

# BlumShapiro

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## **Independent Auditors' Report**

To the Honorable President  
and Members of the City Council  
City of 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 City of Warwick, Rhode Island, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Warwick, Rhode Island'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. 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 auditors consider 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 City of Warwick, Rhode Island, as of June 30, 2017 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Change in Accounting Principle***

As discussed in Note 19 to the financial statements, during the fiscal year ended June 30, 2017, the City adopted new accounting guidance, GASB Statement No. 77, *Tax Abatement Disclosures*. Our opinion is not modified with respect to this matter.

## ***Prior Period Adjustment***

As discussed in Note 21 to the financial statements, the beginning net position for governmental activities and business-type activities has been restated in order to correct transactions incorrectly recorded in prior years. Our opinion is not modified with respect to this matter.

## ***Other Matters***

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages A-3 through A-14, the budgetary comparison information on pages A-95 through A-100 and the pension and OPEB schedules on pages A-101 through A-114 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, which 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.

*Blum, Shapiro & Company, P.C.*

Cranston, Rhode Island  
March 14, 2018

## **CITY OF WARWICK, RHODE ISLAND MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the City of Warwick, we offer readers of the City of Warwick's financial statements this overview and analysis of the financial activities of the City of Warwick for the fiscal year ended June 30, 2017. We encourage readers to consider this information in conjunction with the additional information that is furnished in the letter of transmittal, which can be found preceding this narrative, and with the City's financial statements which follow.

Included within our discussion will be a series of comparative tables, serving to more clearly illustrate changes in the City's financial position. These tables will reflect governmental activities, business-type activities, and total activities for the 2016 and 2017 fiscal years.

### **FINANCIAL HIGHLIGHTS**

At the close of the fiscal year, the liabilities of the City of Warwick exceeded its assets by \$347,182,615 (*Net Position*).

The City's total net position decreased by \$13.3 million during fiscal year 2017. One key factor was the accrual of an additional \$18.8 million in post-retirement benefits in accordance with GASB45. Additionally, a \$19.8 million decrease in the City's net pension liabilities was reduced by an increase in the net deferred pension inflows which also totaled \$19.8 million, and a decrease in the deferred pension outflows which totaled \$9.1 million. The City's total long term debt decreased by \$8.9 million and year-end accounts payable and accrued liabilities decreased by \$4.3 million.

At the close of the current fiscal year, the City's governmental funds reported *combined* ending fund balances of \$42,762,384, an increase of \$8,664,140 from those of the prior year. This was primarily due to surpluses in the General Fund and the Non-major Governmental Funds.

Fiscal 2017 operating results for the general fund reflected a net increase in total fund balance of \$6,828,833, resulting in an ending fund balance of \$29,020,619. The fund's ending unassigned fund balance increased by \$4,080,777 to a total of \$22,566,957 or 7.46% of the total 2017 final budgeted expenditures.

The City's overall investment in capital assets (net of accumulated depreciation) decreased by \$1.6 million during this year. Key additions this year included fire code improvements in various city and school buildings, and the sewer levee reconstruction project.

# OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Warwick's basic financial statements. The City's basic financial statements consist of three components: (1) government-wide financial statements, (2) fund financial statements, (3) notes to the financial statements. This report also contains other supplementary information including combining statements for non-major governmental funds, enterprise funds, and other fiduciary funds. Figure 1 below graphically depicts the required elements of the financial report:

**Required Components of the Annual Financial Report**

**Figure A-1**

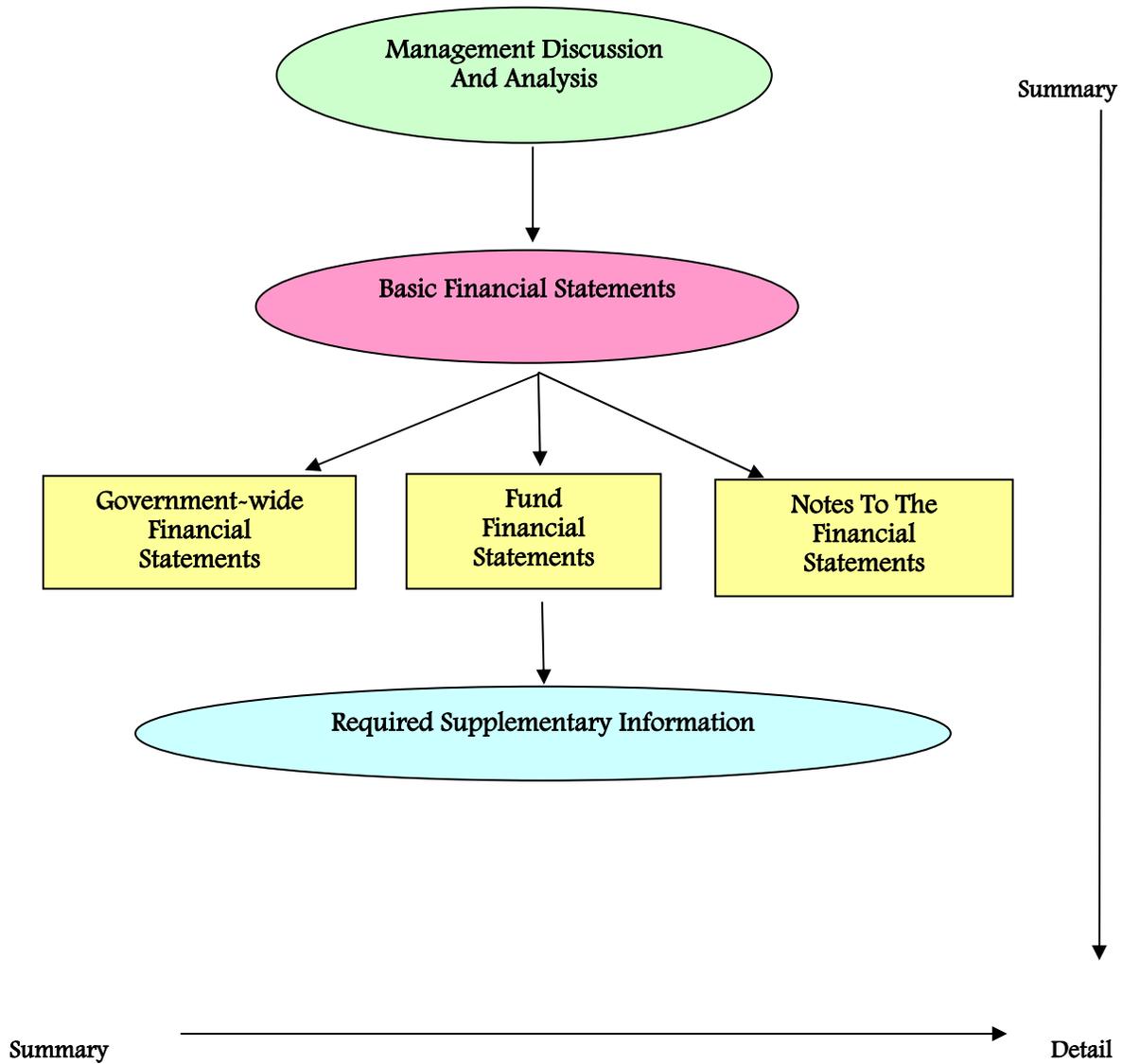


Figure A-1 shows how the required parts of this annual report are arranged and relate to one another.

- The first two statements within the basic financial statement structure are government-wide financial statements that provide both long-term and short-term information about the City's overall status.
- The remaining statements are fund financial statements that focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements.
  - The *governmental fund* statements tell how general government services like public safety were financed in the short term as well as what remains for future spending.
  - *Proprietary fund* statements offer short and long term financial information about the activities the government operates like businesses, such as the sewer and water systems.
  - *Fiduciary fund* statements provide information about assets that are held by the City as a trustee or agent for the benefit of someone or something other than the City itself. The City cannot use these assets to support its own programs.
- The financial statements also include notes that provide more detailed data about some of the information in the financial statements.
- The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.
- In addition to these required elements, we have included a section with combining statements that provide details about our non-major governmental funds, enterprise funds, and fiduciary funds, which are added together and presented in a single column in the basic financial statements.

Figure A- 2

**Major Features of the City of Warwick’s Government-Wide and Fund Financial Statements**

	<b>Government-Wide Statements</b>	<b>Fund Statements</b>		
		<b>Governmental Funds</b>	<b>Proprietary Funds</b>	<b>Fiduciary Funds</b>
Scope	Entire City Government (Except Fiduciary Funds)	The activities of the City that are not proprietary or fiduciary, such as Police, Fire, and DPW	Activities the City operates similar to private businesses, such as the sewer or water systems	Instances in which the City is the trustee or agent for someone else’s resources
Required Financial Statements	Statement of Net Position Statement of Activities	Balance Sheet Statement of Revenues, Expenditures, and Changes in Fund Balance	Statement of Net Position Statement of Revenues, Expenses, and Changes in Net Position Statement of Cash Flows	Statement of Net Position Statement of Changes in Net Position
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Assets/ Liability Information	All assets and liabilities both financial and capital, and short-term and long-term.	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets are included	All assets and liabilities both financial and capital, and short-term and long-term.	All assets and liabilities both financial and capital, and short-term and long-term.
Type of Inflow/ Outflow Information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during, or soon after the end of the year; expenditures when goods or services have been	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

Figure A-2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the statements.

**Government-wide Statements**

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government’s assets and liabilities. All of the current year’s revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report on the City’s *net position* and how it has changed. Net position - the difference between the City’s assets and liabilities - is one way to measure the City’s financial health.

- Over time, increases or decreases in the City’s net position are indicators of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City you need to consider additional nonfinancial factors such as changes in the City’s property tax base and the condition of the City’s roads.

The government-wide financial statements of the City are divided into three categories.

- *Governmental activities* - Most of the City's basic services are included here, such as education, public safety, library, recreation, social services, public works and general administration. Property taxes, charges for services and state funding finance most of these activities.
- *Business-Type activities* - The City charges fees to customers to cover the costs of certain services it provides. The City's water and sewer systems are included here.
- *Component units* - The City does not have any entities that are deemed to be component units.

## **Fund Financial Statements**

The fund financial statements provide more detailed information about the City's most significant funds - not the City as a whole. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. It is important to note that these fund categories use different accounting approaches and should be interpreted differently.

**Governmental Funds** - Most of the basic services provided by the City are reported in governmental funds, which focus on (1) how money flows into and out of those funds and (2) the balances remaining at year end that are available for spending during the next year. These funds are reported using an accounting method called the modified accrual basis of accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations that helps the reader to determine whether or not there are more or fewer financial resources that can be spent in the near future to finance City programs.

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. To facilitate this comparison, a reconciliation between the governmental funds statements and the government-wide statements has been provided.

The City maintains seventy eight governmental funds and two are considered major funds for presentation purposes. Each major fund is presented in a separate column in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. The two major governmental funds are the General Fund and the School Unrestricted Fund.

The basic governmental fund financial statements can be found on pages

The basic proprietary fund financial statements can be found on pages

An additional portion of the City's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the City's ongoing obligations to citizens and creditors. Internally imposed designations of resources are not presented as restricted net position. At the end of the current fiscal year, the City's unrestricted net position total was negative – this was primarily due to the full accrual of the current net pension liabilities for all six city pension plans. This accrual included Warwick's portion of the net pension liability for the state controlled teacher pension plan.

## Changes in Net Position

During fiscal 2017, the government's total net position decreased by \$13,284,383, plus a prior period adjustment of \$521,304 as indicated below:

	Governmental Activities		Business-Type Activities		Total	
	2017	2016 as Restated	2017	2016	2017	2016 as Restated
Revenues:						
Program revenues:						
Charges for services	\$ 16,296,571	\$ 17,206,223	\$ 35,130,876	\$ 33,419,879	\$ 51,427,447	\$ 50,626,102
Operating grants and contributions	57,561,506	62,997,136			57,561,506	62,997,136
Capital grants and contributions	198,900	209,781	2,775,948	841,929	2,974,848	1,051,710
General revenues:						
Property taxes	231,060,821	223,200,281			231,060,821	223,200,281
Interest on property tax	2,093,896	2,096,950			2,093,896	2,096,950
State aid/in lieu of tax	7,667,081	8,187,664			7,667,081	8,187,664
Investment earnings	73,582	18,346	35,800	5,159	109,382	23,505
Tax titles	15,628	25,427			15,628	25,427
Insurance	169,230	170,101			169,230	170,101
Miscellaneous	6,992,822	7,001,236			6,992,822	7,001,236
Total revenues	<u>322,130,037</u>	<u>321,113,145</u>	<u>37,942,624</u>	<u>34,266,967</u>	<u>360,072,661</u>	<u>355,380,112</u>
Expenses:						
Executive and administrative	9,171,861	10,576,119			9,171,861	10,576,119
Public safety	116,575,178	131,390,376			116,575,178	131,390,376
Recreation	3,402,704	3,188,917			3,402,704	3,188,917
Public libraries	5,872,625	5,692,619			5,872,625	5,692,619
Social services	2,189,915	2,399,689			2,189,915	2,399,689
Planning and E/D	3,152,144	2,843,733			3,152,144	2,843,733
Public works	22,454,206	21,396,595			22,454,206	21,396,595
Education	183,235,365	184,952,816			183,235,365	184,952,816
Debt interest	1,305,527	1,439,426			1,305,527	1,439,426
Sewer fund			15,723,730	14,654,521	15,723,730	14,654,521
Water fund			10,273,789	11,353,471	10,273,789	11,353,471
Total expenses	<u>347,359,525</u>	<u>363,880,290</u>	<u>25,997,519</u>	<u>26,007,992</u>	<u>373,357,044</u>	<u>389,888,282</u>
Change in net assets	(25,229,488)	(42,767,145)	11,945,105	8,258,975	(13,284,383)	(34,508,170)
Net Assets at Beginning of Year, as Restated	<u>(445,301,166)</u>	<u>(402,534,021)</u>	<u>111,402,934</u>	<u>103,143,959</u>	<u>(333,898,232)</u>	<u>(299,390,062)</u>
Net Assets at End of Year	\$ <u>(470,530,654)</u>	\$ <u>(445,301,166)</u>	\$ <u>123,348,039</u>	\$ <u>111,402,934</u>	\$ <u>(347,182,615)</u>	\$ <u>(333,898,232)</u>

### Governmental Activities.

Governmental activities decreased the City's net position by \$25.2 million. Key elements are as follows:

1. The City's net position increased by \$19.0 million due to a decrease in the City's accrued net pension liabilities which include six city and school pension plans. Accordingly the City's net position decreased by \$28.9 million following increases of net deferred inflows (liabilities) and decreases in net deferred outflows (assets) relating to pension expense amortizations.
2. Per GASB45, the City accrued additional other post-employment benefits which decreased net position by \$18.8 million.
3. General Fund GAAP surplus increased the City's net position by 6.8 million. Additionally, surpluses in the non-major governmental funds increased the net position by \$1.8 million.

- Capital asset additions (net of CIP) totaled \$7.7 million while fiscal 2017 depreciation expense also amounted to \$7.7 million. There was no impact on net position.
- Changes in deferred revenue accruals decreased the City's net position by \$1.7 million, and decreases in long term debt (bonds and leases) increased net position by \$400,000.

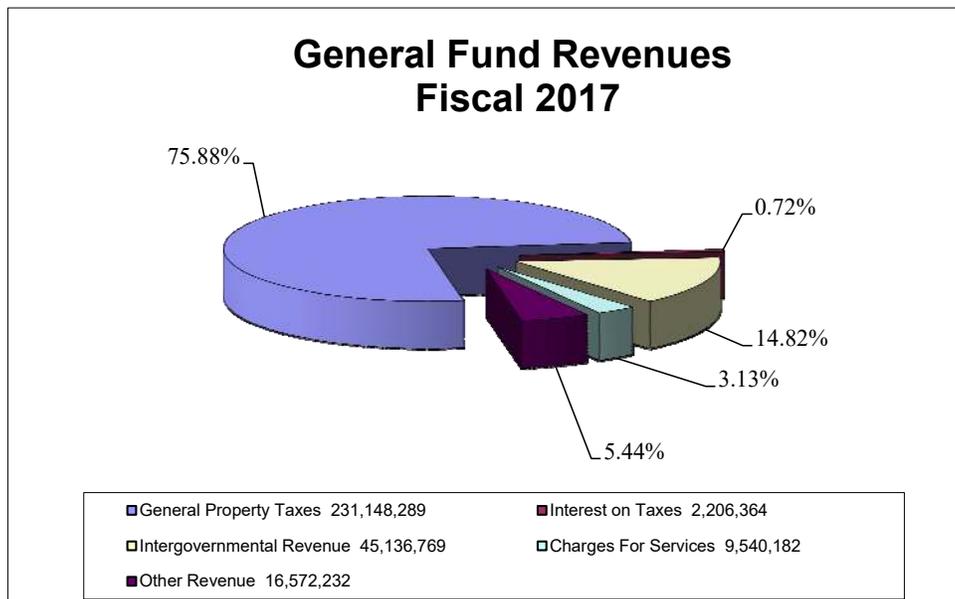
**Business-type Activities.**

Business-type activities increased the City's net position by \$11.95 million. The key elements are as follows:

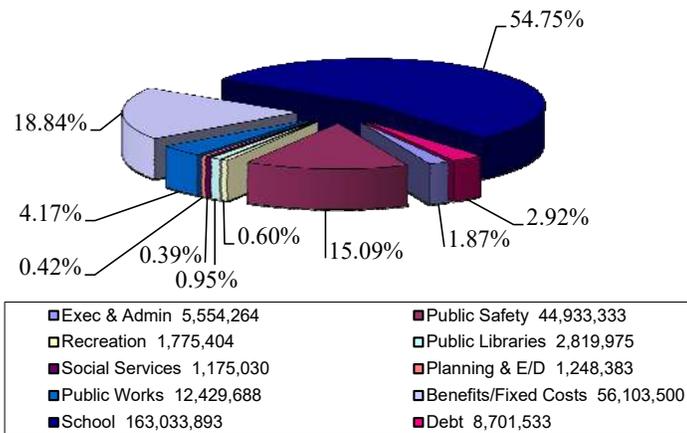
- The Sewer Department reflected an overall increase in net position which totaled \$12.1 million. One key factor contributing to the increase was the accounting reclassification of \$11.2 million in debt principal expense to the bonds payable liability account. Additionally operating revenues increased by approximately \$550,000.
- The Sewer Assessment Fund's ending net position totaled \$5.4 million, a decrease of \$120,456 from the prior year.
- The Water Department reflected a net position increase of \$2.2 million. This was primarily due to rate increases which increased net position by \$1.5 million.
- The Non-Major Enterprise Funds reflected an overall decrease in net position of \$2.2 million. This was primarily due to the Enterprise Emergency Fund which recorded a \$2.2 million decrease in net position after transferring assets from the completed sewer levee reconstruction project to the Sewer Operating Fund.

**Financial Analysis of the Government's Funds**

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$42,762,384, an increase of \$8,664,140 in comparison with the prior year balances. \$22,566,957 or 52.8% of this the total fund balance represents unassigned fund which is available for spending at the government's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been restricted or committed.

