-	-	600	-	210	2,444,189	4,021,872
Excess (deficiency) of revenues over (under) expenditures	-	74,060	7,962	-	16,085	-	-	(210)	36,365	439,774
OTHER FINANCING SOURCES										
Issuance of bonds, notes and lease purchase obligations	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-
Total other financing sources	-	-	-	-	-	-	-	-	-	-
Net change in fund balances	-	74,060	7,962	-	16,085	-	-	(210)	36,365	439,774
Fund balances, beginning of year	45,852	98,636	(7,690)	813	68,635	-	(22,407)	2,250	115,821	753,997
Fund balances, end of year	\$ 45,852	\$ 172,696	\$ 272	\$ 813	\$ 84,720	\$ -	\$ (22,407)	\$ 2,040	\$ 152,186	\$ 1,193,771

TOWN OF WEST WARWICK, RHODE ISLAND

EXHIBIT 2 (Concluded)

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2018**

	CAPITAL PROJECT FUNDS								Total NonMajor Governmental Funds
	EMS Rescue Fund	School QZAB Bond Fund	Bond Fund	School Fire Code Renovations Fund	School Bond Fund	School Capital Projects Fund	Road Bond Fund	Total Capital Project Funds	
REVENUES:									
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,052,358
Fees, fines, charges and assessments	530,980	-	-	-	-	-	-	530,980	1,659,465
Contributions and grants	-	-	-	-	-	-	-	-	275,254
Other miscellaneous	-	-	-	-	-	-	-	-	5,549
Total revenues	530,980	-	-	-	-	-	-	530,980	4,992,626
EXPENDITURES:									
Current:									
Public safety	-	-	-	-	-	-	-	-	784,237
Public services	-	-	-	-	-	-	-	-	9,843
Library	-	-	-	-	-	-	-	-	219,062
Education	-	-	-	-	-	-	-	-	2,393,335
Public assistance, development, & recreation	-	-	-	-	-	-	-	-	228,591
Debt Service	173,152	-	-	-	-	-	-	173,152	173,152
Capital outlays	-	-	219,408	-	454,011	151,924	-	825,343	1,212,147
Total expenditures	173,152	-	219,408	-	454,011	151,924	-	998,495	5,020,367
Excess (deficiency) of revenues over (under) expenditures	357,828	-	(219,408)	-	(454,011)	(151,924)	-	(467,515)	(27,741)
OTHER FINANCING SOURCES									
Issuance of bonds, notes and lease purchase obligations	545,575	-	-	-	-	-	-	545,575	545,575
Transfers in	-	-	-	-	-	1,039,800	-	1,039,800	1,039,800
Total other financing sources	545,575	-	-	-	-	1,039,800	-	1,585,375	1,585,375
Net change in fund balances	903,403	-	(219,408)	-	(454,011)	887,876	-	1,117,860	1,557,634
Fund balances, beginning of year	669,816	7,419	1,008,063	44	591,852	50,891	(39,474)	2,288,611	3,042,608
Fund balances, end of year	\$ 1,573,219	\$ 7,419	\$ 788,655	\$ 44	\$ 137,841	\$ 938,767	\$ (39,474)	\$ 3,406,471	\$ 4,600,242

TOWN OF WEST WARWICK, RHODE ISLAND

EXHIBIT 3

*Combining Balance Sheet
School Restricted Funds
Reported As NonMajor Governmental Funds
June 30, 2018*

SPECIAL REVENUE FUNDS

	<u>IDEA</u>	<u>Title I</u>	<u>Title II</u>	<u>Title III</u>	<u>Title IV</u>	<u>Perkins</u>	<u>FFVP</u>
ASSETS							
Due from federal & state governments	\$ 399,959	\$ 419,901	\$ 99,191	\$ 4,368	\$ 16,092	\$ 41,341	\$ 13,407
Due from other funds	-	-	-	-	-	-	-
TOTAL ASSETS	<u>\$ 399,959</u>	<u>\$ 419,901</u>	<u>\$ 99,191</u>	<u>\$ 4,368</u>	<u>\$ 16,092</u>	<u>\$ 41,341</u>	<u>\$ 13,407</u>
LIABILITIES							
Accounts payable and accrued expenditures	\$ 11,781	\$ 3,004	\$ 17,511	\$ 3,491	\$ 668	\$ -	\$ -
Due to other funds	388,178	416,897	81,680	877	15,424	41,341	13,407
TOTAL LIABILITIES	<u>399,959</u>	<u>419,901</u>	<u>99,191</u>	<u>4,368</u>	<u>16,092</u>	<u>41,341</u>	<u>13,407</u>
FUND BALANCES							
Restricted	-	-	-	-	-	-	-
TOTAL FUND BALANCES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 399,959</u>	<u>\$ 419,901</u>	<u>\$ 99,191</u>	<u>\$ 4,368</u>	<u>\$ 16,092</u>	<u>\$ 41,341</u>	<u>\$ 13,407</u>

TOWN OF WEST WARWICK, RHODE ISLAND

EXHIBIT 3 (Continued)

Combining Balance Sheet
 School Restricted Funds
 Reported as NonMajor Governmental Funds
 June 30, 2018

	SPECIAL REVENUE FUNDS						
	RI Emergency Management	ARRA Energy EECBG	State Grants	RISCA Hands on History of Pottery	Big Yellow School Bus	Federal RI Council of Humanities	CTE Categorical Fund
ASSETS							
Due from federal & state governments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other funds	311	1,162	3,649	240	1,419	1,959	131
TOTAL ASSETS	\$ 311	\$ 1,162	\$ 3,649	\$ 240	\$ 1,419	\$ 1,959	\$ 131
LIABILITIES							
Accounts payable and accrued expenditures	\$ -	\$ -	\$ -	\$ -	\$ 346	\$ -	\$ -
Due to other funds	-	-	-	-	-	-	-
TOTAL LIABILITIES	-	-	-	-	346	-	-
FUND BALANCES							
Restricted	311	1,162	3,649	240	1,073	1,959	131
TOTAL FUND BALANCES	311	1,162	3,649	240	1,073	1,959	131
TOTAL LIABILITIES AND FUND BALANCES	\$ 311	\$ 1,162	\$ 3,649	\$ 240	\$ 1,419	\$ 1,959	\$ 131

TOWN OF WEST WARWICK, RHODE ISLAND

EXHIBIT 3 (Continued)

Combining Balance Sheet
School Restricted Funds
Reported as NonMajor Governmental Funds
June 30, 2018