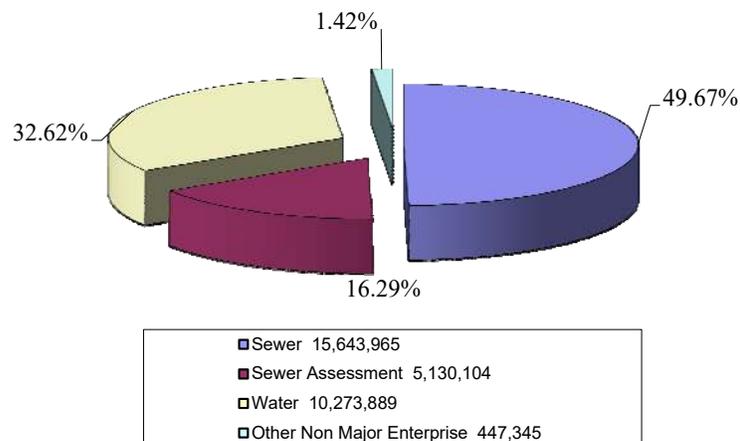


## General Fund Expenditures Fiscal 2017



**Note: Transfers to and from other funds have been integrated into their respective categories.**

## Business-type Activities Fiscal 2017 Expenses



The general fund is the chief operating fund of the City. At the end of the current fiscal year, the unassigned fund balance of the general fund was \$22,566,957. Total fund balance was \$29,020,619. As a measure of the general fund liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 7.46% of total general fund budgeted expenditures. During fiscal 2017, the unassigned fund balance of the City's general fund increased by \$4,080,777. This is a 22.07% increase from the prior year unassigned fund balance.

### Proprietary Funds:

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Total net position of the Sewer Department amounted to \$102,463,344. The funds invested in capital assets total \$93,482,933, restricted funds total \$5,473,902, and unrestricted net position totals \$3,506,509. This year Sewer's unrestricted net position continued to increase.

The net position of the Sewer Assessment Fund totaled \$5,363,582. This entire amount is unrestricted.

The net position of the Water Department totaled \$9,534,899. Of this, \$11,198,672 represents the investment in capital assets while the unrestricted portion totals (\$1,663,773). During fiscal 2017 Water's net position increased by \$2,192,681.

The unrestricted net position of the workers compensation internal service fund amounted to \$506,065. Net assets increased by \$55,785 due primarily to a decrease in the outstanding claim reserve. The net position of the City's medical healthcare internal service fund totaled \$802,679. The fund's net position balance is primarily composed of cash reserves which were previously held in escrow by health insurers when the City was self-insured, as well as a premium offset credit.

The Warwick School Department's medical healthcare internal service fund reflected a net position balance which totaled \$1,991,478. This balance represents a combination of \$1,434,300 in escrow cash reserves held by the insurers, plus \$1,943,822 in surplus funds (excess of premiums paid vs. claims paid) held by WB Community Health, less outstanding IBNR claims totaling \$1,386,444.

### **General Fund Budgetary Highlights**

During fiscal 2017, the City's original budget of \$298,728,119 was increased by \$3.64 million to \$302,365,132. The following budgetary adjustments were made during the year:

- A budget transfer in the amount of \$3,185,454 represented the re-appropriation of the fiscal 2016 school surplus to the School Department. The prior year education reserve funded this transfer.
- Revenue and expenditure budgets were increased by \$451,559 to reflect additional grant funding received from federal and state government agencies.

### **Capital Assets and Debt Administration**

#### **Capital Assets.**

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2017, amounted to \$311,125,510 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery & equipment, roads and construction in progress. During this year, the City's overall investment in capital assets (net of accumulated depreciation) decreased by approximately \$1.6 million.

Major capital asset additions during the current fiscal year included the following:

1. Fire Code Improvements-Variou City Buildings - \$905,551
2. School Consolidation Improvements - \$4,125,663.
3. Sewer Levee Reconstruction Project - \$5,093,544.

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 18,680,138	\$ 18,680,138	\$	\$	\$ 18,680,138	\$ 18,680,138
Land improvements	11,082,066	11,082,066			11,082,066	11,082,066
Buildings	137,552,253	130,628,569	2,900,797	2,900,797	140,453,050	133,529,366
Infrastructure	200,306,010	199,457,152	5,771,244	5,442,130	206,077,254	204,899,282
Equipment	20,869,769	20,640,887	283,284,225	277,693,854	304,153,994	298,334,741
Licensed vehicles	32,252,110	31,997,656			32,252,110	31,997,656
Artwork	62,950	62,950			62,950	62,950
Construction in progress	2,098,857	3,155,297	16,781,582	17,968,203	18,880,439	21,123,500
	422,904,153	415,704,715	308,737,848	304,004,984	731,642,001	719,709,699
Less accumulated depreciation	(302,043,766)	(294,785,849)	(118,472,725)	(112,172,394)	(420,516,491)	(406,958,243)
Total	\$ 120,860,387	\$ 120,918,866	\$ 190,265,123	\$ 191,832,590	\$ 311,125,510	\$ 312,751,456

Additional information on the City's capital assets can be found in Note 9 of the notes to the financial statements of this report.

### Long-term Debt.

At the end of the fiscal year, the City had total bonds and loans outstanding of \$145,564,654. It is broken down as follows:

- General Fund Bonds Payable \$ 46,554,440.
- Water Bonds Payable \$ 91,934.
- Sewer Bonds Payable \$ 10,041,626.
- Sewer SRF Loans Payable \$ 88,876,654.

General obligation bonds are backed by the full faith and credit of the City, including the City's power to levy additional taxes to ensure repayment of the debt. Accordingly, all general obligation debt currently outstanding was approved by a vote of the citizens. During fiscal 2017, the City of Warwick's general fund general obligation debt reflected a net decrease of \$586,663. Sewer debt decreased by \$7,461,384, and water debt decreased by \$27,290.

The City's bond ratings are as follows:

Moody's .....A1  
Standard & Poors.....AA

State statute limits the amount of bonds a governmental entity can issue to 3% of its total assessed valuation. The current debt limitation for the City is \$281,239,857. As of June 30, 2017 the City's current outstanding general fund debt falls under the debt limitation by \$234,685,417.

Additional information on the City's long-term debt can be found in Note 10 of the notes to the financial statements and in the statistical tables.

## **Economic Factors and Next Year's Budgets and Rates**

- Warwick's average unemployment rate is 4.02%.
- Median family income in Warwick was \$84,421.
- Warwick ranks second in population among Rhode Island's 39 cities and towns.

The following factors were considered in preparing the City's operating budget for the 2017-18 fiscal year.

- The School Department budget will increase to \$162.2 million.
- The City's health care coverage will be administered by WB Community Health.
- Initially \$1.3 million was drawn from the City's fund balance and designated for the FY2018 operating budget.
- Subsequently an additional \$3.0 million was drawn from the fund balance and allocated to the School Department following the settlement of a new teachers' contract.

Currently, the unassigned fund balance in the general fund totals \$22,566,957. While the City has maintained its commitment toward ensuring a steady growth for the City surplus, it has sometimes been necessary to utilize part of this surplus to ease the burden on its taxpayers. This was the case with the fiscal 2018 budget - part of the fund balance was drawn to achieve a zero tax increase budget. In the final fiscal 2018 budget, the tax rate for residential property remained constant at \$20.24, the commercial and industrial tax rate remained constant at \$30.36, and the tangible personal property rate remained constant at \$40.48. Per Rhode Island law, the inventory tax was phased out and the motor vehicle tax rate remained constant at \$34.60.

### **Requests for Information**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to the Controller, City of Warwick Treasurer's Office, 3275 Post Road, Warwick, RI 02886-7145.

**CITY OF WARWICK, RHODE ISLAND**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2017**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 35,418,476	\$ 21,227,466	\$ 56,645,942
Restricted cash and cash equivalents	3,045,000	5,472,852	8,517,852
Receivables, net			
Accrued interest receivable	276,978	1,050	278,028
Property tax receivable	5,403,166		5,403,166
Water and sewer use fees		9,894,184	9,894,184
Sewer assessments		5,394,839	5,394,839
Due from federal & state government	10,651,427	18,459,704	29,111,131
Other receivables	7,733,551	11,856	7,745,407
Internal balances	13,447,721	(13,447,721)	-
Other assets	4,793,391		4,793,391
Prepays	390,563		390,563
Deposits with agent	1,434,300	86,431	1,520,731
Total current assets	<u>82,594,573</u>	<u>47,100,661</u>	<u>129,695,234</u>
Noncurrent assets:			
Sewer assessments receivable		23,432,912	23,432,912
Capital assets:			
Nondepreciable assets	18,743,088		18,743,088
Construction in progress	2,098,857	16,781,582	18,880,439
Depreciable capital assets, net	100,018,442	173,483,541	273,501,983
Total noncurrent assets	<u>120,860,387</u>	<u>213,698,035</u>	<u>334,558,422</u>
Total assets	<u>203,454,960</u>	<u>260,798,696</u>	<u>464,253,656</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charge on refunding	129,691	110,902	240,593
Deferred outflows - related to pensions	78,728,668	2,143,157	80,871,825
Total deferred outflows of resources	<u>78,858,359</u>	<u>2,254,059</u>	<u>81,112,418</u>
<b>LIABILITIES</b>			
Current liabilities:			
Cash overdraft	1,000,652		1,000,652
Accounts payable and accrued liabilities	18,174,634	2,454,325	20,628,959
Accrued interest payable	490,625	809,654	1,300,279
Due to federal/state	171,667		171,667
Accrued compensated absences	1,576,840		1,576,840
Unearned revenues	2,767,534		2,767,534
Current portion of long-term debt	6,342,351	10,987,977	17,330,328
Total current liabilities	<u>30,524,303</u>	<u>14,251,956</u>	<u>44,776,259</u>
Noncurrent liabilities:			
Other liabilities	5,291,902		5,291,902
Accrued compensated absences	11,146,354	409,020	11,555,374
Unearned revenues		116,445	116,445
Retroactive payroll liability	1,198,141		1,198,141
Long-term debt	47,622,589	88,372,323	135,994,912
Net other post-employment benefits obligation	158,701,793	5,066,988	163,768,781
Net pension liability	456,769,388	6,333,822	463,103,210
Total noncurrent liabilities	<u>680,730,167</u>	<u>100,298,598</u>	<u>781,028,765</u>
Total liabilities	<u>711,254,470</u>	<u>114,550,554</u>	<u>825,805,024</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Advance collections - taxes and sewer assessments	1,456,551	864,102	2,320,653
Unavailable revenue - sewer assessments		23,432,912	23,432,912
Deferred inflows - related to pensions	40,132,952	857,148	40,990,100
Total deferred inflows of resources	<u>41,589,503</u>	<u>25,154,162</u>	<u>66,743,665</u>
<b>NET POSITION</b>			
Net investment in capital assets	72,636,198	104,730,106	177,366,304
Restricted for:			
Debt service payments	3,045,000	5,473,902	8,518,902
Education Programs	2,306,306		2,306,306
Community development loans	511,312		511,312
City clerk records preservation	980,173		980,173
Public safety programs	155,409		155,409
Unrestricted	(550,165,052)	13,144,031	(537,021,021)
Total Net Position	<u>\$ (470,530,654)</u>	<u>\$ 123,348,039</u>	<u>\$ (347,182,615)</u>

The accompanying notes are an integral part of the financial statements

CITY OF WARWICK, RHODE ISLAND  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017

Function/Program Activities	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
Legislative, judicial and general administrative	\$ 9,171,861	\$ 2,510,646	\$	\$	\$ (6,661,215)	\$	\$ (6,661,215)
Public safety	116,575,178	8,089,932	739,304		(107,745,942)		(107,745,942)
Recreation	3,402,704	947,484			(2,455,220)		(2,455,220)
Public libraries	5,872,625	46,608	784,663		(5,041,354)		(5,041,354)
Social services	2,189,915	99,415	91,575		(1,998,925)		(1,998,925)
Planning and economic development	3,152,144	2,046,514	1,167,619		61,989		61,989
Public works	22,454,206	218,387	4,115	198,900	(22,032,804)		(22,032,804)
Education	183,235,365	2,337,585	54,774,230		(126,123,550)		(126,123,550)
Interest on long-term debt	1,305,527				(1,305,527)		(1,305,527)
Total governmental activities	<u>347,359,525</u>	<u>16,296,571</u>	<u>57,561,506</u>	<u>198,900</u>	<u>(273,302,548)</u>	<u>-</u>	<u>(273,302,548)</u>
Business-type activities:							
Sewer	15,723,730	22,675,525		2,775,948		9,727,743	9,727,743
Water	10,273,789	12,455,351				2,181,562	2,181,562
Total business-type activities	<u>25,997,519</u>	<u>35,130,876</u>	<u>-</u>	<u>2,775,948</u>	<u>-</u>	<u>11,909,305</u>	<u>11,909,305</u>
Total	<u>\$ 373,357,044</u>	<u>\$ 51,427,447</u>	<u>\$ 57,561,506</u>	<u>\$ 2,974,848</u>	<u>(273,302,548)</u>	<u>11,909,305</u>	<u>(261,393,243)</u>
General revenues:							
Property taxes					231,060,821		231,060,821
Interest on property taxes					2,093,896		2,093,896
State aid and in lieu of taxes not restricted for a specific purpose					7,667,081		7,667,081
Unrestricted investment earnings					73,582	35,800	109,382
Tax titles					15,628		15,628
Insurance proceeds					169,230		169,230
Miscellaneous					6,992,822		6,992,822
Total general revenues and transfers					<u>248,073,060</u>	<u>35,800</u>	<u>248,108,860</u>
Change in net position					(25,229,488)	11,945,105	(13,284,383)
Net Position at Beginning of Year, as Restated					(445,301,166)	111,402,934	(333,898,232)
Net Position at End of Year					<u>\$ (470,530,654)</u>	<u>\$ 123,348,039</u>	<u>\$ (347,182,615)</u>

The accompanying notes are an integral part of the financial statements

**CITY OF WARWICK, RHODE ISLAND**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2017**

	<u>General</u>	<u>School Unrestricted Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 26,843,460	\$	\$ 7,934,950	\$ 34,778,410
Restricted cash and cash equivalents			3,045,000	3,045,000
Property tax receivable	5,403,166			5,403,166
Due from federal and state governments	4,234,618	152,294	6,264,515	10,651,427
Other receivables	2,127,527	348,092	3,229,856	5,705,475
Due from other funds	17,981,824	14,671,718	3,688,813	36,342,355
Prepaid items	249,434	139,129	2,000	390,563
Other assets	4,615,091		178,300	4,793,391
Total Assets	<u>\$ 61,455,120</u>	<u>\$ 15,311,233</u>	<u>\$ 24,343,434</u>	<u>\$ 101,109,787</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
Liabilities:				
Cash overdraft	\$	\$ 1,000,652	\$	\$ 1,000,652
Accounts payable and accrued expenditures	2,462,891	11,627,667	2,533,431	16,623,989
Due to state and federal governments	171,623		44	171,667
Due to other funds	18,740,622	2,178,124	2,595,508	23,514,254
Other liabilities	4,783,569	504,790	3,543	5,291,902
Total liabilities	<u>26,158,705</u>	<u>15,311,233</u>	<u>5,132,526</u>	<u>46,602,464</u>
Deferred inflows of resources:				
Unavailable revenues - taxes	4,232,240			4,232,240
Unavailable revenues - other	587,005		5,469,143	6,056,148
Advance tax collections	1,456,551			1,456,551
Total deferred inflows of resources	<u>6,275,796</u>	<u>-</u>	<u>5,469,143</u>	<u>11,744,939</u>
Fund balances:				
Nonspendable	249,434			249,434
Restricted	1,295,271		13,741,765	15,037,036
Committed for education	4,218,671			4,218,671
Committed other	690,286			690,286
Unassigned	22,566,957			22,566,957
Total fund balances	<u>29,020,619</u>	<u>-</u>	<u>13,741,765</u>	<u>42,762,384</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 61,455,120</u>	<u>\$ 15,311,233</u>	<u>\$ 24,343,434</u>	<u>\$ 101,109,787</u>

(Continued on next page)

**CITY OF WARWICK, RHODE ISLAND**  
**BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)**  
**JUNE 30, 2017**

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position:

Amounts reported for governmental activities in the statement of net position (Exhibit I) are different because of the following:

Fund balances - total governmental funds (Exhibit III)	\$ 42,762,384
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Governmental capital assets	\$ 422,904,153	
Less accumulated depreciation	<u>(302,043,766)</u>	
Net capital assets		120,860,387

Other long-term assets and deferred outflows are not available to pay for current-period expenditures and, therefore, are deferred in the funds:

Property tax receivables greater than 60 days	4,232,240
Interest receivable on property taxes	276,978
Other departmental revenues	3,159,809
Deferred outflows related to pensions	78,728,668
Deferred charges on refunding	129,691

Internal service funds are used by management to charge the costs of risk management to individual funds. The assets and liabilities of the internal service funds are reported with governmental activities in the statement of net position.

3,300,222

Long-term liabilities, including bonds payable and deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds:

Bonds payable	(46,554,440)
Unamortized bond issue premium	(1,504,538)
Capital lease	(5,905,962)
Compensated absences	(12,723,194)
Retroactive payroll due in more than one year	(1,198,141)
Interest payable on bonds and loans	(490,625)
Net pension liability	(456,769,388)
Net OPEB obligation	(158,701,793)
Deferred inflows related to pensions	<u>(40,132,952)</u>

Net Position of Governmental Activities (Exhibit I)	\$ <u>(470,530,654)</u>
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The accompanying notes are an integral part of the financial statements

**CITY OF WARWICK, RHODE ISLAND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017**

	<b>General Fund</b>	<b>School Unrestricted Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues:</b>				
General property taxes	\$ 231,148,289	\$	\$	\$ 231,148,289
Interest on taxes	2,206,364			2,206,364
Intergovernmental revenue	6,383,679	38,753,090	8,663,409	53,800,178
Medicaid		1,313,673		1,313,673
State contribution to pension plan		7,250,385		7,250,385
Charges for services	9,555,674	1,249,912	4,797,349	15,602,935
Investment income	69,204		3,541	72,745
Contributions and private grants			229,191	229,191
Other revenues	<u>11,610,381</u>	<u>267,972</u>	<u>349,650</u>	<u>12,228,003</u>
Total revenues	<u>260,973,591</u>	<u>48,835,032</u>	<u>14,043,140</u>	<u>323,851,763</u>
<b>Expenditures:</b>				
Executive and administrative	5,554,264		77,131	5,631,395
Public safety	44,933,333		3,408,776	48,342,109
Recreation	1,775,404			1,775,404
Public libraries	2,819,975		153,230	2,973,205
Social services	1,175,030		26,684	1,201,714
Planning and economic development	1,248,383		1,097,885	2,346,268
Public works	12,429,688		673,946	13,103,634
Employee benefits, fixed costs and capital	56,103,500			56,103,500
Education		161,299,413	13,655,180	174,954,593
State contribution to pension plan		7,250,385		7,250,385
<b>Debt service:</b>				
Principal			6,679,050	6,679,050
Interest and other costs			1,597,661	1,597,661
Total expenditures	<u>126,039,577</u>	<u>168,549,798</u>	<u>27,369,543</u>	<u>321,958,918</u>
Excess (Deficiency) of Revenues over Expenditures	<u>134,934,014</u>	<u>(119,714,766)</u>	<u>(13,326,403)</u>	<u>1,892,845</u>
<b>Other Financing Sources (Uses):</b>				
Proceeds from capital leases			1,527,826	1,527,826
Proceeds from revenue bonds			5,243,469	5,243,469
Transfers in	771,231	121,449,247	9,207,836	131,428,314
Transfers out	<u>(128,876,412)</u>	<u>(1,734,481)</u>	<u>(817,421)</u>	<u>(131,428,314)</u>
Total other financing sources (uses)	<u>(128,105,181)</u>	<u>119,714,766</u>	<u>15,161,710</u>	<u>6,771,295</u>
Net Change in Fund Balances	6,828,833	-	1,835,307	8,664,140
Fund Balances at Beginning of Year, as Restated	<u>22,191,786</u>	<u>-</u>	<u>11,906,458</u>	<u>34,098,244</u>
Fund Balances at End of Year	<u>\$ 29,020,619</u>	<u>\$ -</u>	<u>\$ 13,741,765</u>	<u>\$ 42,762,384</u>

(Continued on next page)

**CITY OF WARWICK, RHODE ISLAND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2017**

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities:

Amounts reported for governmental activities in the statement of activities (Exhibit II) are different because of the following:

Net change in fund balances - total governmental funds (Exhibit IV) \$ 8,664,140

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.

Capital outlay	7,159,096
Depreciation expense	(7,694,913)
Loss on disposal	(75,380)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes collected after 60 days	(87,468)
Property interest and lien revenue - accrual basis change	(112,468)
Other departmental revenues	(1,522,626)
Deferred outflows related to pensions	(8,496,522)

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Bonds issued	(4,755,000)
Premium on issued bonds	(488,469)
Bond payments	5,341,662
Capital lease issued	(1,527,826)
Capital lease payments	1,337,388
Accrued interest	145,699

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Amortization of deferred charges in refunding	
Deferred inflows related to pensions	(23,012,971)
Amortization of bond premiums	213,150
Deferred charges on refunding	(66,715)
Change in compensated absences	(239,097)
Change in retroactive payroll	65,215
Change in amount due to federal and state government for financing capital asset additions	350,000
Change in net pension liability	18,622,865
Change in net OPEB obligation	(18,061,667)

The net expense of the internal service funds is reported with governmental activities. (987,581)

Change in Net Position of Governmental Activities (Exhibit II) \$ (25,229,488)

The accompanying notes are an integral part of the financial statements

**CITY OF WARWICK, RHODE ISLAND**  
**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**  
**JUNE 30, 2017**

	Business-Type Activities - Enterprise Funds					Governmental
	Major Funds					Activities
	Sewer Fund	Sewer Assessment Fund	Water Fund	Nonmajor Enterprise Funds	Total	Internal Service Funds
<b>Assets:</b>						
Current assets:						
Cash and cash equivalents	\$ 12,267,875	\$ 384,810	\$ 8,153,889	\$ 420,892	\$ 21,227,466	\$ 640,066
Restricted cash and cash equivalents	5,472,852				5,472,852	
Water and sewer use fees	6,156,600		3,737,584		9,894,184	
Sewer assessments		5,394,839			5,394,839	
Accrued interest	1,050				1,050	
Due from federal & state government	13,884,097			4,575,607	18,459,704	
Other receivables	1,923			9,933	11,856	2,156,881
Due from other funds	5,513,775	839,593	192,494	5,871,192	12,417,054	619,620
Inventory			86,431		86,431	
Total current assets	<u>43,298,172</u>	<u>6,619,242</u>	<u>12,170,398</u>	<u>10,877,624</u>	<u>72,965,436</u>	<u>3,416,567</u>
Noncurrent assets:						
Sewer assessments receivable		23,432,912			23,432,912	
Construction in progress	16,733,081			48,501	16,781,582	
Depreciable capital assets, net	162,188,029		11,295,512		173,483,541	
Deposits with agent					-	1,434,300
Total noncurrent assets	<u>178,921,110</u>	<u>23,432,912</u>	<u>11,295,512</u>	<u>48,501</u>	<u>213,698,035</u>	<u>1,434,300</u>
Total assets	<u>222,219,282</u>	<u>30,052,154</u>	<u>23,465,910</u>	<u>10,926,125</u>	<u>286,663,471</u>	<u>4,850,867</u>
Deferred outflows of resources:						
Deferred charge on refunding	107,066		3,836		110,902	
Deferred outflows - net pension liability amortizations	1,040,869		1,102,288		2,143,157	
Total deferred outflows of resources	<u>1,147,935</u>	<u>-</u>	<u>1,106,124</u>	<u>-</u>	<u>2,254,059</u>	<u>-</u>
<b>Liabilities:</b>						
Current liabilities:						
Accounts payable and accrued expenses	921,752		979,293	553,280	2,454,325	
Accrued interest payable	806,004		3,650		809,654	
Due to other funds	13,641,189	391,558	7,445,397	4,386,631	25,864,775	
Advanced collections		864,102			864,102	
Accrued claims - IBNR					-	1,550,645
Current portion of long-term debt	10,963,711		24,266		10,987,977	
Total current liabilities	<u>26,332,656</u>	<u>1,255,660</u>	<u>8,452,606</u>	<u>4,939,911</u>	<u>40,980,833</u>	<u>1,550,645</u>
Noncurrent liabilities:						
Accrued compensated absences	178,523		230,497		409,020	
Unearned revenue	116,445				116,445	
Net other post-employment benefits obligation	2,741,157		2,325,831		5,066,988	
Net pension liability	2,822,887		3,510,935		6,333,822	
Bonds and loans payable	88,295,913		76,410		88,372,323	
Total noncurrent liabilities	<u>94,154,925</u>	<u>-</u>	<u>6,143,673</u>	<u>-</u>	<u>100,298,598</u>	<u>-</u>
Total liabilities	<u>120,487,581</u>	<u>1,255,660</u>	<u>14,596,279</u>	<u>4,939,911</u>	<u>141,279,431</u>	<u>1,550,645</u>
Deferred inflows of resources:						
Deferred inflows - revenue		23,432,912			23,432,912	
Deferred inflows - related to pension	416,292		440,856		857,148	
Total deferred inflows of resources	<u>416,292</u>	<u>23,432,912</u>	<u>440,856</u>	<u>-</u>	<u>24,290,060</u>	<u>-</u>
<b>Net Position:</b>						
Net investment in capital assets	93,482,933		11,198,672	48,501	104,730,106	
Restricted for debt service payments	5,473,902				5,473,902	
Unrestricted	3,506,509	5,363,582	(1,663,773)	5,937,713	13,144,031	3,300,222
<b>Total Net Position</b>	<u>\$ 102,463,344</u>	<u>\$ 5,363,582</u>	<u>\$ 9,534,899</u>	<u>\$ 5,986,214</u>	<u>\$ 123,348,039</u>	<u>\$ 3,300,222</u>

The accompanying notes are an integral part of the financial statements

**CITY OF WARWICK, RHODE ISLAND**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES**  
**IN NET POSITION - PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	Business-Type Activities - Enterprise Funds					Governmental
	Major Funds					Activities
	Sewer Fund	Sewer Assessment Fund	Water Fund	Nonmajor Enterprise Funds	Total	Internal Service Fund
Operating Revenues:						
Assessments and user fees	\$ 16,713,017	\$ 3,278,185	\$ 11,959,152	\$ 200,745	\$ 32,151,099	\$
Other revenues	713,106	1,727,614	496,199	42,858	2,979,777	42,541,241
Total operating revenues	<u>17,426,123</u>	<u>5,005,799</u>	<u>12,455,351</u>	<u>243,603</u>	<u>35,130,876</u>	<u>42,541,241</u>
Operating Expenses:						
Contract services	270,874		250,749		521,623	43,141,051
Salaries and benefits	3,753,858		3,282,422		7,036,280	
Materials and supplies	758,481		14,410	447,345	1,220,236	
Depreciation and amortization	5,740,347		696,275		6,436,622	
Operations	2,344,884		6,020,930		8,365,814	
Worker's compensation claims					-	388,607
Total operating expenses	<u>12,868,444</u>	<u>-</u>	<u>10,264,786</u>	<u>447,345</u>	<u>23,580,575</u>	<u>43,529,658</u>
Operating Income (Loss)	<u>4,557,679</u>	<u>5,005,799</u>	<u>2,190,565</u>	<u>(203,742)</u>	<u>11,550,301</u>	<u>(988,417)</u>
Nonoperating Revenues (Expenses):						
Intergovernmental				2,767,068	2,767,068	
Interest income	19,622	3,849	11,119	1,210	35,800	836
Interest expense	(2,275,940)		(9,003)		(2,284,943)	
Capital contributions	8,880				8,880	
Loan issuance costs	(108,600)				(108,600)	
Loss on disposal of assets	(23,401)				(23,401)	
Total nonoperating revenues (expenses)	<u>(2,379,439)</u>	<u>3,849</u>	<u>2,116</u>	<u>2,768,278</u>	<u>394,804</u>	<u>836</u>
Income (Loss) Before Contributions and Transfers	<u>2,178,240</u>	<u>5,009,648</u>	<u>2,192,681</u>	<u>2,564,536</u>	<u>11,945,105</u>	<u>(987,581)</u>
Transfers In	19,910,236		38,962	367,580	20,316,778	
Transfers Out	<u>(10,021,916)</u>	<u>(5,130,104)</u>	<u>(38,962)</u>	<u>(5,125,796)</u>	<u>(20,316,778)</u>	
Change in Net Position	<u>12,066,560</u>	<u>(120,456)</u>	<u>2,192,681</u>	<u>(2,193,680)</u>	<u>11,945,105</u>	<u>(987,581)</u>
Net Position at Beginning of Year, as Restated	<u>90,396,784</u>	<u>5,484,038</u>	<u>7,342,218</u>	<u>8,179,894</u>	<u>111,402,934</u>	<u>4,287,803</u>
Net Position at End of Year	<u>\$ 102,463,344</u>	<u>\$ 5,363,582</u>	<u>\$ 9,534,899</u>	<u>\$ 5,986,214</u>	<u>\$ 123,348,039</u>	<u>\$ 3,300,222</u>

The accompanying notes are an integral part of the financial statements

**CITY OF WARWICK, RHODE ISLAND**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	Business-Type Activities - Enterprise Funds					Governmental
	Major Funds					Activities
	Sewer Fund	Sewer Assessment Fund	Water Fund	Nonmajor Enterprise Funds	Total	Internal Service Funds
Cash Flows from Operating Activities:						
Receipts from customers and users	\$ 17,545,782	\$ 2,085,787	\$ 11,964,380	\$ (10,000)	\$ 31,585,949	\$
Payments to suppliers	(5,052,525)		(6,962,839)	(105,726)	(12,121,090)	
Payments to employees	(2,936,242)		(3,152,744)		(6,088,986)	
Receipts from insurance charges					-	42,975,082
Receipts from other operating services	713,106	1,727,614	496,199	42,858	2,979,777	443,556
Payments for claims					-	(43,418,638)
Net cash provided by (used in) operating activities	<u>10,270,121</u>	<u>3,813,401</u>	<u>2,344,996</u>	<u>(72,868)</u>	<u>16,355,650</u>	<u>-</u>
Cash Flows from Noncapital Financing Activities:						
Interfund borrowings	578,501		(38,961)	2,360,084	2,899,624	
Transfers in from other funds	19,910,236		38,962	367,580	20,316,778	
Transfers to other funds	(10,021,916)	(5,130,104)	(38,962)	(5,258,989)	(20,449,971)	
Net cash provided by (used in) noncapital financing activities	<u>10,466,821</u>	<u>(5,130,104)</u>	<u>(38,961)</u>	<u>(2,531,325)</u>	<u>2,766,431</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities:						
Additions to property, plant and equipment	(6,282,618)		(583,446)	1,996,913	(4,869,151)	
Loss on disposal of capital assets	(23,401)				(23,401)	
Capital contributions	8,880			13,300	22,180	
Principal paid on bonds, loans and leases	(7,517,798)		(29,376)		(7,547,174)	
Loan issuance costs	(108,600)				(108,600)	
Interest paid on bonds, loans and leases	(2,276,207)		(4,020)		(2,280,227)	
Other nonoperating	(2,412,492)				(2,412,492)	
Net cash provided by (used in) capital and related financing activities	<u>(18,612,236)</u>	<u>-</u>	<u>(616,842)</u>	<u>2,010,213</u>	<u>(17,218,865)</u>	<u>-</u>
Cash Flows from Investing Activities:						
Interest on investments	18,586	3,849	11,119	1,210	34,764	836
Net cash provided by (used in) investing activities	<u>18,586</u>	<u>3,849</u>	<u>11,119</u>	<u>1,210</u>	<u>34,764</u>	<u>836</u>
Net Increase (Decrease) in Cash and Cash Equivalents	2,143,292	(1,312,854)	1,700,312	(592,770)	1,937,980	836
Cash and Cash Equivalents at Beginning of Year	<u>15,597,435</u>	<u>1,697,664</u>	<u>6,453,577</u>	<u>1,013,662</u>	<u>24,762,338</u>	<u>639,230</u>
Cash and Cash Equivalents at End of Year	<u>\$ 17,740,727</u>	<u>\$ 384,810</u>	<u>\$ 8,153,889</u>	<u>\$ 420,892</u>	<u>\$ 26,700,318</u>	<u>\$ 640,066</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:						
Operating income (loss)	\$ 4,557,679	\$ 5,005,799	\$ 2,190,565	\$ (203,742)	\$ 11,550,301	\$ (988,417)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation and amortization	5,740,347		696,275		6,436,622	
Change in assets and liabilities:						
(Increase) decrease in accounts receivable	832,765	2,587,280	5,228		3,425,273	877,397
(Increase) decrease in due from other funds	(3,378,429)	6,157	(93,422)	(210,745)	(3,676,439)	
(Increase) decrease in inventory			(6,602)		(6,602)	
(Increase) decrease in deferred outflows - related to pensions	151,307		365,412		516,719	
Increase (decrease) in accounts payable and accrued expenses	(613,003)		(447,640)	334,895	(725,748)	
Increase (decrease) in due to other funds	2,313,146	(630,127)	(129,086)	6,724	1,560,657	
Increase (decrease) in advanced collections		50,724			50,724	
Increase (decrease) in accrued compensated absences	18,033		10,037		28,070	
Increase (decrease) in net other post-employment benefits obligation	805,526		(74,351)		731,175	
Increase (decrease) in net pension liability	(548,477)		(580,840)		(1,129,317)	
Increase (decrease) in deferred inflows - revenue		(3,206,432)			(3,206,432)	
Increase (decrease) in deferred inflows - related to pension	391,227		409,420		800,647	111,020
Total adjustments	<u>5,712,442</u>	<u>(1,192,398)</u>	<u>154,431</u>	<u>130,874</u>	<u>4,805,349</u>	<u>988,417</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 10,270,121</u>	<u>\$ 3,813,401</u>	<u>\$ 2,344,996</u>	<u>\$ (72,868)</u>	<u>\$ 16,355,650</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements

**CITY OF WARWICK, RHODE ISLAND**  
**STATEMENT OF NET POSITION - FIDUCIARY FUNDS**  
**JUNE 30, 2017**

	<u>Pension</u> <u>Trust Funds</u>	<u>Private Purpose</u> <u>Trust Funds</u>	<u>Agency</u> <u>Funds</u>
<b>Assets</b>			
Cash	\$ 3,536,053	\$ 119,069	\$ 1,282,607
Investments, at fair value:			
Equity pool	47,575,421		
Equity small cap funds	53,493,797		
Fixed income pool	128,840,976		
Index funds	78,325,039		
Multi asset manager funds	110,581,925		
International equity funds	33,691,642		
Mutual funds	43,211,136		
Group annuity contracts	4,615,800		
Accrued interest receivable	2,313		
Other receivable	11,062	23,394	35,643
Total assets	<u>503,885,164</u>	<u>142,463</u>	<u>1,318,250</u>
<b>Liabilities:</b>			
Accounts payable and accrued expenses	655,198	100	134,108
Due to federal and state governments			131,647
Deposits held in custody for others			1,052,495
Total liabilities	<u>655,198</u>	<u>100</u>	<u>1,318,250</u>
<b>Net Position:</b>			
Restricted for Pension Benefits and Trust Purposes	<u>\$ 503,229,966</u>	<u>\$ 142,363</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements

**CITY OF WARWICK, RHODE ISLAND  
STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Pension Trust Funds</u>	<u>Private Purpose Trust Funds</u>
Additions		
Contributions:		
Employer	\$ 32,363,835	\$ 26,267
Plan members	6,371,134	
Other income - transfers/miscellaneous	670	18,416
Total additions	<u>38,735,639</u>	<u>44,683</u>
Investment earnings:		
Gain (loss) on sale of investments	5,379,068	
Net appreciation (depreciation) in fair value of investments	53,185,084	143
Interest and dividends	2,197,740	
Less investment expense	(1,421,421)	
Net investment income	<u>59,340,471</u>	<u>143</u>
Total additions	<u>98,076,110</u>	<u>44,826</u>
Deductions:		
Benefits	41,719,750	
Administrative expense	328,742	37,772
Total deductions	<u>42,048,492</u>	<u>37,772</u>
Change in Net Position	56,027,618	7,054
Net Position at Beginning of Year	<u>447,202,348</u>	<u>135,309</u>
Net Position at End of Year	<u>\$ 503,229,966</u>	<u>\$ 142,363</u>

The accompanying notes are an integral part of the financial statements

**CITY OF WARWICK, RHODE ISLAND  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2017**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of Warwick, Rhode Island (the City) have been prepared in conformity with principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing government and financial reporting principles. The following notes to the basic financial statements are an integral part of the City's Comprehensive Annual Financial Report.

**A. Reporting Entity**

The City was established in 1642 and incorporated in 1931. In some matters, including the issuance of short- and long-term debt, the City is governed by the general laws of the State of Rhode Island. The City operates under a Council-Mayor form of government and provides the following services as authorized by its charter: public safety (police, fire and inspections), public works (sanitation, highways and streets, engineering and building maintenance), education, parks and recreation, social services, and general administrative services.

The City complies with generally accepted accounting principles (GAAP). GAAP include all relevant Government Accounting Standards Boards (GASB) pronouncements. In the government-wide statement of net assets and statement of activities, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. Enterprise funds also apply the same principles. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

In evaluating the inclusion of other separate and distinct legal entities as component units within its financial reporting entity, the City applied the criteria prescribed by GASB Statement No.61. Under GASB Statement No. 61, a legally separate entity is required to be included as a component unit if it is fiscally dependent upon the primary government and there is a financial benefit or burden relationship present. The primary government is financially accountable if it appoints the voting majority of the organization's governing board and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific 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:

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

The following entities were considered for classification as component units for fiscal year 2016:

- Warwick School Department

Although Warwick School Department met certain criteria of the tests listed above, it is not deemed to have separate legal status apart from the City. As a result, the financial data of the Warwick School Department has been included as a major special revenue fund within the City's financial statements.

## B. Basis of Presentation

### Government-Wide Financial Statements

The statement of net position and statement of activities report information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

### Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, deferred outflows of resources, liabilities, deferred inflow of resources, fund equity, revenues and expenditures. Funds are organized into three major categories: governmental, proprietary and fiduciary. Major individual governmental funds and enterprise funds are reported as separate columns in the fund financial statements. A fund is considered a major fund if it is the primary operating fund of the City or meets the following criteria:

- Total assets and deferred outflow of resources, liabilities and deferred inflow of resources, revenues, or expenditures of that individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type, and
- Total assets and deferred outflow of resources, liabilities and deferred inflow of resources, revenues, or expenditures of the individual, governmental fund or enterprise funds are at least 5% of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

The *General Fund* is the City's primary operating fund of the City 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.