	<u>SPECIAL REVENUE FUNDS</u>					
	<u>Champlin Grant</u>	<u>Nordson Corporation Grant</u>	<u>Corporate Grants</u>	<u>Private Grants</u>	<u>Google Donations</u>	<u>English Learner Categorical</u>
ASSETS						
Due from federal & state governments	\$ -	\$ -	\$ 5,250	\$ -	\$ -	\$ 4,622
Due from other funds	78	473	64,861	38,815	935	-
TOTAL ASSETS	<u>\$ 78</u>	<u>\$ 473</u>	<u>\$ 70,111</u>	<u>\$ 38,815</u>	<u>\$ 935</u>	<u>\$ 4,622</u>
LIABILITIES						
Accounts payable and accrued expenditures	\$ -	\$ -	\$ 400	\$ 6	\$ -	\$ -
Due to other funds	-	-	-	-	-	4,622
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>400</u>	<u>6</u>	<u>-</u>	<u>4,622</u>
FUND BALANCES						
Restricted	78	473	69,711	38,809	935	-
TOTAL FUND BALANCES	<u>78</u>	<u>473</u>	<u>69,711</u>	<u>38,809</u>	<u>935</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 78</u>	<u>\$ 473</u>	<u>\$ 70,111</u>	<u>\$ 38,815</u>	<u>\$ 935</u>	<u>\$ 4,622</u>

TOWN OF WEST WARWICK, RHODE ISLAND

EXHIBIT 3 (Concluded)

Combining Balance Sheet
School Restricted Funds
Reported as NonMajor Governmental Funds
June 30, 2018

	<u>SPECIAL REVENUE FUNDS</u>						
	<u>DMS Play</u>	<u>RI Learning Champions</u>	<u>RI Foundation Spark Reading Grant</u>	<u>Pre-School</u>	<u>Summer School</u>		<u>Total School Restricted Funds</u>
ASSETS							
Due from federal & state governments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,004,131
Due from other funds	2,183	-	344	18,028	13,100		147,688
TOTAL ASSETS	<u>\$ 2,183</u>	<u>\$ -</u>	<u>\$ 344</u>	<u>\$ 18,028</u>	<u>\$ 13,100</u>		<u>\$ 1,151,819</u>
LIABILITIES							
Accounts payable and accrued expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 37,207
Due to other funds	-	-	-	-	-		962,426
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>		<u>999,633</u>
FUND BALANCES							
Restricted	2,183	-	344	18,028	13,100		152,186
TOTAL FUND BALANCES	<u>2,183</u>	<u>-</u>	<u>344</u>	<u>18,028</u>	<u>13,100</u>		<u>152,186</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,183</u>	<u>\$ -</u>	<u>\$ 344</u>	<u>\$ 18,028</u>	<u>\$ 13,100</u>		<u>\$ 1,151,819</u>

TOWN OF WEST WARWICK, RHODE ISLAND

EXHIBIT 4

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 School Restricted Funds
 Reported As NonMajor Governmental Funds
 For the Year Ended June 30, 2018

SPECIAL REVENUE FUNDS

	<u>IDEA</u>	<u>Title I</u>	<u>Title II</u>	<u>Title III</u>	<u>Title IV</u>	<u>Perkins</u>	<u>FFVP</u>
REVENUES:							
Intergovernmental	\$ 994,114	\$ 972,537	\$ 215,963	\$ 9,700	\$ 16,092	\$ 41,341	\$ 56,570
Contributions and grants	-	-	-	-	-	-	-
Other miscellaneous	-	-	-	-	-	-	-
Total revenues	994,114	972,537	215,963	9,700	16,092	41,341	56,570
EXPENDITURES:							
Salaries	655,967	621,694	137,080	7,188	3,665	6,399	-
Employee benefits	283,367	224,497	61,753	541	279	466	-
Purchased services	28,883	124,841	16,440	1,518	12,004	-	56,570
Supplies and materials	6,719	1,505	-	108	144	13,475	-
Other expenses	-	-	690	345	-	-	-
Capital outlays	19,178	-	-	-	-	21,001	-
Total expenditures	994,114	972,537	215,963	9,700	16,092	41,341	56,570
Net change in fund balances	-	-	-	-	-	-	-
Fund balances, beginning of year	-	-	-	-	-	-	-
Fund balances, end of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

TOWN OF WEST WARWICK, RHODE ISLAND

EXHIBIT 4 (Continued)

*Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
School Restricted Funds
Reported As NonMajor Governmental Funds
For the Year Ended June 30, 2018*

	SPECIAL REVENUE FUNDS						
	<u>RI Emergency Management</u>	<u>ARRA Energy EECBG</u>	<u>State Grants</u>	<u>RISCA Hands on History of Pottery</u>	<u>Big Yellow School Bus</u>	<u>Federal RI Council of Humanities</u>	<u>CTE Categorical Fund</u>
REVENUES:							
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ 800	\$ -	\$ -
Contributions and grants	-	-	-	-	-	-	-
Other miscellaneous	-	-	-	-	-	-	-
Total revenues	-	-	-	-	800	-	-
EXPENDITURES:							
Salaries	-	-	-	-	-	-	-
Employee benefits	-	-	-	-	-	-	-
Purchased services	-	-	-	-	345	-	-
Supplies and materials	-	-	-	-	-	-	6,640
Other expenses	-	-	-	-	-	-	-
Capital outlays	-	-	-	-	-	-	9,451
Total expenditures	-	-	-	-	345	-	16,091
Net change in fund balances	-	-	-	-	455	-	(16,091)
Fund balances, beginning of year	311	1,162	3,649	240	618	1,959	16,222
Fund balances, end of year	\$ 311	\$ 1,162	\$ 3,649	\$ 240	\$ 1,073	\$ 1,959	\$ 131

TOWN OF WEST WARWICK, RHODE ISLAND

EXHIBIT 4 (Continued)

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
School Restricted Funds
Reported As NonMajor Governmental Funds
For the Year Ended June 30, 2018**

	SPECIAL REVENUE FUNDS					
	<u>Champlin Grant</u>	<u>Nordson Corporation Grant</u>	<u>Corporate Grants</u>	<u>Private Grants</u>	<u>Google Donations</u>	<u>English Learner Categorical</u>
REVENUES:						
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,038
Contributions and grants	-	-	158,556	4,000	-	-
Other miscellaneous	-	-	-	-	-	-
Total revenues	-	-	158,556	4,000	-	6,038
EXPENDITURES:						
Salaries	-	-	5,509	1,972	-	4,182
Employee benefits	-	-	335	148	-	313
Purchased services	-	-	97,274	-	-	1,509
Supplies and materials	-	-	5,762	769	-	-
Other expenses	-	-	175	288	-	34
Capital outlays	-	-	1,224	-	-	-
Total expenditures	-	-	110,279	3,177	-	6,038
Net change in fund balances	-	-	48,277	823	-	-
Fund balances, beginning of year	78	473	21,434	37,986	935	-
Fund balances, end of year	\$ 78	\$ 473	\$ 69,711	\$ 38,809	\$ 935	\$ -