The *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.

The *Capital Project Funds* are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

The *Permanent Funds* account for assets held by the City pursuant to trust agreements. The principal portion of this fund type must remain intact, but the earnings may be used to achieve the objectives of the fund.

**CITY OF WARWICK, RHODE ISLAND  
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
 JUNE 30, 2017**

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The *Proprietary Funds* are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. Operating revenues of the proprietary funds consist of customer/taxpayer charges for uses and services and certain other miscellaneous revenue. Operating expenses for the enterprise funds includes costs of providing services, including administration and depreciation on capital assets. All other expense items not meeting the above criteria are reported as non-operating expenses. The City has three internal service funds which are used to pay insurance expenses relating to workers and employee fringe benefits claims.

The *Agency Funds* account for assets held by the City in a purely custodial capacity for various student groups, funds held in probate and funds held in escrow for other parties.

The *Pension Trust Funds* account for the funding and payment of pension benefits provided to police officers, fire fighters and municipal and school employees.

The *Private Purpose Trust Funds* account for resources legally in trust held by the City under various trust arrangements for the benefit of certain individuals and groups.

**Major Funds**

The City reports the following major funds:

<b>Fund</b>	<b>Brief Description</b>
<b>Governmental</b>	
General Fund:	See above description
School Unrestricted Fund:	The fund is used to report all financial transactions of the City of Warwick’s School Department, which are not legally required to be accounted for separately. The set aside funds: School Debt Service Fund, Early Childhood, Literacy, Student Equity, Language Assistance, Technology, Building Use, Adult Continuing Education, Athletic Gate Receipts. Summer School and Commercial Foods are included in this fund.
<b>Proprietary</b>	
Sewer Fund:	Accounts for sewer use fees and the expenses associated with providing sewer services to City residents.
Sewer Assessment Fund:	Accounts for special assessments related to the construction of the City’s sewer system, which are payable over 20 years.
Water Fund:	Accounts for water use fees and the expenses associated with water services to City residents.

**CITY OF WARWICK, RHODE ISLAND  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2017**

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**Measurement Focus**

On the government-wide statement of net position and the statement of activities both governmental and business-like activities are presented using the economic resources management 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:

- All governmental funds utilize a "current financial resources" measurement focus and the modified accrual basis of accounting. Only current financial assets, deferred outflow of resources, liabilities and deferred inflow of resources are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period. The City considers property taxes as available if they are collected within 60 days after year end.
- The proprietary funds and private purpose trust funds utilize "economic resources" measurement focus and the accrual basis of accounting. The accounting objectives of this measurement focus are the determination of net income, financial position and cash flow. All inflows of resources associated with their activities are reported. Fund equity is classified as net position.
- Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

**Basis of Accounting**

In the government-wide statement of net position and statement of activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic assets used. Revenues, expenses, gains, losses, assets, deferred outflow of resources, liabilities, and deferred inflow of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues such as property taxes, are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All proprietary funds, private purpose trust funds, police, fire & city and school employees' pension trust funds, and agency funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded as when the liability is incurred or the economic asset is used.

Amounts reported as program revenues include, charges to customers or applicants for services or privileges provided, operating grants and contributions, and capital grants and contributions. Internally dedicated resources are reported as general revenues rather than program revenues. Likewise, general revenues include all taxes.

**CITY OF WARWICK, RHODE ISLAND**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2017**

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Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with proprietary fund's principal operation. The principal operating revenue of the enterprises fund are charges for services provided in accordance with the fund's purpose. Operating expenses for the enterprise fund include the costs of providing the services, including administration and depreciation on capital assets. All other revenue and expense items not meeting these criteria are reported as nonoperating revenues and expenses.

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

**C. Cash**

Cash and cash equivalents are carried at cost. Cash equivalents include amounts invested in certificate of deposits as management believes that these certificates can be accessed at any point in time. Substantially, all of the City's cash and cash equivalents are held in public deposit institutions. Pursuant to Section 35-10-1 of the Rhode Island General Laws, as of October 1, 1991, public institutions are required to insure accounts which hold public funds in excess of the \$250,000 which is guaranteed by FDIC. At times, the City pools cash resources of its various funds to facilitate the management of cash and maximize investment returns.

**D. Investments**

Investments are reported at fair value. Investments are disclosed in accordance with GASB Statement No. 40, *Deposits and Investments Risk Disclosures*.

**E. Accounts and Taxes Receivable**

Receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include property taxes, other receivables and intergovernmental receivable. Business-type activities report service fees as its major receivables.

Accounts receivable and taxes receivable are shown net of an allowance for uncollectible accounts. The allowances are calculated based on the age of the individual receivables. In the fund financial statements, material receivables in governmental funds include revenue accruals such as property taxes collected within 60 days of year-end, grants, and other similar intergovernmental revenues since they are usually both measureable and available. Nonexchange transactions earned/measurable but not yet available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivables are based upon historical trends and the periodic aging of accounts receivable. The allowance for uncollectible accounts receivable amounted to \$11,546,158 for the general fund and \$499,191 for business-type activities at June 30, 2017.

Major receivable balances for the governmental activities include property taxes, amounts due from federal and state government and other receivables (49% of total government receivables). Business-type activities report service fees as its major receivables.

**F. Unbilled Services Receivable**

Sewer and water revenue is recorded when earned. Customers are billed quarterly. The estimated value of services provided, but unbilled at year-end has been included in the accompanying financial statements.

**CITY OF WARWICK, RHODE ISLAND  
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
 JUNE 30, 2017**

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**G. Property Taxes**

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

**H. Inventory**

Inventory is maintained on a periodic system and is stated at cost (first in, first out method of inventory valuation). Inventory consists primarily of materials and supplies. Inventory maintained in governmental funds are recorded as expenditures when at the time of purchase.

**I. Capital Assets**

The accounting treatment for property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

The government-wide financial statements include all infrastructure assets in accordance with GASB Statement No. 34.

Depreciation of all exhausted 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 assets’ estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

<u>Description</u>	<u>Useful Life</u>
Land improvements	20 years
Buildings	50 years
Roads and resurfacing	20 years
Bridges	50 years
Traffic signals	10 years
Main extensions	75 years
Pumping stations and hydrants	50 years
Wastewater collection system	50-75 years
Meters	20-40 years
Distribution lines	65 years
Machinery, equipment and furniture	5-30 years
Vehicles	5-8 years

**Government-Wide Financial Statements**

All capital assets are value at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets, which are being recorded at their estimated fair value at the date of donation. Capital assets that are not being depreciated are placed in service using the replacement method of cost for any new assets and the expense is charged to depreciation.

## **Fund Financial Statements**

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide financial statements.

### **J. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period or periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City reports a deferred charge on refunding and deferred outflows related to pension in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. A deferred outflow of resources related to pension results from differences between expected and actual experience, changes in assumptions or other inputs. These amounts are deferred and included in pension 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 plan (active employees and inactive employees).

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period or periods and so will not be recognized as an inflow of resources (revenue) until that time. The City reports advance property tax collections in the government-wide statement of net position and in the governmental funds balance sheet. The City also reports deferred inflows of resources related to pensions in the government-wide statement of net position. Advance property tax collections represent taxes inherently associated with a future period. This amount is recognized during the period in which the revenue is associated. A deferred inflow of resources related to pension results from differences between expected and actual experience, changes in assumptions or other inputs. These amounts are deferred and included in pension 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 plan (active employees and inactive employees). In addition, for governmental funds, the City reports unavailable revenue, which arises only under the modified accrual basis of accounting. The governmental funds report unavailable revenues from several sources: property taxes, other City billings and solid waste management receivables. These amounts are deferred and recognized as an inflow of resources (revenue) in the period in which the amounts become available.

### **K. Inter-fund Transactions**

Inter-fund activity within and among the funds of the City have been classified and reported as follows:

#### **Reciprocal Inter-Fund Activities**

Inter-fund loans are reported as inter-fund receivables in the lending fund and inter-fund payables in borrower funds.

Inter-fund services are reported as revenues in the seller fund and as expenditures on expenses in the purchasing fund.

**CITY OF WARWICK, RHODE ISLAND  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2017**

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**Non-Reciprocal Inter-Fund Activities**

Inter-fund 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.

Inter-fund 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.

Inter-fund transactions are accounted for as expenditures/expenses when they constitute reimbursements from one fund to another. These transactions are accounted for as expenditures/expenses in the reimbursing fund and are recorded as reductions of expenditures/expenses in the fund receiving the reimbursement. All other inter-fund transactions are reported as transfers.

**L. Taxes Collected in Advance**

Tax collected in advance pertains to property taxes levied on June 30, 2017 (for fiscal year 2018) and paid prior to June 30, 2017. These advance payments could not be recognized as revenue in fiscal year 2017 and instead were reported as deferred inflows at June 30, 2017.

**M. Self-Insurance**

The City's self-insurance costs for health and general liabilities are accounted for in the City's internal service funds. Claims incurred but not paid, including those which have not been reported, are accounted for as expenses and accrued claims in those funds when incurred.

**N. Encumbrances**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in governmental funds. Open encumbrances at year-end are reported as restricted, committed or assigned, and should not result in separate display of the encumbered amount within those classifications. Encumbrances do not constitute expenditures or liabilities under generally accepted accounting principles.

**O. Net Position/Fund Balance Classifications**

**Government-Wide Statements**

Net position is classified as net assets and displayed in three components:

- Net investment in capital assets, net of related debt - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bond, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net position - Consists of net position with constraints placed on the use either by external groups such as creditors, grantors, contributors, laws/regulations of other governments, law through constitutional provisions, or enabling legislation.
- Unrestricted net position - All remaining net position that does not meet the definition of "restricted" or "invested in capital assets, net of related debt."

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**Fund Financial Statements**

Governmental fund equity is classified as fund balance in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. These categories are described below:

- Nonspendable - Includes the amount of fund balances that cannot be spent because it is either not in spendable form or legally or contractually required to be maintained intact.
- Restricted - 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 City Council is the highest level of decision-making authority and utilizes City Ordinances as a formal procedure to commit fund balance. In addition, the passage of the budget by the taxpayers at the annual financial City meeting is considered the commitment of funds for the line items included in the fiscal budget.
- Assigned Fund Balance - Includes amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The intent should be expressed by the governing-body itself or a body (a budget or finance committee) or official to which the governing-body has delegate the authority to assign amounts to be used for specific purposes. The Mayor through the City Council has the authority to assign fund balance. Fund balance assigned by the Finance Director is documented through issuance of a memorandum
- 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**

The following policy has been established by the City in order to address the implementation of Governmental Accounting Standards Board (GASB) Statement No., 54, *Fund Balance Reporting and Governmental Funds Definitions*. The policy is created in consideration of unanticipated events that could adversely affect the financial condition of the City and jeopardize the continuation of necessary public service. The policy ensures that the City maintains an adequate fund balance and reserves in order to:

- Provide sufficient cash flow for daily financial needs
- Provide funds for unforeseen expenditures related to emergencies
- Offset significant economic downturns or revenue shortfalls
- Maintain investment grade bond ratings

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The City maintains a spending policy in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This policy states when an expenditure is incurred for purposes for which both restricted and unrestricted amounts are available, it shall be the policy of the City is to consider restricted amounts to have been used first. When expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it shall be the policy of the City that committed funds would be spent first, followed by assigned amounts and then unassigned amounts.

Proprietary fund equity is classified the same as in the government-wide statements.

**P. Judgments and Claims**

Liabilities for legal cases and other claims against governmental funds are recorded when the ultimate liability can be estimated and such cases are expected to be liquidated with expendable available financial resources. Proprietary fund types record these liabilities using the accrual basis of accounting.

**Q. Compensated Absences**

Under the terms of various contracts and agreements, City employees are granted vacation, sick and personal leave in varying amounts based on length of service and bargaining unit. Unused vacation leave is paid upon an employee's termination. Up to one-half of unused sick-leave is paid upon termination, retirement or death depending on bargaining unit. Severance pay and personal days are also paid to terminating employees depending on bargaining unit. The liability is calculated at the rate of pay in effect at June 30, 2017. The City estimates the long-term versus short-term amount of earned but unpaid vacation and sick leave relating to governmental fund employees and records it in the applicable section of the liabilities in the government-wide financial statements.

**R. Recent Accounting Pronouncements**

Effective for the fiscal year ended June 30, 2018, the City will be required to adopt the provisions of Statement No. 75 of the Government Accounting Standards Board, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, GASB 75. GASB 75 establishes standards for measuring and recognizing liabilities, deferred inflows of resources, deferred outflows of resources, and expenditures related to other postemployment benefits (OPEB) administered through trusts or equivalent arrangements. GASB 75 identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Additionally, GASB 75 will require more extensive footnote disclosures in the financial statements. The effect of GASB 75 adoption on the City's financial statements has not yet been determined.

Effective for the fiscal year ended June 30, 2018, the City will be required to adopt the provisions of Statement No. 82 of the Government Accounting Standards Board, *Pension Issues - an Amendment of GASB Statements No. 67, No. 68 and No. 73*, GASB 82. GASB 82 addresses the presentation of payroll-related measures in required supplementary information, the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and the classification of payments made by employers to satisfy employee contribution requirements. The effect of GASB 82 adoption on the City's financial statements has not yet been determined.

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**S. Pensions**

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's various pension plans (described in greater detail in Note 14) and additions to/deductions from the pension plans net position have been determined on the same basis as they are reported by the pension plans. 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.

**T. OPEB**

The net OPEB obligation represents the cumulative difference between the annual OPEB cost and the City's contributions to the plan. These amounts are calculated on an actuarial basis and are recorded as noncurrent liabilities in the government-wide financial statements.

**U. Estimates**

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

**2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Data and Budgetary Compliance**

In accordance with the Warwick City charter, the City has formally established budgetary accounting control for the General Fund and the School Unrestricted Fund, which is a Special Revenue Fund. The General Fund is subject to an annual operating budget submitted and recommended by City Mayor and adopted by the City Council. The City Council must hold a public hearing on the budget prior to adoption and may make changes to the budget. The General Fund Budget must be adopted no later than June 15. Should the City Council take no formal action on or prior to such day, the budget as submitted by the Mayor, shall be deemed to have been finally adopted by the City Council. The School Unrestricted Fund is subject to an annual operating budget provisionally approved by the School Committee, forwarded to the Mayor, for his review and possible amendment, with final adoption by the City Council. 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 City's General Fund and School Unrestricted Fund annual operating budgets are in conformance with the legally enacted budgetary basis, which is not in conformance with accounting principles generally accepted in the United States of America. The accompanying budgetary comparison schedules are reflected on the budgetary basis. The difference between the budgetary basis and the accounting principles generally accepted in the United States of America basis is explained below.

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The City of Warwick makes use of an encumbrance system. Encumbrances are commitments related to unperformed contracts for goods and services. When a purchase order or commitment is placed, the City reduces the amount of the budgetary authority remaining in a budget category and records an encumbrance. When goods or services are received, the encumbrance balance is reduced and an expenditure and liability is recorded. The City's outstanding encumbrances at year-end are carried forward as a component of committed fund balance.

Appropriations in addition to those contained in the annual operating budgets, except for the purpose of meeting a public emergency, are made upon the recommendation of the City Mayor and by a resolution adopted by the favorable votes of at least five members of the council. Amendments to the operating budgets that do not result in additional appropriations may be made within departments by means of a transfer. The Director of Finance, subject to approval of the Mayor, may at any time transfer any unencumbered appropriation balance or portion thereof between general classifications of expenditures within an office, department or agency. At the request of the Mayor and within the last three months of the fiscal year, the Council may by resolution transfer any unencumbered appropriation balance or portion thereof from one office, department or agency to another. The level at which General Fund expenditures may not legally exceed appropriations is at the department level. The Schools Unrestricted Fund, a Special Revenue Fund, does not have a legal level of control over expenditures, except that total expenditures may not exceed available revenues. Appropriations which are not expended or encumbered lapse at year end.

**B. Excess of Expenditures over Appropriations**

For the year ended June 30, 2017, expenditures exceeded appropriations in the following categories:

Probate court	\$	7,329
City tax collection		125,464
Fire department		601,021
Organized crime/drug enforcement task force		8,638
Alcohol and highway safety enforcement		5,291
Fire grants		60,205
Emergency management		106,685
Board of public safety		906
William Thayer memorial ice rink		95,910
Administrative division		14,669
Engineering division		164,951
Insurance		127,157
Postage		3,746
Fixed costs		75,510
Pension		513,691

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**3. DIFFERENCES BETWEEN GOVERNMENTAL FUNDS AND GOVERNMENT-WIDE STATEMENTS**

Total fund balances of the City's governmental funds of \$42,762,384 differs from net position of governmental activities of (\$470,530,654) reported in the statement of net position. This difference primarily results from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheets. The effect of the differences is illustrated below.

	<u>Total Governmental Funds</u>	<u>Long-Term Assets/ Liabilities (1)</u>	<u>Reclassifications and Eliminations (2)</u>	<u>Statement of Net Position</u>
<b>Assets:</b>				
Cash and cash equivalents	\$ 34,778,410	\$	\$ 640,066	\$ 35,418,476
Restricted cash	3,045,000			3,045,000
Interest receivable		276,978		276,978
Real estate and personal property taxes receivable, net	5,403,166			5,403,166
Due from federal and state governments	10,651,427			10,651,427
Other receivables	5,705,475	(128,805)	2,156,881	7,733,551
Due from other funds	36,342,355		(22,894,634)	13,447,721
Prepays	390,563			390,563
Others assets	4,793,391			4,793,391
Deposits with agent			1,434,300	1,434,300
Nondepreciable assets		18,743,088		18,743,088
Construction in progress		2,098,857		2,098,857
Depreciable assets		<u>100,018,442</u>		<u>100,018,442</u>
Total assets	<u>101,109,787</u>	<u>121,008,560</u>	<u>(18,663,387)</u>	<u>203,454,960</u>
<b>Deferred Outflows of Resources:</b>				
Deferred charges on refunding		129,691		129,691
Deferred outflows - related to pensions		<u>78,728,668</u>		<u>78,728,668</u>
Total deferred outflows of resources	<u>-</u>	<u>78,858,359</u>	<u>-</u>	<u>78,858,359</u>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Cash overdraft	1,000,652			1,000,652
Accounts payable and accrued expenses	16,623,989		1,550,645	18,174,634
Accrued interest payable		490,625		490,625
Due to federal and state governments	171,667			171,667
Internal balances	23,514,254		(23,514,254)	
Unearned revenue			2,767,534	2,767,534
<b>Long-term liabilities:</b>				
Due within one year		7,919,191		7,919,191
Due in more than a year		675,438,265		675,438,265
Other liabilities	5,291,902			5,291,902
Total liabilities	<u>46,602,464</u>	<u>683,848,081</u>	<u>(19,196,075)</u>	<u>711,254,470</u>
<b>Deferred Inflow of Resources:</b>				
Unavailable revenue - taxes	4,232,240	(4,232,240)		
Unavailable revenue - other	6,056,148	(3,288,614)	(2,767,534)	
Advance tax collections	1,456,551			1,456,551
Deferred inflows - related to pensions		<u>40,132,952</u>		<u>40,132,952</u>
Total deferred inflows of resources	<u>11,744,939</u>	<u>32,612,098</u>	<u>(2,767,534)</u>	<u>41,589,503</u>
<b>Fund Balances:</b>				
Total Fund Balances/Net Position	<u>\$ 42,762,384</u>	<u>\$ (516,593,260)</u>	<u>\$ 3,300,222</u>	<u>\$ (470,530,654)</u>

**CITY OF WARWICK, RHODE ISLAND**  
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The "net change in the fund balances" for governmental funds \$8,664,140 differs from the "change in net position" for governmental activities (\$25,229,488) reported in the statement of activities. The differences arise primarily from the long-term economic focus of the statement of activities versus the current financial resources focus of the governmental funds. The effect of the differences is illustrated below.

	Total Governmental Funds	Long-term Revenues/ Expenses & Reclassifications (1)	Capital- related Items (2)	Internal Service Fund (3)	Long-term Debt Transactions (4)	Statement of Activities Totals
Revenues:						
General property taxes	\$ 231,148,289	\$ (87,468)		\$		\$ 231,060,821
Interest on taxes	2,206,364	(112,468)				2,093,896
Intergovernmental revenue	53,800,178					53,800,178
Medicaid	1,313,673					1,313,673
State contribution to pension plan	7,250,385					7,250,385
Charges for services	15,602,935	(1,481,307)				14,121,628
Interest on investments	72,745			837		73,582
Contributions and private grants	229,191					229,191
Other revenues	12,228,003	(41,320)				12,186,683
<b>Total revenues</b>	<b>323,851,763</b>	<b>(1,722,563)</b>	<b>-</b>	<b>837</b>	<b>-</b>	<b>322,130,037</b>
Expenditures:						
Current:						
Executive and administrative	5,631,395	2,904,327	(89,827)	(85,922)	811,888	9,171,861
Public safety	48,342,109	43,869,825	237,199	(46,689)	24,172,734	116,575,178
Recreation	1,775,404	992,516	400,766	(11,556)	245,574	3,402,704
Public libraries	2,973,205	1,876,810	214,484	(23,114)	831,240	5,872,625
Social services	1,201,714	757,939	(42,809)	(9,245)	282,316	2,189,915
Planning and economic development	2,346,268	534,916	73,413	(6,472)	204,019	3,152,144
Public works	13,103,634	5,167,165	2,528,586	(55,010)	1,709,831	22,454,206
Employee benefits, fixed costs and capital	56,103,500	(56,103,500)				-
Education	174,954,593	7,250,385	(3,060,612)	1,226,425	2,864,574	183,235,365
State contribution to pension plan	7,250,385	(7,250,385)				-
Debt service:						
Principal	6,679,050				(6,679,050)	-
Interest	1,597,661	(145,699)			(146,435)	1,305,527
<b>Total expenditures</b>	<b>321,958,918</b>	<b>(145,701)</b>	<b>261,200</b>	<b>988,417</b>	<b>24,296,691</b>	<b>347,359,525</b>
Excess of Revenues over (under) Expenditures before Other Financing Sources (Uses)	1,892,845	(1,576,862)	(261,200)	(987,580)	(24,296,691)	(25,229,488)
Other Financing Sources (Uses):						
Proceeds from capital leases	1,527,826				(1,527,826)	-
Proceeds from revenue bonds	5,243,469				(5,243,469)	-
<b>Total other financing sources (uses)</b>	<b>6,771,295</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(6,771,295)</b>	<b>-</b>
<b>Net Change for the Year</b>	<b>\$ 8,664,140</b>	<b>\$ (1,576,862)</b>	<b>\$ (261,200)</b>	<b>\$ (987,580)</b>	<b>\$ (31,067,986)</b>	<b>\$ (25,229,488)</b>

**4. CASH DEPOSITS WITH FINANCIAL INSTITUTIONS**

**A. Deposits**

Substantially, all of the City's cash and cash equivalents are held in public deposit institutions. Pursuant to Section 35-10-1 of the Rhode Island General Laws, as of October 1, 1991, public deposit institutions are required to insure accounts that hold public funds in excess of the \$250,000 that is guaranteed by FDIC. At times, the City pools cash resources of its various funds to facilitate the management of cash and maximize investment returns.

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**B. Deposit Custodial Credit Risk**

Custodial credit risk in the case of deposits is the risk that in the event of a bank failure, the City's deposits may not be returned. 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. The City does not have a formal deposit policy for custodial credit risk, but is governed by State laws as described above.

As of June 30, 2017, the City's entire bank balance of \$68,359,973 was covered by either FDIC insurance or collateral held in the City's name.

**C. Cash Equivalents**

Cash equivalents are short-term, highly liquid investments that are both readily convertible to known amounts of cash and purchased within 90 days of maturity. As of June 30, 2017, the cash equivalent amounted to \$3,536,053. The cash equivalents consisted of money market type mutual funds held at banking institutions and were not rated.

**5. INVESTMENTS**

The City invests in various types of investments, which are stated at fair value, except for nonparticipating interest earning investment contracts, which are recorded at amortized cost. By Charter the Finance Director and Treasurer have the authority to make investments subject to rules and regulations that the City Council may prescribe by ordinance. The Finance Director shall have the authority to purchase and invest prudently in the following investments for funds other than pension funds:

- Obligations of the United States government, and its agencies and instrumentalities.
- Certificates of deposit and other evidence of deposit at banks, credit unions, and savings and loan associations with offices in the State.
- Bankers' acceptance of banks with offices in the State.
- Commercial paper of banks with offices in the State.
- Repurchase agreements whose underlying collateral consists of U.S. government agency securities and U.S. government sponsored corporations, plus the above, and which are offered by banks with offices in the State.
- Money market funds whose portfolios consist of the above instruments, and any other investments specifically approved by the City council.
- No-load open-end diversified management investment companies incorporated under Rhode Island General Laws designed exclusively for all State government entities, agencies and instrumentalities.

**Interest Rate Risk**

This 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 City has no investments that are subject to interest rate risk.

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**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 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. The City has no formal investment policy that limits investment choices for its pension funds.

**Concentration of Credit Risk**

The City does not have a formal investment policy that limits the amount that can be invested with one issuer. Currently, the City has no investments, to which this requirement applies, in any one issuer that represents more than 5% of the total investments.

**Custodial Credit Risk**

Custodial credit risk is the risk that in the event of financial institution failure, the City's deposits and/or investments may not be returned. The City does not believe that it has significant custodial credit risk as substantially all investments securities are registered and held in the name of the City. Additionally, the City 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 engage an outside rating agency to determine status of the institution. The City also ensures that all uninsured deposits greater than \$250,000 are collateralized.

The following is a schedule of the City's Investments by classification:

	<u>Fair Value</u>	<u>Investment Maturities (Years)</u>		
		<u>Less than 1</u>	<u>1-10</u>	<u>More than 10</u>
Interest-bearing investments at fair value:				
Fixed income securities	\$ 54,832,501	\$ 556,158	\$ 36,388,072	\$ 17,888,271
Equity investments	86,627,115			
Mutual funds	275,935,282			
Index funds	78,325,038			
Group annuity contracts	<u>4,615,800</u>			
Total Investments	<u>\$ 500,335,736</u>			

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Presented below is the ratings of the City's fixed income securities:

<u>Average Rating</u>	<u>Fixed Income Securities</u>
Aaa	\$ 28,181,365
Aa2	320,456
Aa3	464,944
A1	917,729
A2	1,665,522
A3	2,864,000
Baa1	6,298,658
Baa2	4,129,546
Baa3	2,247,751
Ba1	946,884
Unrated	<u>6,795,646</u>
	<u>\$ 54,832,501</u>

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements); followed by quoted prices in inactive markets or for similar assets or with observable inputs (Level 2 measurements); and the lowest priority to unobservable inputs (Level 3 measurements). The City has the following recurring fair value measurements as of June 30, 2017:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments by fair value level:				
Fixed income securities	\$ 54,832,501	\$	\$ 54,832,501	\$
Equity investments	86,627,115	86,627,115		
Mutual funds	275,935,282	275,935,282		
Index funds	78,325,038	78,325,038		
Group annuity contracts	<u>4,615,800</u>			<u>4,615,800</u>
Total Investments by Fair Value	<u>\$ 500,335,736</u>	<u>\$ 440,887,435</u>	<u>\$ 54,832,501</u>	<u>\$ 4,615,800</u>

**6. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Legal Debt Margin**

The City's legal debt margin as set forth by the State Statute is limited to 3% of total taxable assessed value, which approximates \$281,239,857. As of June 30, 2017, the City's debt applicable to the debt limitation is under the debt limit by \$234,685,417. All other City debt has been incurred through special statutory authority which consists of approval by the legislature and voter referendum.

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**7. PROPERTY TAXES**

The City is responsible for assessing, collecting and distributing property taxes in accordance with enabling state legislation.

Net property taxes levied for the fiscal year 2017 were based on a gross assessed value of approximately \$9,767,709,331 less exemptions of \$393,047,437 for a net assessed valuation of \$9,374,661,894 at December 31, 2015 and amounted to a levy of \$233,268,842. After abatements and adjustments, the net levy amounted to \$231,933,541. Collections through June 30, 2017 amounted to \$228,316,990, which represents approximately 98.0% of the adjusted tax levy.

The City recognizes property tax revenues in accordance with Section P70, "Property Taxes" of the Codification of Governmental Accounting and Financial Reporting Standards on the fund statements. Unpaid property taxes as of June 30, 2017 amount to \$16,949,327 and are recorded as a receivable, net of an allowance for uncollectible property taxes of \$11,546,161.

Those net property taxes receivable, which were not collected within the 60 days immediately following June 30, 2017 are recorded as deferred and amounted to \$4,232,240. Property taxes recognized as revenue on the fund statements for the fiscal year ended June 30, 2017 (due to their collection within the 60 days immediately following June 30, 2017) amounted to \$1,170,926. Taxes are due in equal quarterly installments on July 15, October 15, January 15 and April 15 during fiscal year.

**8. RECEIVABLES**

Below is the detail receivables as of year end for each major fund and the aggregate remaining funds, including the applicable allowances for uncollectible accounts:

	<u>General</u>	<u>School Restricted Fund</u>	<u>Sewer Fund</u>	<u>Sewer Assessment Fund</u>	<u>Water Fund</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Receivables:							
Property taxes	\$ 16,949,327						\$ 16,949,327
Water and sewer use fees			6,490,495		3,902,880		10,393,375
Sewer assessment				28,827,751			28,827,751
Accrued interest			1,050				1,050
Due from federal and state	4,234,618	152,294	13,884,097			10,840,122	29,111,131
Other receivable	2,127,527	348,092	1,923			5,469,082	7,946,624
Gross receivables	<u>23,311,472</u>	<u>500,386</u>	<u>20,377,565</u>	<u>28,827,751</u>	<u>3,902,880</u>	<u>16,309,204</u>	<u>93,229,258</u>
Less allowance for uncollectibles	<u>(11,546,161)</u>		<u>(333,895)</u>		<u>(165,296)</u>		<u>(12,045,352)</u>
Net Total Receivables	<u>\$ 11,765,311</u>	<u>\$ 500,386</u>	<u>\$ 20,043,670</u>	<u>\$ 28,827,751</u>	<u>\$ 3,737,584</u>	<u>\$ 16,309,204</u>	<u>\$ 81,183,906</u>

**CITY OF WARWICK, RHODE ISLAND**  
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**9. CAPITAL ASSETS**

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

	<u>Beginning Balance (as Restated)</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Governmental activities:					
Nondepreciable assets:					
Land	\$ 18,680,138	\$	\$	\$	\$ 18,680,138
Construction in progress	3,708,015	5,129,163		(6,738,321)	2,098,857
Artwork	62,950				62,950
Total nondepreciable assets	<u>22,451,103</u>	<u>5,129,163</u>	<u>-</u>	<u>(6,738,321)</u>	<u>20,841,945</u>
Depreciable assets:					
Land improvements	11,082,066				11,082,066
Buildings	130,628,569	185,363		6,738,321	137,552,253
Infrastructure	199,457,152	848,858			200,306,010
Machinery and equipment	20,640,887	228,882			20,869,769
Motor vehicles	31,997,656	766,830	512,376		32,252,110
Total depreciable assets	<u>393,806,330</u>	<u>2,029,933</u>	<u>512,376</u>	<u>6,738,321</u>	<u>402,062,208</u>
Less accumulated depreciation for:					
Land improvements	9,193,838	263,346			9,457,184
Buildings	64,464,808	3,005,488			67,470,296
Infrastructure	179,490,305	2,134,190			181,624,495
Machinery and equipment	19,130,214	446,724			19,576,938
Motor vehicles	22,506,684	1,845,165	436,996		23,914,853
Total accumulated depreciation	<u>294,785,849</u>	<u>7,694,913</u>	<u>436,996</u>	<u>-</u>	<u>302,043,766</u>
Depreciable capital assets, net	<u>99,020,481</u>	<u>(5,664,980)</u>	<u>75,380</u>	<u>6,738,321</u>	<u>100,018,442</u>
Governmental Activities Capital Assets, Net	<u>\$ 121,471,584</u>	<u>\$ (535,817)</u>	<u>\$ 75,380</u>	<u>\$ -</u>	<u>\$ 120,860,387</u>
Business-type activities:					
Nondepreciable assets:					
Construction in progress	\$ 17,968,203	\$ 836,167	\$	\$ (2,022,788)	\$ 16,781,582
Total nondepreciable assets	<u>17,968,203</u>	<u>836,167</u>	<u>-</u>	<u>(2,022,788)</u>	<u>16,781,582</u>
Depreciable assets:					
Buildings	2,900,797				2,900,797
Machinery, equipment and furniture	5,442,130	385,975	56,861		5,771,244
Water distribution system and wastewater collection system	277,693,854	3,670,413	102,830	2,022,788	283,284,225
Total depreciable assets	<u>286,036,781</u>	<u>4,056,388</u>	<u>159,691</u>	<u>2,022,788</u>	<u>291,956,266</u>
Less accumulated depreciation for:					
Buildings	1,088,721	44,518			1,133,239
Machinery, equipment and furniture	3,554,016	398,050	56,861		3,895,205
Water distribution system and wastewater collection system	107,529,657	5,994,054	79,430		113,444,281
Total accumulated depreciation	<u>112,172,394</u>	<u>6,436,622</u>	<u>136,291</u>	<u>-</u>	<u>118,472,725</u>
Depreciable capital assets, net	<u>173,864,387</u>	<u>(2,380,234)</u>	<u>23,400</u>	<u>2,022,788</u>	<u>173,483,541</u>
Business-Type Activities Capital Assets, Net	<u>\$ 191,832,590</u>	<u>\$ (1,544,067)</u>	<u>\$ 23,400</u>	<u>\$ -</u>	<u>\$ 190,265,123</u>

**CITY OF WARWICK, RHODE ISLAND**  
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Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
Executive and administration	\$ 48,899
Public safety	1,554,315
Recreation	396,412
Public libraries	228,733
Social services	58,545
Planning and economic development	73,413
Public works	3,131,256
Education	<u>2,203,340</u>
Total Governmental Activities and Depreciation Expense	\$ <u>7,694,913</u>
Business-type activities:	
Water	\$ 696,275
Sewer	<u>5,740,347</u>
Total Business-Type Activities Depreciation Expense	\$ <u>6,436,622</u>

**CITY OF WARWICK, RHODE ISLAND  
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JUNE 30, 2017**

**10. LONG-TERM LIABILITIES**

**A. Long-Term Liabilities**

Long-term liability activity for the governmental activities for the year ended June 30, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Long-term debt:					
General obligation bonds	\$ 47,141,102	\$ 4,755,000	\$ 5,341,662	\$ 46,554,440	\$ 4,981,909
Capital lease payable	5,715,524	1,527,826	1,337,388	5,905,962	1,360,442
Plus amortized premium bonds	1,229,219	488,469	213,150	1,504,538	
Less deferred amount on refunding	(196,406)		(66,715)	(129,691)	
Total long-term debt	<u>53,889,439</u>	<u>6,771,295</u>	<u>6,825,485</u>	<u>53,835,249</u>	<u>6,342,351</u>
Other long-term liabilities:					
Compensated absences	12,484,097	363,740	124,643	12,723,194	1,576,840
Accrued retroactive payroll	1,263,356		65,215	1,198,141	
Net pension liability	475,392,253		18,622,865	456,769,388	
Net other post-employment benefits	140,640,126	158,701,793	140,640,126	158,701,793	
Total other long-term liabilities	<u>629,779,832</u>	<u>159,065,533</u>	<u>159,452,849</u>	<u>629,392,516</u>	<u>-</u>
Governmental Activities Long-Term Liabilities	<u>\$ 683,669,271</u>	<u>\$ 165,836,828</u>	<u>\$ 166,278,334</u>	<u>\$ 683,227,765</u>	<u>\$ 6,342,351</u>
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Business-Type Activities:					
Long-term debt:					
Bonds payable	\$ 11,697,898	\$	\$ 1,564,338	\$ 10,133,560	\$ 1,514,091
Loans payable	94,800,993	3,730,000	9,654,339	88,876,654	9,473,886
Amortized premium on bond	408,582		58,496	350,086	
Deferred amount on refunding	(134,128)		(23,226)	(110,902)	
Net pension liability	7,463,139		1,129,317	6,333,822	
Net other post-employment benefits	4,335,813	5,066,988	4,335,813	5,066,988	
Total long-term debt	<u>118,572,297</u>	<u>8,796,988</u>	<u>16,719,077</u>	<u>110,650,208</u>	<u>10,987,977</u>
Other long-term liabilities:					
Total other long-term liabilities	<u>380,950</u>	<u>28,070</u>	<u>-</u>	<u>409,020</u>	<u>-</u>
Business-Type Activities Long-Term Liabilities	<u>\$ 118,953,247</u>	<u>\$ 8,825,058</u>	<u>\$ 16,719,077</u>	<u>\$ 111,059,228</u>	<u>\$ 10,987,977</u>

Payments on the bonds and capital leases payable that pertain to the City's Governmental Activities are made by the Debt Service Fund. The compensated absences liability attributable to the Governmental Activities will be liquidated by the City's General Fund and School Unrestricted Fund. The net pension obligation and net other post-employment benefits obligation attributable to the Governmental Activities will be liquidated by the City's General Fund and School Unrestricted Fund. The accrued retroactive payroll will be paid by the School Unrestricted Fund.