TOWN OF WEST WARWICK, RHODE ISLAND

EXHIBIT 4 (Concluded)

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
School Restricted Funds
Reported As NonMajor Governmental Funds
For the Year Ended June 30, 2018**

	SPECIAL REVENUE FUNDS						
	<u>DMS Play</u>	<u>RI Learning Champions</u>	<u>RI Foundation Spark Reading Grant</u>	<u>Pre-School</u>	<u>Summer School</u>		<u>Total School Restricted Funds</u>
REVENUES:							
Intergovernmental	\$ -	\$ 1,119	\$ -	\$ -	\$ -	\$ -	\$ 2,314,274
Contributions and grants	-	-	-	-	-	-	162,556
Other miscellaneous	-	-	-	3,574	150	-	3,724
Total revenues	-	1,119	-	3,574	150	-	2,480,554
EXPENDITURES:							
Salaries	-	1,040	-	-	-	-	1,444,696
Employee benefits	-	79	-	-	-	-	571,778
Purchased services	-	-	-	290	-	-	339,674
Supplies and materials	-	-	-	533	-	-	35,655
Other expenses	-	-	-	-	-	-	1,532
Capital outlays	-	-	-	-	-	-	50,854
Total expenditures	-	1,119	-	823	-	-	2,444,189
Net change in fund balances	-	-	-	2,751	150	-	36,365
Fund balances, beginning of year	2,183	-	344	15,277	12,950	-	115,821
Fund balances, end of year	\$ 2,183	\$ -	\$ 344	\$ 18,028	\$ 13,100	\$ -	\$ 152,186

TOWN OF WEST WARWICK, RHODE ISLAND

EXHIBIT 5

*Statement of Changes in Assets and Liabilities
Agency Funds
June 30, 2018*

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<u>Student Activity Funds</u>				
ASSETS:				
Cash	\$ 192,415	\$ 328,464	\$ 326,250	\$ 194,629
TOTAL ASSETS	<u>\$ 192,415</u>	<u>\$ 328,464</u>	<u>\$ 326,250</u>	<u>\$ 194,629</u>
LIABILITIES:				
Deposits held in custody for others	\$ 192,415	\$ 328,464	\$ 326,250	\$ 194,629
TOTAL LIABILITIES	<u>\$ 192,415</u>	<u>\$ 328,464</u>	<u>\$ 326,250</u>	<u>\$ 194,629</u>
<u>Centennial Scholarship Fund</u>				
ASSETS				
Other receivables	\$ -	\$ 40,000	\$ -	\$ 40,000
TOTAL ASSETS	<u>\$ -</u>	<u>\$ 40,000</u>	<u>\$ -</u>	<u>\$ 40,000</u>
LIABILITIES:				
Deposits held in custody for others	\$ -	\$ 40,000	\$ -	\$ 40,000
TOTAL LIABILITIES	<u>\$ -</u>	<u>\$ 40,000</u>	<u>\$ -</u>	<u>\$ 40,000</u>
<u>Total - All Agency Funds</u>				
ASSETS:				
Cash	\$ 192,415	\$ 328,464	\$ 326,250	\$ 194,629
Other receivables	-	40,000	-	40,000
TOTAL ASSETS	<u>\$ 192,415</u>	<u>\$ 368,464</u>	<u>\$ 326,250</u>	<u>\$ 234,629</u>
LIABILITIES				
Deposits held in custody for others	\$ 192,415	\$ 368,464	\$ 326,250	\$ 234,629
TOTAL LIABILITIES	<u>\$ 192,415</u>	<u>\$ 368,464</u>	<u>\$ 326,250</u>	<u>\$ 234,629</u>

TOWN OF WEST WARWICK

OTHER EXHIBITS

Town of West Warwick
Annual Supplemental Transparency Report (MTP2)
Fiscal Year Ended June 30, 2018

<u>REVENUE</u>	<u>Municipal</u>	<u>Education Department</u>
Current Year Levy Tax Collection	\$ 62,332,281	\$ -
Last Year's Levy Tax Collection	1,353,220	-
Prior Years Property Tax Collection	110,302	-
Interest & Penalty	533,414	-
PILOT & Tax Treaty (excluded from levy) Collection	59,843	-
Other Local Property Taxes	134,985	-
Licenses and Permits	1,225,316	-
Fines and Forfeitures	10,000	-
Investment Income	68,392	-
Departmental	560,362	-
Rescue Run Revenue	994,035	-
Police & Fire Detail	857,758	-
Other Local Non-Property Tax Revenues	31,319	-
Tuition	-	19,486
Impact Aid	-	-
Medicaid	-	747,040
Federal Stabilization Funds	-	-
Federal Food Service Reimbursement	-	1,004,012
CDBG	69,722	-
COPS Grants	8,455	-
SAFER Grants	8,227	-
Other Federal Aid Funds	75,000	2,306,317
MV Excise Tax Reimbursement & Phase-out	777,694	-
State PILOT Program	-	-
Distressed Community Relief Fund	924,370	-
Library Resource Aid	-	-
Library Construction Aid	-	-
Public Service Corporation Tax	363,946	-
Meals & Beverage Tax / Hotel Tax	545,457	-
LEA Aid	-	24,313,144
Group Home	-	-
Housing Aid Capital Projects	-	-
Housing Aid Bonded Debt	1,102,974	-
State Food Service Revenue	-	20,431
Incentive Aid	-	-
Property Revaluation Reimbursement	-	-
Other State Revenue	-	7,957
Other Revenue	-	739,365
Local Appropriation for Education	-	31,557,516
Regional Appropriation for Education	-	-
Supplemental Appropriation for Education	-	-
Regional Supplemental Appropriation for Education	-	-
Other Education Appropriation	-	-
Rounding	-	-
Total Revenue	\$ 72,147,073	\$ 60,715,268
Financing Sources: Transfer from Capital Funds	\$ -	\$ -
Financing Sources: Transfer from Other Funds	-	-
Financing Sources: Debt Proceeds	6,890,000	-
Financing Sources: Other	-	-
Rounding	-	-
Total Other Financing Sources	\$ 6,890,000	\$ -