**CITY OF WARWICK, RHODE ISLAND  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2017**

**B. Schedule of Bonds and Loans Payable**

	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Authorized and Issued</u>	<u>Outstanding Principal June 30, 2016</u>	<u>Less Maturities During Year</u>	<u>New Issues</u>	<u>Outstanding Principal June 30, 2017</u>
Governmental Funds								
General fund:								
School	4/30/2008	3.5/4.2	8/1/2017	\$ 9,740,114	\$ 1,512,611	\$ 970,589	\$	\$ 542,022
School - RIHEBC	6/15/2010	5.75%	4/1/2027	3,908,000	3,908,000			3,908,000
School - RIHEBC	11/15/2010	6.29%	4/1/2027	4,212,000	4,212,000			4,212,000
School	5/26/2011	3.0/5.0	1/15/2022	8,713,480	5,725,513	945,700		4,779,813
School - RIHEBC	6/15/2013	3.52%	5/15/2033	4,295,000	3,650,000	215,000		3,435,000
School - RIHEBC	8/6/2014	3.63%	5/5/2034	3,370,000	3,090,000	130,000		2,960,000
School - refunding	8/12/2015	1.5/4.0	8/1/2025	7,140,621	6,708,476	674,566		6,033,910
School - RIHEBC	8/17/2016	3.72%	5/15/2036	4,755,000	-	130,000	4,755,000	4,625,000
Highway/drainage - refunding	4/30/2008	3.5/4.2	8/1/2017	685,646	172,107	83,118		88,989
Highway/drainage - refunding	8/12/2015	1.5/4.0	8/1/2025	1,125,836	1,057,626	106,347		951,279
Fire	4/30/2008	3.5/4.2	8/1/2017	424,435	91,008	50,559		40,449
Open space - refunding	4/30/2008	3.5/4.2	8/1/2017	870,396	195,185	104,174		91,011
Open space - refunding	5/26/2011	3.0/5.0	1/15/2022	2,085,827	1,413,661	225,374		1,188,287
City buildings	5/26/2011	3.0/5.0	1/15/2022	1,266,653	889,845	136,130		753,715
City buildings	8/12/2015	2.0/4.5	8/1/2035	3,455,000	3,455,000	123,960		3,331,040
Library - refunding	4/30/2008	3.5/4.2	8/1/2017	2,546,610	546,049	303,352		242,697
Recreation	4/30/2008	3.5/4.2	8/1/2017	870,396	195,185	104,174		91,011
Recreation - refunding	5/26/2011	3.0/5.0	1/15/2022	1,830,556	1,106,481	200,926		905,555
Recreation - refunding	8/12/2015	1.5/4.0	8/1/2025	1,509,106	1,417,081	142,482		1,274,599
Public safety	8/12/2015	1.5/4.0	8/1/2025	3,928,436	3,691,316	371,188		3,320,128
Transportation	4/30/2008	3.5/4.2	8/1/2017	1,004,699	221,132	120,008		101,124
Fire station	8/12/2015	2.0/4.5	8/1/2035	1,980,000	1,980,000	71,040		1,908,960
Animal shelter - refunding	5/26/2011	3.0/5.0	1/15/2022	610,184	368,826	66,975		301,851
Municipal road and bridge loan	7/17/2014	.76/3.3	9/1/2034	1,600,000	1,534,000	66,000		1,468,000
<b>Total Governmental Funds Bonds Payable</b>				<b>\$ 71,927,995</b>	<b>\$ 47,141,102</b>	<b>\$ 5,341,662</b>	<b>\$ 4,755,000</b>	<b>\$ 46,554,440</b>

**CITY OF WARWICK, RHODE ISLAND**  
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	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Authorized and Issued</u>	<u>Outstanding Principal June 30, 2016</u>	<u>Maturities During Year</u>	<u>New Issues</u>	<u>Outstanding Principal June 30, 2017</u>
Enterprise Funds								
Bonds payable:								
Water:								
Water - refunding	4/30/2008	3.5/4.2	8/1/2017	\$ 45,714	\$ 4,821	\$ 4,821	\$ -	
Water - refunding	5/26/2011	3.0/5.0	1/15/2022	319,171	231,124	34,141		196,983
Water - refunding	8/12/2015	1.5/4.0	8/1/2025	(128,393)	(116,721)	(11,672)		(105,049)
Total water bonds payable				236,492	119,224	27,290	-	91,934
Sewer:								
Sewer - refunding	4/30/2008	3.5/4.2	8/1/2017	3,066,990	576,902	334,205		242,697
Sewer - refunding	5/26/2011	3.0/5.0	1/15/2022	2,164,129	1,384,550	235,754		1,148,796
Sewer - refunding	8/12/2015	1.5/4.0	8/1/2025	10,234,394	9,617,222	967,089		8,650,133
Total sewer bonds payable				15,465,513	11,578,674	1,537,048	-	10,041,626
Total Enterprise Funds Bonds Payable				\$ 15,702,005	\$ 11,697,898	\$ 1,564,338	\$ -	\$ 10,133,560
Loans payable:								
Sewer - RIIB Loan	12/28/1995	2.82	9/1/2016	\$ 3,996,000	\$ 199,800	\$ 199,800	\$ -	-
Sewer - RIIB Loan	4/1/1997	2.97	9/1/2016	10,000,000	526,315	526,315		-
Sewer - RIIB Loan	6/26/1998	2.57	9/1/2019	10,200,000	2,472,447	590,270		1,882,177
Sewer - RIIB Loan	8/25/1999	2.84	9/1/2019	14,750,000	3,946,821	945,709		3,001,112
Sewer - RIIB Loan	12/19/2000	2.90	9/1/2020	20,232,323	6,188,887	1,168,004		5,020,883
Sewer - RIIB Loan	4/25/2002	1.25	9/1/2022	12,000,000	5,023,072	655,701		4,367,371
Sewer - RIIB Loan	10/24/2002	1.00	9/1/2022	20,000,000	8,480,444	1,123,416		7,357,028
Sewer - RIIB Loan	11/13/2003	1.34	9/1/2024	20,000,000	9,920,000	1,015,000		8,905,000
Sewer - RIIB Loan	12/30/2004	1.40	9/1/2025	20,000,000	10,887,000	998,000		9,889,000
Sewer - RIIB Loan	12/15/2005	1.41	9/1/2026	5,000,000	2,750,000	250,000		2,500,000
Sewer - RIIB Loan	12/21/2006	1.27	9/1/2027	9,500,000	5,700,000	475,000		5,225,000
Sewer - RIIB Loan	12/12/2007	1.69/2.15	9/1/2026	6,942,000	4,513,000	347,000		4,166,000
Sewer - RIIB Loan	10/6/2009	1.26/3.35	9/1/2029	1,169,026	820,304	58,121		762,183
Sewer - RIIB Loan	3/6/2014	2.71	9/1/2034	7,000,000	6,718,000	284,000		6,434,000
Sewer - RIIB Loan	7/30/2015	.69/2.89	9/1/2034	10,574,900	10,573,900	457,000		10,116,900
Sewer - RIIB Loan	6/2/2016	.37/2.41	9/1/2035	8,000,000	8,000,000			8,000,000
Sewer - RIIB Loan	4/13/2017	.71/2.57	9/1/2036	3,730,000	3,730,000		3,730,000	3,730,000
Sewer conduit	4/30/2008	4.85	3/1/2028	4,000,000	2,825,000	180,000		2,645,000
Sewer conduit	6/26/2012	3.29	9/1/2022	2,400,000	1,757,000	228,000		1,529,000
Sewer conduit/admin	3/31/2015	1.95	9/1/2034	3,500,000	3,499,000	153,000		3,346,000
Total Enterprise Funds Bonds Payable				\$ 192,994,249	\$ 94,800,990	\$ 9,654,336	\$ 3,730,000	\$ 88,876,654

**C. Debt Maturity**

Debt service requirements at June 30, 2017 were as follows:

**Governmental Activities**

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2018	\$ 4,981,909	\$ 1,247,639	\$ 6,229,548
2019	3,925,196	1,087,159	5,012,355
2020	4,053,700	963,564	5,017,264
2021	4,163,341	856,041	5,019,382
2022	3,154,415	758,002	3,912,417
2023-2027	17,306,879	2,670,791	19,977,670
2028-2032	5,317,000	1,259,720	6,576,720
2033-2037	3,652,000	262,032	3,914,032
	<u>\$ 46,554,440</u>	<u>\$ 9,104,948</u>	<u>\$ 55,659,388</u>

Note - does not include voluntary payments to School RIHEBC bond sinking fund

**CITY OF WARWICK, RHODE ISLAND  
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**Business-Type Activities**

Year Ended June 30,	Principal	Interest	Total Debt Service
2018	\$ 1,514,091	\$ 267,698	\$ 1,781,789
2019	1,311,805	226,459	1,538,264
2020	1,349,300	194,486	1,543,786
2021	1,381,659	163,383	1,545,042
2022	1,216,585	132,514	1,349,099
2023-2027	<u>3,360,120</u>	<u>194,757</u>	<u>3,554,877</u>
	<u>\$ 10,133,560</u>	<u>\$ 1,179,297</u>	<u>\$ 11,312,857</u>

**School RIHEBC Bonds**

The proceeds from the bonds were used to finance the acquisition, construction, furnishing and equipping of schools and school facilities, including but not limited to various school renovation projects, and to pay the costs of issuance. The \$3,908,000 bond and \$4,212,000 bond require sinking fund deposits to be held on deposit by the trustee and will be paid to the bondholders in full May 2027 for both bonds. While these sinking fund deposits do not allow the City to present these payments as retirements of the respective debt, the City has effectively accumulated \$3,045,000 to retire the debts in 2027. These restricted funds are shown as restricted fund balance within the debt service fund.

The future sinking fund deposit required to amortize the 2010 Revenue Bonds of \$3,908,000 and \$4,212,000 are as follows:

<u>\$3,908,000 Revenue Bond</u>			<u>\$4,212,000 Revenue Bond</u>		
Year Ended June 30,	Required Sinking Fund Deposits Principal	Actual Sinking Fund Deposits	Year Ended June 30,	Required Sinking Fund Deposits Principal	Actual Sinking Fund Deposits
2012	\$ 244,250	\$ 244,250	2012	\$ 263,250	\$ 263,250
2013	244,250	244,250	2013	263,250	263,250
2014	244,250	244,250	2014	263,250	263,250
2015	244,250	244,250	2015	263,250	263,250
2016	244,250	244,250	2016	263,250	263,250
2017	244,250	244,250	2017	263,250	263,250
2018	244,250		2018	263,250	
2019	244,250		2019	263,250	
2020	244,250		2020	263,250	
2021	244,250		2021	263,250	
2022	244,250		2022	263,250	
2023	244,250		2023	263,250	
2024	244,250		2024	263,250	
2025	244,250		2025	263,250	
2026	244,250		2026	263,250	
2027	<u>244,250</u>		2027	<u>263,250</u>	
Total	<u>\$ 3,908,000</u>	<u>\$ 1,465,500</u>	Total	<u>\$ 4,212,000</u>	<u>\$ 1,579,500</u>

**CITY OF WARWICK, RHODE ISLAND**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
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**D. Loans Payable**

The City has entered into nineteen loan agreements with the Rhode Island Infrastructure Bank, formerly known as Rhode Island Clean Water Finance Agency. The loan proceeds are to be used by the City for the extension and upgrade of the City’s sewer system. The Bank advances loan proceeds to the City periodically to reimburse the City for capital costs incurred on the projects. The following loan agreements were active as of June 30, 2017:

<u>Agreement Date</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Maturity Dates</u>
June 26, 1998	\$ 10,200,000	2.57%	September 1, 1999-2019
August 25, 1999	14,750,000	2.84%	September 1, 2002-2019
December 19, 2000	20,232,323	2.90%	September 1, 2001-2020
April 25, 2002	12,000,000	1.25%	September 1, 2002-2022
October 24, 2002	20,000,000	1.00%	September 1, 2004-2022
November 13, 2003	20,000,000	1.34%	September 1, 2005-2024
December 30, 2004	20,000,000	1.40%	September 1, 2006-2025
December 15, 2005	5,000,000	1.41%	September 1, 2007-2026
December 21, 2006	9,500,000	1.27%	September 1, 2008-2027
December 12, 2007	6,942,000	1.185-1.645%	September 1, 2009-2028
April 30, 2008	4,000,000	4.85%	September 1, 2009-2028
October 6, 2009	1,169,026 *	2.16%	September 1, 2010-2029
June 26, 2012	2,400,000	3.29%	September 1, 2012-2022
March 6, 2014	7,000,000	2.71%	September 1, 2014-2034
March 31, 2015	3,500,000	1.95%	September 1, 2015-2034
July 30, 2015	10,574,900	2.16%	September 1, 2015-2034
June 2, 2016	8,000,000	1.74%	September 1, 2016-2035
April 13, 2017	3,730,000	1.90%	September 1, 2018-2037

\*SFR/Stimulus Loan is shown net of \$178,601 principal forgiveness the City pays an additional 0.5% finance fee on all loans except for the loan dated April 30, 2008

The loan proceeds are to be used by the City for the extension and upgrade of the sewer system. The Bank pays project invoices certified by the City directly to the contractors or reimburses the City for costs incurred on the projects. As of June 30, 2017, loans payable of \$88,876,654 are reflected in the Sewer Fund. A due from the Rhode Island Infrastructure Bank of \$13,884,097 is shown for that portion of the loans, which has not been advanced as of June 30, 2017. The City is responsible to draw down and to repay the full amount of the loan.

**CITY OF WARWICK, RHODE ISLAND**  
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The debt service through maturity for the above loans is as follows:

<u>Fiscal Year Ending June</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 9,473,886	\$ 2,004,847
2019	9,839,149	1,841,348
2020	10,046,111	1,611,013
2021	8,543,796	1,399,396
2022	7,378,378	1,229,951
2023-2027	25,481,456	4,138,544
2028-2032	10,857,978	1,931,518
2033-2037	7,255,900	415,266
	<u>\$ 88,876,654</u>	<u>\$ 14,571,883</u>

Interest, at the fixed rates indicated above, is calculated monthly based on the loan balances outstanding. The City has not completely drawn down all of the loans as of June 30, 2017. The interest through maturity shown above is based upon estimated amortization schedules prepared by Rhode Island Infrastructure Bank. The Rhode Island Infrastructure Bank loans dated December 30, 2004, December 15, 2005, December 21, 2006, December 12, 2007, April 30, 2008, October 6, 2009, June 26, 2012, March 6, 2014 and March 31, 2015, July 30, 2015, June 2, 2016, and April 13, 2017 are revenue loans. The revenue loans are secured by the revenues derived from the operation of the City's wastewater collection system.

**E. Debt Service Requirements**

The City's business-type debt service requirement relating to outstanding bond and loan obligations consist of the following:

<u>Fiscal Year Ending June</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>
2018	\$ 10,987,977	\$ 2,272,543	\$ 13,260,520
2019	11,150,955	2,067,807	13,218,762
2020	11,395,411	1,805,499	13,200,910
2021	9,925,456	1,562,779	11,488,235
2022	8,594,962	1,362,465	9,957,427
2023-2027	28,841,576	4,333,300	33,174,876
2028-2032	10,857,977	1,931,519	12,789,496
2033-2037	7,255,900	415,266	7,671,166
	<u>\$ 99,010,214</u>	<u>\$ 15,751,178</u>	<u>\$ 114,761,392</u>

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**F. Bonds Authorized but Unissued**

The following table sets forth amounts, purposes and statutorily authorized, but unissued general obligation debt of the City.

<u>Purpose</u>	<u>Statutory Authorization</u>	<u>Authorized But Unissued Debt</u>
Incinerator purposes	P.L. Ch. 33-1966	\$ 1,900,000 *
Energy conservation	P.L. Ch. 65-1980	600,000
Sewer improvements	P.L. Ch. 223-1994	417,677
Open space	P.L. Ch. 77-2000	175,000
Open space	P.L. Ch. 125/479-2006	2,000,000
Recreation	P.L. Ch. 77-2000	500,000
Parks and recreation	P.L. Ch. 74/147-2006	3,500,000
Drainage	P.L. Ch. 78-2002	3,000,000
Building repairs	P.L. Ch. 426/527-2006	5,500,000
Mickey Stevens Sports Complex	P.L. Ch. 385-2006	7,000,000
School renovations	P.L. Ch. 386/516-2006	4,460,000
		<u>\$ 29,052,677</u>

\* The City does not plan to issue the \$1,900,000 authority for incinerator purposes

**G. Capital Lease Commitments**

The City's capital lease program consists of two leases for the purchase of various vehicles and equipment valued at \$8,742,878. Depreciation expense for the year on those assets was \$1,044,941. The City may purchase leased vehicles and equipment as set forth in the lease agreements. Leases are renewed annually based on the City's appropriation of funds sufficient to pay the obligations under the lease agreements.

Obligations of Governmental Activities under capital leases at June 30, 2017 were as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Lease Payment Required</u>
2018	\$ 1,472,655
2019	1,472,655
2020	1,123,854
2021	695,094
2022	357,678
2023-2026	<u>1,180,249</u>
Future minimum rental commitments	6,302,185
Interest portion of payments	<u>396,223</u>
Principal Portion of Payments	<u>\$ 5,905,962</u>

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**11. INTERFUND RECEIVABLES AND PAYABLES**

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 or may simply be the result of pooling financial resources to maximize income. The composition of interfund balances at June 30, 2017 is as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
<b>General Fund</b>	\$ 17,981,824	\$ 18,740,622
<b>School Unrestricted Fund</b>	<u>14,671,718</u>	<u>2,178,124</u>
Nongovernmental Funds:		
Special detail fund	191,231	
City Clerk restricted fund	1,002,860	
Emergency operations - City	253,413	
Warwick Public library restricted fund	8,378	
Sewer connection grant		4,713
Mooring fee reserve fund	15,489	
Senior center gift shop	2,896	
Federal asset forfeiture fund	22,504	
State asset forfeiture fund	5,994	
Community development block grant	400	88,726
HUD disaster recovery grant		984
IDEA		765,641
IDEA preschool		21,192
Title I		360,094
Title II		130,879
Title III		5,490
Perkins Voc (even year)		82,756
Homeless (even year)		5,602
Fresh fruit/veg program		18,256
Big yellow bus	1,970	
Emergency repairs - tech	1,538,294	
CTE	254,103	
Full day kindergarten	880	
English learner categorical		2,290
Leadership mini grant		361
CS4RI Teals innovation office grant	1,290	
Champlin audio/video	179	
Champlin Winman	76,589	
Champlin Aldrich Gorton	3,306	
Feinstein	148,242	
Rhode Island foundation	39,325	
United Way	589	
Gen. Youth Foundation	1,132	
Staples Foundation	2,487	
Shapiro Fund for Warwick	1,150	
Target	1,240	
Education development center	3,043	
Dorothy Rich association	314	
Stop & Shop	2,598	
IGT charitable contributions	250	
Cedar Hill Library books	42	
PTO donations	3,864	
C.A.S.I.T. Italian program	2,715	

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Scott Tech donations	3,416	
Esther Chester donation		1,597
Mary Maini memorial fund	50	
Carol Gray memorial fund	23	
Patricia St. Amant	3,055	
City/Town contribution sports	4,990	
Injury fund	2,630	
Art Talks Sherman	14,806	
Holliman Yearbook	1,368	
Technology self insurance	64,184	
Wireless Classroom initiative		803,770
School food service fund		292,526
2000 Open Space bond fund		58
2006 school bond fund		2,924
2002 Drainage bond fund		7,000
2006 City buildings bond fund		649
Capital leases	7,524	
Total nongovernmental funds	<u>3,688,813</u>	<u>2,595,508</u>
Major Enterprise Funds:		
Sewer fund	5,513,775	13,641,189
Sewer assessment fund	839,593	391,558
Water fund	192,494	7,445,397
Total major enterprise funds	<u>6,545,862</u>	<u>21,478,144</u>
Nonmajor Enterprise Funds:		
Emergency operations enterprise funds	357,580	4,379,907
On-Site revolving loan fund	235	
Sewer infrastructure replacement fund	18,876	
Sewer renewal & replacement fund	2,494,501	6,724
Water renewal & replacement fund	750,000	
Water restricted emergency fund	250,000	
Water infrastructure replacement fund	2,000,000	
Total nonmajor enterprise funds	<u>5,871,192</u>	<u>4,386,631</u>
Internal Service Funds:		
Healthcare Management City	<u>619,620</u>	
Totals	<u>\$ 49,379,029</u>	<u>\$ 49,379,029</u>

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**12. FUND BALANCES**

As stated in Note 1, fund balance may be classified as one of five categories: nonspendable, restricted, committed, assigned or unassigned. See Note 1 of these financial statements for definitions of these five fund balance categories. The detail of the composition of nonspendable, restricted, committed and assigned fund balance follows.