Town of West Warwick
Annual Supplemental Transparency Report (MTP2)
Fiscal Year Ended June 30, 2018

<u>EXPENDITURES</u>	General Government	Finance	Social Services	Centralized IT	Planning	Libraries	Public Works	Parks and Rec	Police Department
Compensation- Group A	\$ 815,903	\$ 596,407	\$ -	\$ -	\$ 72,894	\$ 461,570	\$ 1,298,771	\$ 114,301	\$ 3,595,074
Compensation - Group B	-	-	-	-	-	-	-	-	279,759
Compensation - Group C	-	-	-	-	-	-	-	-	-
Compensation -Volunteer	-	-	-	-	-	-	-	-	-
Overtime- Group A	4,217	11,675	-	-	-	-	171,381	51,214	771,879
Overtime - Group B	-	-	-	-	-	-	-	-	207,814
Overtime - Group C	-	-	-	-	-	-	-	-	-
Police & Fire Detail	-	-	-	-	-	-	-	-	673,709
Active Medical Insurance - Group A	184,525	140,340	-	-	-	59,208	378,337	30,434	632,996
Active Medical Insurance- Group B	-	-	-	-	-	-	-	-	170,422
Active Medical Insurance- Group C	-	-	-	-	-	-	-	-	-
Active Dental insurance- Group A	13,428	11,669	-	-	1,186	3,200	30,565	2,480	46,963
Active Dental Insurance- Group B	-	-	-	-	-	-	-	-	12,644
Active Dental Insurance- Group C	-	-	-	-	-	-	-	-	-
Payroll Taxes	99,622	44,745	-	-	5,467	33,476	107,769	12,363	380,884
Life Insurance	1,778	1,725	-	-	355	572	3,471	331	17,790
State Defined Contribution- Group A	-	-	-	-	-	-	-	-	-
State Defined Contribution - Group B	-	-	-	-	-	-	-	-	-
State Defined Contribution - Group C	-	-	-	-	-	-	-	-	-
Other Benefits- Group A	933,152	2,100	-	-	-	1,000	6,300	600	281,108
Other Benefits- Group B	-	-	-	-	-	-	-	-	-
Other Benefits- Group C	-	-	-	-	-	-	-	-	-
Local Defined Benefit Pension- Group A	633,249	317,614	-	-	31,594	40,249	954,076	32,141	2,137,657
Local Defined Benefit Pension - Group B	-	-	-	-	-	-	-	-	504,043
Local Defined Benefit Pension - Group C	-	-	-	-	-	-	-	-	-
State Defined Benefit Pension- Group A	-	-	-	-	-	-	-	-	-
State Defined Benefit Pension - Group B	-	-	-	-	-	-	-	-	-
State Defined Benefit Pension - Group C	-	-	-	-	-	-	-	-	-
Other Defined Benefit / Contribution	28,028	16,946	-	-	4,951	4,095	-	-	-
Purchased Services	490,250	56,546	-	-	6,330	16,376	66,659	-	34,878
Materials/Supplies	34,624	50,080	-	-	122	-	94,920	71,573	37,716
Software Licenses	12,281	32,584	-	-	-	-	-	-	25,973
Capital Outlays	49,595	-	-	-	-	2,136	14,000	-	83,746
Insurance	526,576	-	-	-	-	-	-	-	-
Maintenance	21,851	-	-	-	-	12,621	-	-	4,602
Vehicle Operations	-	-	-	-	-	-	191,316	-	66,207
Utilities	125,780	-	-	-	-	57,887	-	-	95,660
Contingency	-	-	-	-	-	-	-	-	-
Street Lighting	-	-	-	-	-	-	92,426	-	-
Revaluation	-	-	-	-	-	-	-	-	-
Snow Removal-Raw Material & External Contracts	-	-	-	-	-	-	104,952	-	-
Trash Removal & Recycling	-	-	-	-	-	-	1,259,983	-	-
Claims & Settlements	4,227	-	-	-	-	-	-	-	-
Community Support	15,468	-	-	-	-	-	-	-	-
Other Operation Expenditures	115,719	7,780	213,000	-	43,169	4,500	581,059	3,999	76,066
Local Appropriation for Education	-	-	-	-	-	-	-	-	-
Regional Appropriation for Education	-	-	-	-	-	-	-	-	-
Supplemental Appropriation for Education	-	-	-	-	-	-	-	-	-
Regional Supplemental Appropriation for Education	-	-	-	-	-	-	-	-	-
Other Education Appropriation	-	-	-	-	-	-	-	-	-
Municipal Debt- Principal	-	-	-	-	-	-	-	-	-
Municipal Debt- Interest	-	-	-	-	-	-	-	-	-
School Debt- Principal	-	-	-	-	-	-	-	-	-
School Debt- Interest	-	-	-	-	-	-	-	-	-
Retiree Medical Insurance- Total	-	-	-	-	-	-	-	-	-
Retiree Dental Insurance- Total	-	-	-	-	-	-	-	-	-
OPEB Contribution- Total	-	-	-	-	-	-	-	-	-
Non-Qualified OPEB Trust Contribution	-	-	-	-	-	-	-	-	-
Rounding	-	-	-	-	-	-	-	-	-
Total Expenditures	\$ 4,110,273	\$ 1,290,211	\$ 213,000	\$ -	\$ 166,068	\$ 696,890	\$ 5,355,985	\$ 319,437	\$ 10,137,588

Town of West Warwick
Annual Supplemental Transparency Report (MTP2)
Fiscal Year Ended June 30, 2018

EXPENDITURES	Fire Department	Centralized Dispatch	Public Safety Other	Education Appropriation	Debt	OPEB	Total Municipal	Education Department
Compensation- Group A	\$ 4,518,693	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,473,613	\$ 25,574,331
Compensation - Group B	147,669	-	-	-	-	-	427,428	2,246,274
Compensation - Group C	-	-	-	-	-	-	-	4,978,506
Compensation -Volunteer	-	-	-	-	-	-	-	-
Overtime- Group A	1,204,504	-	-	-	-	-	2,214,870	-
Overtime - Group B	127,750	-	-	-	-	-	335,564	-
Overtime - Group C	-	-	-	-	-	-	-	131,474
Police & Fire Detail	12,755	-	-	-	-	-	686,464	-
Active Medical Insurance- Group A	924,072	-	-	-	-	-	2,349,912	4,551,966
Active Medical Insurance- Group B	98,008	-	-	-	-	-	268,430	278,369
Active Medical Insurance- Group C	-	-	-	-	-	-	-	1,687,528
Active Dental insurance- Group A	70,369	-	-	-	-	-	179,860	304,562
Active Dental Insurance- Group B	7,463	-	-	-	-	-	20,107	21,766
Active Dental Insurance- Group C	-	-	-	-	-	-	-	114,902
Payroll Taxes	465,047	-	340	-	-	-	1,149,715	2,467,036
Life Insurance	26,986	-	-	-	-	-	53,008	319,692
State Defined Contribution- Group A	-	-	-	-	-	-	-	137,626
State Defined Contribution - Group B	-	-	-	-	-	-	-	10,433
State Defined Contribution - Group C	-	-	-	-	-	-	-	-
Other Benefits- Group A	166,229	-	-	-	-	-	1,390,489	235,823
Other Benefits- Group B	-	-	-	-	-	-	-	44,612
Other Benefits- Group C	-	-	-	-	-	-	-	102,072
Local Defined Benefit Pension- Group A	2,400,882	-	-	-	-	-	6,547,463	40,382
Local Defined Benefit Pension - Group B	229,791	-	-	-	-	-	733,834	79,449
Local Defined Benefit Pension - Group C	-	-	-	-	-	-	-	1,363,473
State Defined Benefit Pension- Group A	-	-	-	-	-	-	-	3,400,184
State Defined Benefit Pension - Group B	-	-	-	-	-	-	-	249,016
State Defined Benefit Pension - Group C	-	-	-	-	-	-	-	-
Other Defined Benefit / Contribution	-	-	-	-	-	-	54,020	-
Purchased Services	89,126	-	-	-	-	-	760,166	7,759,840
Materials/Supplies	43,717	-	-	-	-	-	332,751	782,574
Software Licenses	8,101	-	-	-	-	-	78,939	121,667
Capital Outlays	51,132	-	-	-	-	-	200,608	918,677
Insurance	-	-	-	-	-	-	526,576	205,698
Maintenance	-	-	-	-	-	-	39,074	275,085
Vehicle Operations	124,393	-	-	-	-	-	381,915	10,353
Utilities	564,114	-	-	-	-	-	843,441	827,800
Contingency	-	-	-	-	-	-	-	-
Street Lighting	-	-	-	-	-	-	92,426	-
Revaluation	-	-	-	-	-	-	-	-
Snow Removal-Raw Material & External Contracts	-	-	-	-	-	-	104,952	-
Trash Removal & Recycling	-	-	-	-	-	-	1,259,983	-
Claims & Settlements	-	-	-	-	-	-	4,227	7,500
Community Support	-	-	-	-	-	-	15,468	-
Other Operation Expenditures	62,744	-	1,055	-	-	-	1,109,091	250,149
Local Appropriation for Education	-	-	-	31,557,516	-	-	31,557,516	-
Regional Appropriation for Education	-	-	-	-	-	-	-	-
Supplemental Appropriation for Education	-	-	-	-	-	-	-	-
Regional Supplemental Appropriation for Education	-	-	-	-	-	-	-	-
Other Education Appropriation	-	-	-	-	-	-	-	-
Municipal Debt- Principal	-	-	-	-	1,555,596	-	1,555,596	-
Municipal Debt- Interest	-	-	-	-	465,499	-	465,499	-
School Debt- Principal	-	-	-	-	1,115,000	-	1,115,000	-
School Debt- Interest	-	-	-	-	301,342	-	301,342	-
Retiree Medical Insurance- Total	-	-	-	-	-	-	-	-
Retiree Dental Insurance- Total	-	-	-	-	-	-	-	-
OPEB Contribution- Total	-	-	-	-	-	2,357,551	2,357,551	1,197,794
Non-Qualified OPEB Trust Contribution	-	-	-	-	-	-	-	-
Rounding	-	-	-	-	-	-	-	-
Total Expenditures	\$ 11,343,546	\$ -	\$ 1,395	\$ 31,557,516	\$ 3,437,437	\$ 2,357,551	\$ 70,986,898	\$ 60,696,613

Financing Uses: Transfer to Capital Funds	\$ -	\$ -
Financing Uses: Transfer to Other Funds	-	-
Financing Uses: Payment to Bond Escrow Agent	6,835,430	-
Financing Uses: Other	-	-
Total Other Financing Uses	\$ 6,835,430	\$ -
Net Change in Fund Balance¹	1,214,745	18,655
Fund Balance1- beginning of year	\$ 2,963,484	\$ 6,198,838
Funds removed from Reportable Government Services (RGS)	-	-
Funds added to Reportable Government Services (RGS)	579,984	-
Prior period adjustments	-	-
Misc. Adjustment	-	(19,475)
Fund Balance¹ - beginning of year adjusted	3,543,468	6,179,363
Rounding	-	-
Fund Balance¹ - end of year	\$ 4,758,213	\$ 6,198,018

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

Town of West Warwick
 Combining Schedule of
 Reportable Government Services with
 Reconciliation to MTP2
 Municipal
 Fiscal Year Ended June 30, 2018