	<u>General</u>	<u>School Unrestricted Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund balances:				
Nonspendable for:				
Prepaid expenses	\$ 249,434			\$ 249,434
Restricted for:				
Subsequent year's budget	1,295,271			1,295,271
Entitlement Community program of U.S. Housing			497,971	497,971
CDBG Seed program			13,340	13,340
Drug related property seizure			155,409	155,409
Open space acquisition			295,873	295,873
Library operations			101,826	101,826
Pilgrim Senior Center			26,863	26,863
Sewer connections assistance			36,367	36,367
Tourism			146,842	146,842
Public safety			132,095	132,095
Emergency operations FEMA			168,413	168,413
Waterfront safety			231,227	231,227
Maintenance of historical records			980,173	980,173
Education			2,306,306	2,306,306
Open Space acquisition			349,700	349,700
School capital improvements			3,433,778	3,433,778
Road and bridge improvements			459,300	459,300
Capital leases			7,524	7,524
Municipal building improvements			1,353,758	1,353,758
Debt service			3,045,000	3,045,000
Committed for:				
Education	4,218,671			4,218,671
Other	690,286			690,286
Unassigned	<u>22,566,957</u>			<u>22,566,957</u>
Total Fund balances	<u>\$ 29,020,619</u>	<u>-</u>	<u>\$ 13,741,765</u>	<u>\$ 42,762,384</u>

Encumbrances totaling \$454,562 are included in the "committed other" line in the General Fund.

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**13. INTER-FUND TRANSFERS**

The principal purpose of inter-fund transfers is to provide a financing source to various funds that may not have the ability to cover all costs with revenue generated by the fund. The composition of inter-fund transfers for the year ended June 30, 2017 is as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Funds:		
General fund	\$ 771,231	\$ 128,876,412
School unrestricted fund	121,449,247	1,734,481
Sewer fund	19,910,236	10,021,916
Sewer assessment fund		5,130,104
Water fund	38,962	38,962
Nonmajor Funds:		
Enterprise funds	367,580	5,125,796
Special revenue funds	506,303	817,421
Debt service fund	<u>8,701,533</u>	
Total	<u>\$ 151,745,092</u>	<u>\$ 151,745,092</u>

**14. DEFINED BENEFIT PENSION PLANS**

**A. City Employees' Pension Plan**

**Summary of Significant Accounting Policies**

**Basis of Accounting**

The City Employees' Pension Trust Fund's financial statements are prepared using the accrual basis of accounting. For the 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 City Employees' Pension Plan and additions to and deductions from the Plan's net position have been determined on the same basis as they are reported by the Plan. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and when the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

**Plan Description**

The City Employees' Pension Plan covers all City employees not covered by other plans. Nonelected employees are eligible to participate after six months of employment. Elected officials are eligible on the date they assume their elected position. The City Employees' Pension Plan is a single employer defined benefit pension plan that was established in 1965. The Municipal Retirement Board is responsible for the administration of the plan. The Board is comprised of (11) members consisting of the City's Finance Director, Personnel Director, Municipal Union President, Chairperson of the City Finance Committee, (1)

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Union Employee, (1) Non-Union Employee, (1) Municipal Retiree, and (4) Members of the Public. The pension plan is reported as a Pension Trust Fund in the City's financial statements. The City does not issue a separate publicly available financial report that includes financial statements and required supplementary information (RSI) for the City Employees' Pension Plan.

As of July 1, 2016, employee membership data related to the pension plan was as follows:

Active Plan Members	369
Inactive Plan Members or Beneficiaries Currently Receiving Benefits	369
Inactive Plan Members Entitled to, But not Yet Receiving Benefits	<u>28</u>
	<u>766</u>

The following benefit provisions and contribution requirements were established and may be amended by City Ordinance.

**Benefit Provisions**

Members in the plan who have attained age 65 and have reached their fifth anniversary of participation may retire. The normal monthly retirement benefit is equal to 2.5% of their final average monthly compensation multiplied by years of creditable service. Final average monthly compensation is one-twelfth of the average of the highest three consecutive years of base compensation. However, no elected member will receive less than one-twelfth of the sum of \$1,500 plus \$200 multiplied by years of creditable service; the sum not to exceed \$5,500. Effective September 1, 1994, the plan compensation is equal to the sum of base compensation and longevity pay. Eligibility for early retirement is after age 55 with at least 10 years of creditable service or any member whose age plus service totals 80 or more. Effective for new hires after July 1, 2012, the eligibility requirement changes to the attainment of age 59 with 25 years of service, or age 65 if vested. Additionally, the monthly retirement benefit decreases to 2% of final average monthly compensation multiplied by years of creditable service. Benefits will be calculated based upon the average of the last three years of service. Effective September 1, 1994, an elected official is eligible upon the attainment of age 55 with at least six years of service. The retirement benefit for early retirement is determined under the normal retirement formula above reduced for commencement prior to age 65. The reduction is equal to 1/2% per month for the first sixty months prior to age 65 plus 1/3% per month in excess of sixty. If the sum of the retired member's years of age plus service is at least equal to 80, there is no reduction for early commencement. The provision for late retirement is continued employment beyond normal retirement. The retirement benefit for late retirement is the same as the normal retirement benefit formula determined as of the member's actual retirement date.

Upon termination of employment, a nonelected member is eligible for a benefit deferred to retirement age after 10 years of creditable service. An elected member is eligible after 6 years of creditable service. The benefit is the same as early retirement. For all members except elected officials, the benefit amount determined under the normal retirement formula is increased by 3% per year between termination and retirement. In lieu of receiving retirement benefits, a member may receive a lump-sum payment of his or her accumulated contributions with interest at any time prior to the commencement of retirement benefits.

A nonelected member who leaves employment prior to completing 10 years of creditable service or an elected member who leaves prior to completing 6 years of creditable service will receive a lump-sum payment of his or her accumulated contributions with interest.

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A nonelected member who has completed 10 years of creditable service or an elected member who has completed 6 years of creditable service, and who is totally disabled as determined by the City's medical board is eligible for disability retirement. The disability retirement benefit formula is the same as normal retirement, but reduced by worker's compensation payments.

Any married nonelected member with 10 years creditable service or any married elected member with 6 years of creditable service who dies while still employed after age 50 is eligible for pre-retirement death benefits. The benefit is the same as vested deferred or early retirement with reduction for each month by which benefit commencement precedes age 65 and further reduced to reflect the optional form of payment which provides payments at the same rate to the surviving spouse. A member's surviving spouse may elect to receive a lump sum payment equal to the member's accumulated contributions with interest in lieu of the annuity described above.

Any terminated member with a deferred vested benefit or an active member not eligible for the surviving spouse's annuity described above is eligible for death benefits before retirement benefits equal to one lump sum pay of the member's accumulated contributions with interest.

Effective September 1, 1994, a member may, in lieu of receiving one half of his or her accumulated sick pay in cash at termination or retirement, receive a pension service credit for unused sick pay (6 month maximum).

### **Contributions**

The City's annual contribution to the plan is based upon an actuarially determined amount recommended by an independent actuary. During fiscal 2017, this contribution amounted to 26.12% of covered payroll. In addition, the nonelected plan members contribute 8.5% of their annual base compensation and longevity compensation. Elected plan members contribute 8.5% of their annual base compensation plus \$20.00 per month. Administrative costs are included in the actuarial valuation as part of the normal cost and financed through contributions.

### **Investments**

#### *Investment Policy*

The pension plan's policy in regard to the allocation of invested assets is established and may be amended by a majority vote of the Municipal Pension Board members. It is the policy of the City to pursue an investment strategy that reduces risk through prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan's investment policy is long-term and strategic in nature. The policy refrains from dramatically shifting asset class allocations over short time spans, and it seeks to be fully invested using cash equivalents for liquidity purposes.

The long-term rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of future real rates of return are developed for each major asset class. These ranges are combined to produce the expected long-term rate of return by weighing the expected future rates of return by the target asset allocation percentage plus expected inflation.

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Best estimates of geometric real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income core	37.50%	3.90%
Large cap domestic equity	30.00%	7.80%
Small cap domestic equity	12.50%	8.25%
International equity developed	13.75%	7.80%
International equity emerging	5.00%	8.75%
Commodities	1.25%	4.65%

**Rate of Return**

For the year ended June 30, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 12.78%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Net Pension Liability**

The City's net pension liability was measured as of June 30, 2017. The components of the net pension liability of the City at June 30, 2017 were as follows:

Total pension liability	\$ 170,101,420
Plan fiduciary net position	<u>124,934,249</u>
City's net position liability	<u>\$ 45,167,171</u>
Plan fiduciary net position as a percentage of the total pension liability	73.45%

**Actuarial Assumptions**

The following actuarial assumptions were used in the actuarial valuation dated July 1, 2016, and were rolled forward to the measurement date of June 30, 2017.

Actuarial cost method	Entry Age Normal Actuarial Cost Method
Inflation	2.75%
Salary increases	3.00% to 7.00% including inflation
Investment rate of return	6.90%
Mortality rates	Based upon the RP-2000 Healthy Annuitant Mortality Tables for Males and Females, as appropriate, projected with Scale AA from 2000

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**Measurement of the Net Pension Liability**

*Discount Rate*

The net pension liability is measured as the total pension liability, less the amount of the pension plan's fiduciary net position. In actuarial terms, this will be the accrued liability less the market value of assets (not the smoothed actuarial value of assets that is often encountered in actuarial valuations performed to determine the employer's contribution requirement).

A single discount rate of 6.90% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 6.90%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a)-(b)</b>
Balances as of June 30, 2016	\$ 164,959,238	\$ 112,475,888	\$ 52,483,350
Changes for the year:			
Service cost	3,265,824		3,265,824
Interest	11,177,444		11,177,444
Contributions - employer		5,764,819	(5,764,819)
Contributions - employee		1,765,310	(1,765,310)
Net investment income		14,263,989	(14,263,989)
Benefit payments, including refunds of contributions	(9,301,086)	(9,301,086)	-
Administrative expense		(34,671)	34,671
Net changes	<u>5,142,182</u>	<u>12,458,361</u>	<u>(7,316,179)</u>
Balances as of June 30, 2017	<u>\$ 170,101,420</u>	<u>\$ 124,934,249</u>	<u>\$ 45,167,171</u>

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

Below is a table providing the sensitivity of the net pension liability to changes in the discount rate. In particular, the table presents the plan's net pension liability if it was calculated using a single discount rate that is 1 percentage point lower (5.90%) or 1 percentage point higher (7.90%) than the single discount rate:

	<b>1% Decrease (5.90%)</b>	<b>Current Discount Rate (6.90%)</b>	<b>1% Increase (7.90%)</b>
City Employees' Pension Plan	\$ 64,834,203	\$ 45,167,171	\$ 28,652,511

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

For the year ended June 30, 2017, the City Employee Pension Plan recognized pension expense of \$9,182,959. As of June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 537,233	\$ 301,426
Changes of assumptions	4,858,813	
Net difference between projected and actual earning on pension plan investments	<u>8,488,199</u>	<u>5,251,526</u>
Total	<u>\$ 13,884,245</u>	<u>\$ 5,552,952</u>

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

<u>Year Ended June 30,</u>	<u>Net Deferred Outflows (Inflows) Resources</u>
2018	\$ 4,169,911
2019	3,985,534
2020	1,488,728
2021	<u>(1,312,880)</u>
	<u>\$ 8,331,293</u>

**B. Police I and Fire Pension Plan**

**Summary of Significant Accounting Policies**

**Basis of Accounting**

The Police I and Fire Pension Trust Fund's financial statements are prepared using the accrual basis of accounting. For the 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 Police I and Fire Pension Plan and additions to and deductions from the Plan's net position have been determined on the same basis as they are reported by the Plan. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and when the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

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**Plan Description**

The City of Warwick’s Police I and Fire Pension Plan covers all City Police Officers that were appointed before February 1, 1971, and all permanent members of the City’s Fire Department appointed before May 29, 1992. The Police I and Fire Pension Plan is a single-employer defined benefit pension plan that was established in 1953. There is no separate financial report issued for the pension plan. The pension plan is reported as a Pension Trust Fund in the City’s financial statements. The City does not issue a separate publicly available financial report that includes financial statements and required supplementary information (RSI) for the Police I and Fire Pension Plan.

As of July 1, 2016, employee membership data related to the pension plan was as follows:

Active Plan Members	31
Inactive Plan Members or Beneficiaries Currently Receiving Benefits	404
Inactive Plan Members Entitled to, But not Yet Receiving Benefits	<u>-</u>
	<u>435</u>

The following benefit provisions and contribution requirements were established and may be amended by City Ordinance.

**Benefit Provisions - Police Officers**

Benefits provided to remaining active police officers are in accordance with the City’s Code of Ordinances. Retirement, death, and disability benefits payable to retired members and beneficiaries are indexed in accordance with the base salary increases provided to active members of the police force.

**Benefit Provisions - Firefighters**

Participating firefighters in the plan who have completed 20 years of service may retire. The normal annual retirement benefit is equal to 50% of highest annual salary plus 1% of salary for each year of service in excess of 20 years (maximum 10). For pension purposes, annual salary includes regular, longevity and holiday pay.

Any firefighter retiring after July 23, 1996 may also irrevocably elect to have his or her pension calculated under the City’s Fire II Pension Plan. The Fire II benefit formula is 50% of the final year’s compensation. Plus 2% for each year of service from 20 to 25 years, plus 3% for each year of service from 25 to 30 years with a fixed compounded cost of living adjustment.

A participant who is unable to perform active duty as a firefighter, which the Board of Public Safety finds to be permanently incapacitating, is eligible to receive disability retirement benefits. The service related disability retirement benefit for disabilities involving heart, lung, cancer or other social security disabilities is 66 2/3% of the highest annual salary, reduced for each dollar of earned income in excess of the salary the member would earn as an active employee, to a minimum of 50% of annual salary. The other service related and nonservice related benefit is 50% of annual salary.

A member is eligible for a return of contributions without interest for terminations prior to the completion of 10 years of service. For termination after the completion of 10 years of service, but prior to eligibility for retirement, the employee is eligible for a deferred benefit equal to 2 1/2% of annual salary at termination, multiplied by the number of full years of service, payable on the 20<sup>th</sup> anniversary of employment.

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The Plan provides death benefits to a participant's spouse and dependents if the participant dies while actively employed. Per City Ordinance, the service related death benefit is 50% of the deceased member's average salary, payable to the surviving spouse until death or earlier remarriage. However, it must be noted that Rhode Island State Law, Chapter 45-21-4, raises the percentage to 67.5%. For non-service related death, the annual benefit is 30% of the deceased member's highest annual salary, payable to the surviving spouse until death or remarriage. The benefit for surviving children is 10% of the deceased member's highest annual salary, payable to each surviving child until age 18 (or for life if such child becomes permanently disabled prior to the member's death). The maximum family death benefit for service related death is 75% of the deceased member's highest annual salary and for non-service related deaths 50% of the highest annual salary.

A lump-sum payment equal to the member's accumulated contributions without interest shall be paid to the estate of any active member who dies with no surviving spouse or children.

Benefits provided to remaining active police officers and firefighters are in accordance with the proposed restatement of Section 15-19 of the City's Code of Ordinances. Retirement, death and disability benefits payable to retired members and beneficiaries are indexed in accordance with the base salary increases provided to active members of the police force.

**Funding Policy**

Active plan members contribute 7% of their covered earnings (regular, holiday and longevity). In addition, the City is required to contribute an actuarially determined amount each year, calculated in accordance with its pension ordinances. The statutory contribution level includes a 40-year amortization of the unfunded actuarial liability as a level percentage of payroll. During fiscal 2017, this contribution amounted to \$17,465,464. Administrative costs are netted against investment return in the actuarial valuation.

**Investments**

*Investment Policy*

The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Plan's fiduciary custodian, the City Finance Director. It is the policy of the City to pursue an investment strategy that reduces risk through prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan's investment policy is long-term and strategic in nature. The policy refrains from dramatically shifting asset class allocations over short time spans, and it seeks to be fully invested using cash equivalents for liquidity purposes.

The long-term rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of future real rates of return are developed for each major asset class. These ranges are combined to produce the expected long-term rate of return by weighing the expected future rates of return by the target asset allocation percentage plus expected inflation.

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Best estimates of geometric real rates of return for each major asset class included in the pension plan’s target asset allocation as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income core	37.50%	3.90%
Large cap domestic equity	30.00%	7.80%
Small cap domestic equity	12.50%	8.25%
International equity developed	13.75%	7.80%
International equity emerging	5.00%	8.75%
Commodities	1.25%	4.65%

**Rate of Return**

For the year ended June 30, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 14.2%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Net Pension Liability**

The components of the net pension liability of the City at June 30, 2017 were as follows:

Total pension liability	\$ 294,066,490
Plan fiduciary net position	<u>71,756,352</u>
City’s net position liability	<u>\$ 222,310,138</u>
Plan fiduciary net position as a percentage of the total pension liability	24.40%

**Actuarial Assumptions**

The following actuarial assumptions were used in the July 1, 2016 valuation and rolled forward to the measurement date of June 30, 2017.

Actuarial cost method	Entry Age Normal Actuarial Cost Method
Inflation	2.25%
Salary increases	3.50% to 13.50% including inflation
Investment rate of return	6.90%
Mortality rates	Based upon the RP-2000 Healthy Annuitant Mortality Tables for Males and Females, as appropriate, projected with Scale AA from 2000

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**Measurement of the Net Pension Liability**

*Discount Rate*

The net pension liability is measured as the total pension liability, less the amount of the pension plan's fiduciary net position. In actuarial terms, this will be the accrued liability less the market value of assets (not the smoothed actuarial value of assets that is often encountered in actuarial valuations performed to determine the employer's contribution requirement).

A single discount rate of 6.90% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 6.90%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a)-(b)</b>
Balances as of June 30, 2016	\$ 294,678,763	\$ 66,038,452	\$ 228,640,311
Changes for the year:			
Service cost	810,009		810,009
Interest	19,645,595		19,645,595
Contributions - employer		17,465,464	(17,465,464)
Contributions - employee		219,770	(219,770)
Net investment income		9,138,696	(9,138,696)
Benefit payments, including refunds of contributions	(21,067,877)	(21,067,877)	-
Administrative expense		(38,823)	38,823
Other charges		670	(670)
Net changes	<u>(612,273)</u>	<u>5,717,900</u>	<u>(6,330,173)</u>
Balances as of June 30, 2017	<u>\$ 294,066,490</u>	<u>\$ 71,756,352</u>	<u>\$ 222,310,138</u>

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

Below is a table providing the sensitivity of the net pension liability to changes in the discount rate. In particular, the table presents the plan's net pension liability if it was calculated using a single discount rate that is 1 percentage point lower (5.90%) or 1 percentage point higher (7.90%) than the single discount rate:

	<b>1% Decrease (5.90%)</b>	<b>Current Discount Rate (6.90%)</b>	<b>1% Increase (7.90%)</b>
Police I & Fire Pension Plan	\$ 253,791,043	\$ 222,310,138	\$ 195,884,850

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

For the year ended June 30, 2017, the Police I and Fire Pension Plan recognized pension expense of \$16,888,149. As of June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earning on pension plan investments	\$ <u>5,204,654</u>	\$ <u>3,758,473</u>
Total	\$ <u><u>5,204,654</u></u>	\$ <u><u>3,758,473</u></u>

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

<u>Year Ended June 30,</u>	<u>Net Deferred Outflows (Inflows) Resources</u>
2018	\$ 1,054,766
2019	1,054,762
2020	276,269
2021	(939,616)
2022	
Thereafter	<u>                    </u>
	<u><u>\$ 1,446,181</u></u>

**C. Police Pension II Plan**

**Summary of Significant Accounting Policies**

**Basis of Accounting**

The Police II Pension Trust Fund's financial statements are prepared using the accrual basis of accounting. For the 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 Police II Pension Plan and additions to and deductions from the Plan's net position have been determined on the same basis as they are reported by the Plan. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and when the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

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**Plan Description**

The City of Warwick, Rhode Island's Police II Pension Plan covers all City Police Officers that were appointed after February 1, 1971. The Police Pension II Plan is a single-employer defined benefit pension plan that was established in 1971. There is no separate financial report issued for the pension plan. The pension plan is reported as a Pension Trust Fund in the City's financial statements.