Per Audited Fund Financial Statements Fund Description	Total Revenue	Total Other Financing Sources	Total Expenditures	Total Other Financing Uses	Net Change in Fund Balance ¹	Beginning Fund Fund Balance ¹ (Deficit)	Prior Period Adjustment	Restated Beginning Fund Balance ¹ (Deficit)	Ending Fund Balance ¹ (Deficit)
Fund Balance¹ - per MTP-2 at June 30, 2017						\$ 2,963,484		\$ 2,963,484	
<i>Revolving fund (800) added to RGS for fiscal year 2018</i>						579,984		579,984	
<i>No misc. adjustments made for fiscal 2017</i>						-		-	
<i>No funds removed from RGS for fiscal 2017</i>						-		-	
Fund Balance¹ - per MTP-2 at June 30, 2017 adjusted						<u>\$ 3,543,468</u>		<u>\$ 3,543,468</u>	
General Fund (100)	\$ 71,103,197	\$ 6,890,000	\$ 38,669,194	\$ 38,548,619	\$ 775,384	\$ 567,955	\$ -	\$ 567,955	\$ 1,343,339
Debt Service Fund (190)	68,392	155,673	-	-	224,065	2,303,915	-	2,303,915	2,527,980
Police Highway Grant Fund (419)	8,227	-	266	-	7,961	(7,690)	-	(7,690)	271
JAG Peer to Peer Fund (455)	7,630	-	7,591	-	39	394	-	394	433
Bulletproof Vest Partnership Fund (474)	825	-	1,099	-	(274)	274	-	274	-
CDBG Community Development (606)	499,276	-	472,034	-	27,242	(5,897)	-	(5,897)	21,345
Revolving Fund (800)	768,705	-	635,195	-	133,510	579,984	-	579,984	713,494
Police Detail Car fund (805)	120,372	-	46,312	-	74,060	98,636	-	98,636	172,696
Totals per audited financial statements	<u>\$ 72,576,624</u>	<u>\$ 7,045,673</u>	<u>\$ 39,831,691</u>	<u>\$ 38,548,619</u>	<u>\$ 1,241,987</u>	<u>\$ 3,537,571</u>	<u>\$ -</u>	<u>\$ 3,537,571</u>	<u>\$ 4,779,558</u>
Reconciliation from financial statements to MTP2									
Reclassify transfer of municipal appropriation to Education Department as on state report.	\$ -	\$ -	\$ 31,557,516	\$ (31,557,516)	\$ -	\$ -	\$ -	\$ -	\$ -
Program activity in CDBG Funds that are not reported on the MTP2 because they are for program revenues & expenses and not for administration.	(429,551)	-	(402,310)	-	(27,241)	5,897	-	5,897	(21,344)
Reclassify transfer of municipal appropriation for Electricity to Energy fund	-	-	-	-	-	-	-	-	-
Reclassify proceeds from refunding bonds	-	-	-	-	-	-	-	-	-
Reclassify transfer of appropriation to Debt Service Sinking Fund.	-	(155,673)	-	(155,673)	-	-	-	-	-
Rounding	-	-	1	-	(1)	-	-	-	(1)
Totals Per MTP2	<u>\$ 72,147,073</u>	<u>\$ 6,890,000</u>	<u>\$ 70,986,898</u>	<u>\$ 6,835,430</u>	<u>\$ 1,214,745</u>	<u>\$ 3,543,468</u>	<u>\$ -</u>	<u>\$ 3,543,468</u>	<u>\$ 4,758,213</u>

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

Town of West Warwick
Combining Schedule of
Reportable Government Services with
Reconciliation to MTP2
Education Department
Fiscal Year Ended June 30, 2018

Per Audited Fund Financial Statements Fund Description	Total Revenue	Total Other Financing Sources	Total Expenditures	Total Other Financing Uses	Net Change in Fund Balance ¹	Beginning Fund Fund Balance ¹ (Deficit)	Prior Period Adjustment	Restated Beginning Fund Balance ¹ (Deficit)	Ending Fund Balance ¹ (Deficit)
Fund Balance¹ - per MTP-2 at June 30, 2017						\$ 6,198,838	-	\$ 6,198,838	
<i>Difference in Depreciation expense from fiscal 17 impacting fiscal 18</i>						(19,472)		(19,472)	
<i>Miscellaneous variances between UCOA & FS in FY17 impacting fiscal 18</i>						(3)	-	(3)	
Fund Balance¹ - per MTP-2 at June 30, 2017 adjusted						<u>\$ 6,179,363</u>	-	<u>\$ 6,179,363</u>	
School Unrestricted Fund	\$ 27,772,555	\$ 31,557,516	\$ 58,918,013	\$ 919,800	\$ (507,742)	\$ 4,355,725	\$ -	\$ 4,355,725	\$ 3,847,983
Enterprise Fund ⁴	1,498,889	-	1,355,128	120,000	23,761	1,192,523	-	1,192,523	1,216,284
Capital Fire Safety Improvement Bond	-	-	454,011	-	(454,011)	591,852	-	591,852	137,841
Capital Projects Fund	-	1,039,800	151,924	-	887,876	50,891	-	50,891	938,767
School QZAB Bond Fund	-	-	-	-	-	7,419	-	7,419	7,419
School Special Revenue Funds	2,480,554	-	2,444,189	-	36,365	115,821	-	115,821	152,186
Totals per audited financial statements	<u>\$ 31,751,998</u>	<u>\$ 32,597,316</u>	<u>\$ 63,323,265</u>	<u>\$ 1,039,800</u>	<u>\$ (13,751)</u>	<u>\$ 6,314,231</u>	<u>\$ -</u>	<u>\$ 6,314,231</u>	<u>\$ 6,300,480</u>
Reconciliation from financial statements to MTP2									
Municipal appropriation for Education reported as a transfer on financial statements but a revenue on MTP2	\$ 31,557,516	\$ (31,557,516)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State contributions on behalf of teacher pensions are reported as revenue and expenditures on financial statements only	(2,545,830)	-	(2,545,830)	-	-	-	-	-	-
Less Depreciation Expense in Enterprise fund and Cap Assets net....2017	-	-	(39,713)	-	39,713	(134,868)	-	(134,868)	(95,155)
Non-public transportation offset reported as revenue in financial statements	(48,417)	-	(48,417)	-	-	-	-	-	-
Transfer between capital fund and Enterprise fund	-	(120,000)	-	(120,000)	-	-	-	-	-
Miscellaneous variances between UCOA & FS	-	-	7,308	-	(7,308)	-	-	-	(7,308)
Transfer between capital fund and general fund	-	(919,800)	-	(919,800)	-	-	-	-	-
Rounding	1	-	-	-	1	-	-	-	1
Totals Per MTP2	<u>\$ 60,715,268</u>	<u>\$ -</u>	<u>\$ 60,696,613</u>	<u>\$ -</u>	<u>\$ 18,655</u>	<u>\$ 6,179,363</u>	<u>\$ -</u>	<u>\$ 6,179,363</u>	<u>\$ 6,198,018</u>
Reconciliation from MTP2 to UCOA									
Transfer from School Unrestricted Fund to Internal Service Fund. Amount recorded as a transfer by the School District while the auditor reported it as an expenditure.	\$ -	-	\$ (857,822)	-	-	-	-	-	-
Miscellaneous variances between MPT2 & UCOA	-	-	(7,441)	-	-	-	-	-	-
Totals per UCOA Validated Totals Report	<u>\$ 60,715,268</u>	<u>\$ -</u>	<u>\$ 59,831,350</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

**NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 1 – BASIS OF PRESENTATION

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

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

NOTE 2 – REPORTABLE GOVERNMENT SERVICES

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

NOTE 3 – ALLOCATIONS

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

NOTE 4 – EMPLOYEE GROUPS - COMPENSATION AND BENEFIT COSTS

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

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

TOWN OF WEST WARWICK, RHODE ISLAND

EXHIBIT 7 (Continued)

**NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018**

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

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

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

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

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

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

NOTE 5 – EDUCATION REVENUE AND EXPENDITURES

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

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

TOWN OF WEST WARWICK, RHODE ISLAND

EXHIBIT 8

**SCHEDULE OF PROPERTY TAXES RECEIVABLE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Tax Roll Year	Residential Mill Rate	Property Taxes Receivable July 1, 2017	Current Year Assessment	Transfers Addendums (Net)	Abatements and Adjustments	Amount to be Collected	Fiscal 2018 Collections	Property Taxes Receivable June 30, 2018	Fiscal 2018 Collections Summary			Subject to 60 Day Rule July 1, 2018 to August 31, 2018
									Subject to 60-Day Rule July 1, 2017 to August 31, 2017	Not Subject to 60-Day Rule September 1, 2017 to June 30, 2018	Total Fiscal 2018 Collections	
2017	\$26.31	\$ -	\$ 63,961,530	\$ 34,069	\$ 76,864	\$ 64,072,463	\$ 62,053,101	\$ 2,019,362	\$ -	\$ 62,053,101	\$ 62,053,101	\$ 380,437
2016	\$25.84	2,102,396		(1,839)	3,893	2,104,450	1,797,067	307,383	464,941	1,332,126	1,797,067	21,094
2015	\$25.96	457,636		(59,267)	(66,344)	332,025	106,249	225,776	66,770	39,479	106,249	7,847
2014	\$25.39	250,848		(94)	(5,703)	245,051	30,569	214,482	6,862	23,707	30,569	1,801
2013	\$24.67	235,258			(4,330)	230,928	15,542	215,386	3,014	12,528	15,542	519
2012	\$21.40	166,529			(2,104)	164,425	7,840	156,585	1,796	6,044	7,840	1,235
2011	\$21.40	125,299		211	(3,323)	122,187	5,051	117,136	1,029	4,022	5,051	891
2010	\$16.82	110,816			(3,301)	107,515	3,374	104,141	31	3,343	3,374	617
2009	\$15.92	66,131			(2,567)	63,564	682	62,882	-	682	682	-
2008	\$15.26	77,826		(34)	(6,385)	71,407	2,506	68,901	644	1,862	2,506	163
2007	\$18.63	53,812		14,889	(1,490)	67,211	1,864	65,347	129	1,735	1,864	90
2006	\$17.74	58,527			(51)	58,476	1,010	57,466	99	911	1,010	114
2005 and prior	various	403,735			(360)	403,375	3,146	400,229	670	2,476	3,146	235
Subtotal		<u>4,108,813</u>	<u>\$ 63,961,530</u>	<u>\$ (12,065)</u>	<u>\$ (15,201)</u>	<u>\$ 68,043,077</u>	<u>\$ 64,028,001</u>	<u>4,015,076</u>	<u>\$ 545,985</u>	<u>\$ 63,482,016</u>	<u>\$ 64,028,001</u>	<u>\$ 415,043</u>
Less: allowance for uncollectable accounts		<u>(1,289,200)</u>						<u>(1,433,000)</u>				
Net property taxes receivable		<u>\$ 2,819,613</u>						<u>\$ 2,582,076</u>				

TOWN OF WEST WARWICK, RHODE ISLAND

EXHIBIT 8 (Continued)

**SCHEDULE OF PROPERTY TAXES RECEIVABLE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Schedule of Net Assessed Property Value by Category

<u>Description of Property</u>	<u>Assessed December 31, 2016 (2017 tax roll)</u>	
	<u>Valuations</u>	<u>Levy</u>
Real Property	\$ 1,859,722,610	
Exemptions on Real Property	<u>(26,430,499)</u>	
Net assessed value - Real Property	<u>1,833,292,111</u>	\$ 53,146,837
Motor Vehicles	205,713,245	
Exemptions on Motor Vehicles	<u>(33,726,060)</u>	
Net assessed value - Motor Vehicles	<u>171,987,185</u>	4,896,050
Tangible property	141,656,670	
Exemptions on Tangible Property	<u>-</u>	
Net assessed value - Tangible Property	<u>141,656,670</u>	5,918,643
Net assessed value/levy	<u>\$ 2,146,935,966</u>	<u>\$ 63,961,530</u>

Reconciliation of Current Year Property Tax Revenue

Current year collections	\$ 64,028,001
July - August 2018 collections subject to 60-day rule (Fiscal 2018 accrual)	<u>415,043</u>
Subtotal	<u>64,443,044</u>
July - August 2017 collections subject to 60-day rule (Fiscal 2017 accrual)	<u>(545,985)</u>
Current year property tax revenue	<u>\$ 63,897,059</u>

(CONCLUDED)

TOWN OF WEST WARWICK

SINGLE AUDIT SECTION

This section contains information regarding federal grant activity for the year ended June 30, 2018, which was audited in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States, and under audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of West Warwick, Rhode Island, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of West Warwick, Rhode Island's basic financial statements, and have issued our report thereon dated December 28, 2018.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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

Marcum LLP

Providence, RI
December 28, 2018

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

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

Report on Compliance for Each Major Federal Program

We have audited the Town of West Warwick, Rhode Island's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town of West Warwick, Rhode Island's major federal programs for the year ended June 30, 2018. The Town of West Warwick, Rhode Island's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of West Warwick, Rhode Island's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of West Warwick, Rhode Island's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town of West Warwick, Rhode Island's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town of West Warwick, Rhode Island complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2018-001. Our opinion on each major federal program is not modified with respect to this matter.

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

Report on Internal Control over Compliance

Management of the Town of West Warwick, Rhode Island is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of West Warwick, Rhode Island's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of West Warwick, Rhode Island's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified one deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2018-001 that we consider to be a significant deficiency.

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

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of West Warwick, Rhode Island as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of West Warwick, Rhode Island's basic financial statements. We issued our report thereon dated December 28, 2018, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Marcum LLP

Providence, RI
December 28, 2018

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

FOR THE YEAR ENDED JUNE 30, 2018

<i>Federal Grantor</i>	Federal	Pass-Through	Passed Through	Total Federal
<i>Pass-Through Grantor</i>	CFDA	Entity Identifying	to Subrecipients	Expenditures
<i>Program Title</i>	<i>Number</i>	<i>Number</i>		
<i>U.S. Department of Agriculture</i>				
Passed through Rhode Island Department of Education:				
<i>Child Nutrition Cluster:</i>				
National School Lunch Program	10.555		\$ -	\$ 836,976
National School Breakfast Program	10.553			166,724
<i>Total Child Nutrition Cluster</i>				1,003,700
Fresh Fruit and Vegetable Program	10.582			56,570
<i>Food Distribution Cluster:</i>				
Commodity Supplemental Food Program	10.565			95,143
<i>Total U.S. Department of Agriculture</i>			-	1,155,413
<i>U.S. Department of Housing and Urban Development</i>				
Passed through Rhode Island Office of Housing and Community Development				
Community Development Block Grant	14.228		65,000	472,035
<i>Total U.S. Department of Housing and Urban Development</i>			65,000	472,035
<i>U.S. Department of Justice</i>				
Passed through RI Department of Public Safety:				
Bulletproof Vest Partnership Program	16.607			825
Peer to Peer JAG Grant	16.738			7,591
<i>Total U.S. Department of Justice</i>			-	8,416
<i>U.S. Department of Transportation</i>				
Passed through Rhode Island Department of Transportation				
<i>Highway Safety Cluster:</i>				
National Priority Safety Programs	20.616			265
<i>Total U.S. Department of Transportation</i>			-	265
<i>U.S. Department of Education</i>				
Passed through Rhode Island Department of Education				
<i>Special Education Cluster (IDEA):</i>				
Special Education Grants to States	84.027	2725-13202-801		941,042
Special Education Preschool Grants	84.173	2725-13502-801		53,072
<i>Total Special Education Cluster (IDEA)</i>				994,114
Title I - Part A - Disadvantaged Youth	84.010	2725-11702-801		972,537
Title II - Part A - Teacher Quality	84.367	2725-16402-801		215,963
Title III - Part A - English Language Acquisition Grants	84.365	2725-16502-801		9,700
Title IV - Part A - Student Support and Academic Enrichment Grants	84.424	2725-20802-801		16,092
Passed through City of Warwick				
Perkins - Career and Technical Education	84.048			41,341
<i>Total U.S. Department of Education</i>			-	2,249,747
<i>U.S. Centers for Disease Control</i>				
Passed through Rhode Island Department of Health				
Rhode Island Tobacco Control Program	93.305			34,054
<i>Total U.S. Centers for Disease Control</i>			-	34,054
<i>U.S. Department of Homeland Security</i>				
Assistance to Firefighters Grant	97.044			337,819
Passed through Rhode Island Emergency Management Agency				
Flood Mitigation Assistance	97.029			50,949
<i>Total U.S. Department of Homeland Security</i>			-	388,768
<i>U.S. Environmental Protection Agency</i>				
Passed through New England Interstate Water Pollution Control Commission				
National Estuary Program	66.456			2,052
<i>Total U.S. Environmental Protection Agency</i>			-	2,052
<i>Total Expenditures of Federal Awards</i>			\$ 65,000	\$ 4,310,750

See notes to schedule of expenditures of federal awards.

TOWN OF WEST WARWICK, RHODE ISLAND

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2018

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Town of West Warwick, Rhode Island under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Town of West Warwick, Rhode Island, it is not intended to and does not present the financial position, changes in net position/fund balance, or cash flows of the Town of West Warwick, Rhode Island.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3. SCHOOL LUNCH COMMODITIES

Nonmonetary assistance is reported in the schedule of expenditures of federal awards at the cost of commodities provided to the School Lunch Program. The total federal share of these commodities was \$95,143 for the year ended June 30, 2018. The amounts have been included in the schedule of expenditures of federal awards under CFDA 10.565.

4. MATCHING REQUIREMENTS

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

5. INDIRECT COST RATE

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

TOWN OF WEST WARWICK, RHODE ISLAND

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2018

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditors’ report issued on whether the financial statements audited were prepared in accordance with GAAP:		<i>Unmodified</i>		
Internal control over financial reporting:				
Material weakness(es) identified?	_____	yes	_____ X _____	no
Significant deficiency(ies) identified?	_____	yes	_____ X _____	no
Noncompliance material to financial statements noted?	_____	yes	_____ X _____	no

Federal Awards

Internal control over major federal programs:				
Material weakness(es) identified?	_____	yes	_____ X _____	no
Significant deficiency(ies) identified?	_____ X _____	yes	_____ _____	none reported

Type of auditors’ report issued on compliance for major federal programs:		<i>Unmodified</i>		
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	_____ X _____	yes	_____ _____	no

Identification of major federal programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I
84.027 & 84.173	IDEA Cluster
14.228	Community Development Block Grant

Dollar threshold used to distinguish between Type A and Type B programs:		<u>\$750,000</u>		
Auditee qualified as low risk auditee?	_____ X _____	yes	_____ _____	no

TOWN OF WEST WARWICK, RHODE ISLAND

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2018

SECTION II – FINDINGS - FINANCIAL STATEMENT AUDIT

CURRENT YEAR FINDINGS:

None reported.

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

CURRENT YEAR FINDINGS:

Significant Deficiency

2018-001: Community Development Block Grants (CDBG) CFDA #14.228 – Allowable Costs and Reporting

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

Condition: During our audit of the CDBG program activity, we noted that out of a sample of 5 items, 3 of them had instances where personnel completed and approved their own time sheet for payment. Furthermore, we also noted instances where personnel completed and approved the reports before submission to the State of Rhode Island, without independent review by Town management.

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

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

Questioned Costs: \$-0-

Prior Year Finding: Yes – #2017-001

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

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

TOWN OF WEST WARWICK, RHODE ISLAND
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

SECTION II – FINDINGS - FINANCIAL STATEMENT AUDIT

PRIOR YEAR FINDINGS:

None reported.

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

PRIOR YEAR FINDINGS:

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

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

Current Status: Repeated in the current year as finding 2018-001.

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

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

Current Status: Corrected during fiscal year 2018.

ERNEST ZMYSLINSKI
TOWN MANAGER

KRISTEN BENOIT
FINANCE DIRECTOR



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

***CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2018***

2018-001: CDBG-Allowable Costs and Reporting

Condition: During our audit of the CDBG program activity, we noted that out of a sample of 5 items, 3 of them had instances where personnel completed and approved their own time sheet for payment. Furthermore, they also noted instances where personnel completed and approved the reports before submission to the State of Rhode Island, without independent review by Town management.

Corrective Action Plan: This finding was presented in last year's audit and brought to the attention of the new Finance Director at the end of audit. The new Finance Director immediately implemented a policy where the CDBG Manager's time sheet would be signed by her immediate supervisor, the Planning Director. This is evidenced by the 2 selections that were chosen from the second half of the fiscal year that were properly approved. The quarterly reporting will now be reviewed and signed by the Finance Director before submission.