The City does not issue a separate publicly available financial report that includes financial statements and required supplementary information (RSI) for the Police II Pension Plan.

As of July 1, 2016 employee membership data related to the pension plan was as follows:

Active Plan Members	161
Inactive Plan Members or Beneficiaries Currently Receiving Benefits	174
Inactive Plan Members Entitled to, But not Yet Receiving Benefits	<u>4</u>
	<u>339</u>

The following benefit provisions and contribution requirements were established and may be amended by City Ordinance.

**Benefit Provisions**

Members in the plan who have completed 20 years of service may retire. The normal annual retirement benefit is equal to 50% of annual salary at retirement plus incremental increases of 2% per year between the 20th and 25th years, and annual increases of 3% between the 26th and 30th years. For pension purposes, annual salary includes regular, longevity and holiday pay.

Effective for new hires after July 1, 2012, the eligibility requirement increases to 25 years of service. Additionally, the retirement benefit will now be calculated at a rate of 50% of the average salary from the last three years of service, plus an additional 2% for every year of service from year 10 to retirement. The maximum pension benefit decreases from 75% after 30 years to 70% after 30 years.

A member who is unable to perform active as a result of disability, which the Board of Public Safety finds to be permanently incapacitating, is eligible to receive disability retirement benefits. The service related disability retirement benefit is 66 2/3% of the highest annual salary, reduced for each dollar of earned income in excess of the salary the member would earn as an active employee, to a minimum of 50% of annual salary. The nonservice related benefit is 50% of annual salary.

A member who leaves employment prior to completing ten years of service will receive a lump-sum payment of accumulated contributions without interest. For termination after the completion of 10 years of service, but prior to eligibility for retirement, the employee is eligible for a deferred benefit equal to 2 1/2% of annual salary at termination, multiplied by the number of full years of service, payable on the 20th anniversary of employment.

The Plan provides death benefits to a participant's spouse and dependents if the participant dies while actively employed. Per City Ordinance, the service related death benefit is 50% of the deceased member's average salary, payable to the surviving spouse until death or earlier remarriage. However, it must be noted that Rhode Island State Law, Chapter 45-21-4, raises the percentage to 67.5%. For nonservice related death, the annual benefit is 30% of the deceased member's highest annual salary,

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payable to the surviving spouse until death or remarriage. The benefit for surviving children is 10% of the deceased member’s highest annual salary, payable to each surviving child until age 18 (or for life if such child becomes permanently disabled prior to the member’s death). The maximum family death benefit for service related death is 75% of the deceased member’s highest annual salary and for nonservice related deaths 50% of the highest annual salary.

A lump-sum payment equal to the member’s accumulated contributions without interest shall be paid to the estate of any active member who dies with no surviving spouse or children.

**Funding Policy**

Active plan members contribute a percentage of their covered earnings (regular, holiday and longevity) equal to 1/3 of the actuarially determined contribution rate. The City is required to contribute 2/3 of the actuarially determined contribution rate. For fiscal year 2017, employees were required to contribute 14.21% and the City was required to contribute 28.42% of covered earnings. The statutory contribution level includes a 20, 25 and 30 year amortization of the unfunded actuarial liability as a level percentage of payroll. Administrative costs are netted against investment return in the actuarial valuation.

**Investments**

*Investment Policy*

The pension plan’s policy in regard to the allocation of invested assets is established and may be amended by the Plan’s fiduciary custodian, the City Finance Director. It is the policy of the City to pursue an investment strategy that reduces risk through prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan’s investment policy is long-term and strategic in nature. The policy refrains from dramatically shifting asset class allocations over short time spans and it seeks to be fully invested using cash equivalents for liquidity purposes.

The long-term rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of future real rates of return are developed for each major asset class. These ranges are combined to produce the expected long-term rate of return by weighing the expected future rates of return by the target asset allocation percentage plus expected inflation.

Best estimates of geometric real rates of return for each major asset class included in the pension plan’s target asset allocation as of June 30, 2017 are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Fixed income core	37.50%	3.90%
Large cap domestic equity	30.00%	7.80%
Small cap domestic equity	12.50%	8.25%
International equity developed	13.75%	7.80%
International equity emerging	5.00%	8.75%
Commodities	1.25%	4.65%

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**Rate of Return**

For the year ended June 30, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 13.2%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Net Pension Liability**

The components of the net pension liability of the City at June 30, 2017 were as follows:

Total pension liability	\$ 234,308,479
Plan fiduciary net position	<u>193,183,186</u>
City's net position liability	<u>\$ 41,125,293</u>
Plan fiduciary net position as a percentage of the total pension liability	82.45%

**Actuarial Assumptions**

The following actuarial assumptions, used in the valuation dated July 1, 2016, and rolled forward to the measurement date of June 30, 2017.

Actuarial cost method	Entry Age Normal Actuarial Cost Method
Inflation	2.25%
Salary increases	3.50% to 13.50% including inflation
Investment rate of return	6.90%
Mortality rates	Based upon the RP-2000 Healthy Annuitant Mortality Tables for Males and Females, as appropriate, projected with Scale AA from 2000

**Measurement of the Net Pension Liability**

*Discount Rate*

The net pension liability is measured as the total pension liability, less the amount of the pension plan's fiduciary net position. In actuarial terms, this will be the accrued liability less the market value of assets (not the smoothed actuarial value of assets that is often encountered in actuarial valuations performed to determine the employer's contribution requirement).

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A single discount rate of 6.90% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 6.90%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances as of June 30, 2016	\$ 223,166,775	\$ 173,436,969	\$ 49,729,806
Changes for the year:			
Service cost	4,744,240		4,744,240
Interest	15,258,836		15,258,836
Contributions - employer		3,938,725	(3,938,725)
Contributions - employee		2,008,027	(2,008,027)
Net investment income		22,689,311	(22,689,311)
Benefit payments, including refunds of contributions	(8,861,372)	(8,861,372)	-
Administrative expense		(28,474)	28,474
Net changes	<u>11,141,704</u>	<u>19,746,217</u>	<u>(8,604,513)</u>
Balances as of June 30, 2017	<u>\$ 234,308,479</u>	<u>\$ 193,183,186</u>	<u>\$ 41,125,293</u>

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

Below is a table providing the sensitivity of the net pension liability to changes in the discount rate. In particular, the table presents the plan's net pension liability if it was calculated using a single discount rate that is 1 percentage point lower (5.90%) or 1 percentage point higher (7.90%) than the single discount rate:

	Current		
	1% Decrease (5.90%)	Discount Rate (6.90%)	1% Increase (7.90%)
Police Pension Plan II	\$ 76,331,611	\$ 41,125,293	\$ 12,721,838

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

For the year ended June 30, 2017, the Police II Pension Plan recognized pension expense of \$12,368,002. As of June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 527,586	\$
Changes of assumptions	9,521,182	
Net difference between projected and actual earning on pension plan investments	<u>13,132,181</u>	<u>8,657,602</u>
Total	<u>\$ 23,180,949</u>	<u>\$ 8,657,602</u>

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

<u>Year Ended June 30,</u>	<u>Net Deferred Outflows (Inflows) Resources</u>
2018	\$ 6,211,787
2019	6,211,783
2020	4,264,176
2021	(2,164,399)
Thereafter	<u>14,523,347</u>
	<u>\$ 14,523,347</u>

**D. Fire II Pension Plan**

**Summary of Significant Accounting Policies**

**Basis of Accounting**

The Fire II Pension Trust Fund's financial statements are prepared using the accrual basis of accounting. For the 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 Fire II Pension Plan and additions to and deductions from the Plan's net position have been determined on the same basis as they are reported by the Plan. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and when the employer has made a formal commitment to provide the contributions. Benefits and

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refunds are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

**Plan Description**

The City of Warwick’s Fire Pension II Plan covers all City firefighters who were appointed after May 29, 1992. The Fire Pension II Plan is a single employer defined benefit pension plan that was established in 1992. The pension plan is reported as a Pension Trust Fund in the City’s financial statements. The City does not issue a separate, publicly available report that includes financial statements and required supplementary information (RSI) for the Fire II Pension Plan.

As of July 1, 2016, employee membership data related to the pension plan was as follows:

Active Plan Members	178
Inactive Plan Members or Beneficiaries Currently Receiving Benefits	10
Inactive Plan Members Entitled to, But not Yet Receiving Benefits	<u>-</u>
	<u>188</u>

The following benefit provisions and contribution requirements were established and may be amended by City Ordinance.

**Benefit Provisions**

A member who has completed 20 years of service may retire. Such member shall receive an annual benefit equal to 50% of their last year’s salary, plus 2% of their average salary for each of service from 20-25, plus 3% for each year of service from 25-30. For pension purposes, annual salary includes regular, holiday and longevity pay.

Effective for new hires after July 1, 2012, the eligibility requirement increases to 25 years of service. Additionally, the retirement benefit will now be calculated at a rate of 50% of the average salary from the last three years of service, plus an additional 2% for every year of service from year 10 to retirement. The maximum pension benefit decreases from 75% after 30 years to 70% after 30 years. Currently, this new benefit provision is being contested by the Local 2748 International Association of Firefighters AFL-CIO.

A member who is unable to perform active duty as a result of disability, which the Board of Public Safety finds to be permanently incapacitating, is eligible to receive disability retirement benefits. The annual benefit for a service related disability involving any heart, lung, cancer or other social security disability is 66-2/3% of the member’s average salary, reduced for each dollar of earned income in excess of the salary the member would earn as an active employee, to a minimum of 50% of salary. The benefit for other service related and nonservice related disabilities is 50% of the member’s average salary.

The Plan provides death benefits to a participant’s spouse and dependents if the participant dies while actively employed. Per City Ordinance, the service related death benefit is 50% of the deceased member’s average salary, payable to the surviving spouse until death or earlier remarriage. However, it must be noted that Rhode Island State Law, Chapter 45-21-4, raises the percentage to 67.5%. For nonservice related death, the annual benefit is 30% of the deceased member’s highest annual salary, payable to the surviving spouse until death or remarriage. The benefit for surviving children is 10% of the deceased member’s highest annual salary, payable to each surviving child until age 18 (or for life if

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such child becomes permanently disabled prior to the member’s death). The maximum family death benefit for service related death is 75% of the deceased member’s highest annual salary and for nonservice related deaths 50% of the highest annual salary.

A lump-sum payment equal to the member’s accumulated contributions without interest shall be paid to the estate of any active member who dies with no surviving spouse or children.

Any member who terminates employment with 10 years or more of creditable service, but less than 20 years of creditable service, shall receive an annual benefit commencing at normal retirement age equal to 2.5% of average salary multiplied by full years of service at termination.

Any member who terminates employment prior to the completion of ten years of creditable service will receive a lump sum payment of his or her accumulated contributions without interest.

**Funding Policy**

Active plan members contribute a percentage of their covered earnings (regular, holiday and longevity) equal to 1/3 of the actuarially determined contribution rate. The City is required to contribute 2/3 of the actuarially determined contribution rate. Administrative costs are netted against investment return in the actuarial valuation. For fiscal year 2017, employees were required to contribute 10.72% and the City was required to contribute 21.43% of covered earnings.

**Investments**

*Investment Policy*

The pension plan’s policy in regard to the allocation of invested assets is established and may be amended by the Plan’s fiduciary custodian, the City Treasurer. It is the policy of the City to pursue an investment strategy that reduces risk through prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan’s investment policy is long term and strategic in nature. The policy refrains from dramatically shifting asset class allocations over short time spans, and it seeks to be fully invested using cash equivalents for liquidity purposes.

The long-term rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of future rates of return are developed for each major asset class. These ranges are combined to produce the expected long-term rate of return by weighing the expected future rates of return by the target asset allocation percentage plus expected inflation.

Best estimates of geometric real rates of return for each major asset class included in the pension plan’s target asset allocation as of June 30, 2017 are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Fixed income core	37.50%	3.90%
Large cap domestic equity	30.00%	7.80%
Small cap domestic equity	12.50%	8.25%
International equity developed	13.75%	7.80%
International equity emerging	5.00%	8.75%
Commodities	1.25%	4.65%

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**Rate of Return**

For the year ended June 30, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 14.4%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Net Pension Liability**

The components of the net pension liability of the City at June 30, 2017 were as follows:

Total pension liability	\$	74,128,449
Plan fiduciary net position		<u>64,558,640</u>
City's net position liability	\$	<u><u>9,569,809</u></u>
Plan fiduciary net position as a percentage of the total pension liability		87.09%

**Actuarial Assumptions**

The following actuarial assumptions were used in the actuarial valuation dated July 1, 2016 and rolled forward to the measurement date of June 30, 2017.

Actuarial cost method	Entry Age Normal Actuarial Cost Method
Inflation	2.25%
Salary increases	3.50% to 13.50% including inflation
Investment rate of return	6.90%
Mortality rates	Based upon the RP-2000 Healthy Annuitant Mortality Tables for Males and Females, as appropriate, projected with Scale AA from 2000

**Measurement of the Net Pension Liability**

*Discount Rate*

The net pension liability is measured as the total pension liability, less the amount of the pension plan's fiduciary net position. In actuarial terms, this will be the accrued liability less the market value of assets (not the smoothed actuarial value of assets that is often encountered in actuarial valuations performed to determine the employer's contribution requirement).

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A single discount rate of 6.90% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 6.90%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances as of June 30, 2016	\$ 65,498,628	\$ 52,607,801	\$ 12,890,827
Changes for the year:			
Service cost	4,563,165		4,563,165
Interest	4,654,274		4,654,274
Contributions - employer		3,149,947	(3,149,947)
Contributions - employee		1,574,973	(1,574,973)
Net investment income		7,834,412	(7,834,412)
Benefit payments, including refunds of contributions	(587,618)	(587,618)	-
Administrative expense		(20,875)	20,875
Net changes	<u>8,629,821</u>	<u>11,950,839</u>	<u>(3,321,018)</u>
Balances as of June 30, 2017	<u>\$ 74,128,449</u>	<u>\$ 64,558,640</u>	<u>\$ 9,569,809</u>

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

Below is a table providing the sensitivity of the net pension liability to changes in the discount rate. In particular, the table presents the plan's net pension liability (asset) if it was calculated using a single discount rate that is 1 percentage point lower (5.90%) or 1 percentage point higher (7.90%) than the single discount rate:

	Current		
	1% Decrease (5.90%)	Discount Rate (6.90%)	1% Increase (7.90%)
Fire II Pension Plan	\$ 24,320,955	\$ 9,569,809	\$ (2,017,041)

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

For the year ended June 30, 2017 the Fire II Pension Plan recognized pension expense of \$4,987,910. As of June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 369,595	\$ 487,494
Changes of assumptions	4,387,163	
Net difference between projected and actual earning on pension plan investments	<u>3,975,869</u>	<u>3,251,860</u>
Total	<u>\$ 8,732,627</u>	<u>\$ 3,739,354</u>

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

<u>Year Ended June 30,</u>	<u>Net Deferred Outflows (Inflows) Resources</u>
2018	\$ 1,094,155
2019	1,094,152
2020	547,665
2021	(413,295)
2022	399,667
Thereafter	<u>2,270,929</u>
	<u>\$ 4,993,273</u>

**E. Warwick Public School Employees' Pension Plan**

**Summary of Significant Accounting Policies**

**Basis of Accounting**

The Warwick Public School Employees' Pension Trust Fund's financial statements are prepared using the accrual basis of accounting. For the 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 Warwick Public School Employees' Pension Plan and additions to and deductions from the Plan's net position have been determined on the same basis as they are reported by the Plan. Plan member contributions are recognized in the period in which the contributions are due.

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Employer contributions are recognized when due and when the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

**Plan Description**

The Warwick Public School Employees' Pension Plan, a single-employer defined benefit public employee pension plan. There is no separate financial report issued for this plan, however it is audited as part of the City of Warwick's Pension Trust Funds and is reported within the City's Annual Financial Report. All eligible Warwick Public School employees other than teachers are eligible to participate on the first of the month after completing three months of service. A person is eligible if they are a) employed 20 hours or more per week and covered under the collective bargaining agreement, or b) employed 20 hours or more per week in a noncertified management position, or c) an elected School Committee member. There are two committees that oversee the administration of this plan. The Executive Administration Board is comprised of the School's Chief Budget Officer, the Director of Human Resources and the Warwick Independent Employees' Union President. The Executive Administration Board delegates investment responsibilities to the Pension Investment Administration Committee, which is comprised of (2) Warwick Public School Administrative Employees, the Chief Budget Officer, the Controller, and (2) Warwick Independent Employees' Union Representatives, who are appointed by the Union leadership.

As of July 1, 2017, employee membership data related to the pension plan was as follows:

Active Plan Members	311
Inactive Plan Members or Beneficiaries Currently Receiving Benefits	127
Inactive Plan Members Entitled to, But not Yet Receiving Benefits	<u>26</u>
	<u>464</u>

**Benefit Provisions**

Participants are eligible for normal retirement at the later of age 62 or 10 years of plan participation or at any age upon completion of 32 years of service with 10 years of plan participation. The normal retirement benefit is 1.67% of average monthly earnings times years of participation, plus .33% times the average monthly earnings times years of participation exceeding 20 years. The normal form of benefit is a life annuity. Average monthly earnings are the monthly average of total compensation for the 3 consecutive years of highest compensation over the last 10 years.

The yearly annuity amount for a School Committee member who becomes a retired member is \$1,000 plus 4.8% times the salary amount for each plan year in which one made mandatory employee contributions.

The plan also provides death and disability benefits.

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The following table summarizes the plan's requirements and benefits:

**Plan Provisions**

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Effective Date:	July 1, 1965
Plan Year Beginning:	July 1, 2016
Requirements	Minimum Age: 0 Minimum months of service: 3
Eligible Class	An elected school committee member or a member covered by the collective bargaining agreement.
Entry Dates	1 <sup>st</sup> day of the month coinciding with or next following the date the plan requirements are met.
Employee Contributions	5% of earnings
Normal Retirement Date	First day of the month coinciding with or next following attainment of age 62, or if later, the 10 <sup>th</sup> anniversary of plan entry, or 32 years of service with 10 years of plan participation.
Normal Retirement Benefit	1.67% of the member's average monthly earnings multiplied by years of participation, plus .33% times average monthly earnings times years of participation greater than 20.
Average Monthly Earnings	Monthly average of total compensation for the 3 consecutive years of highest compensation of the previous 10 years.
Maximum Annual Benefit	\$215,000 as adjusted per IRC Sec 415 for retirement age other than social security retirement age and annuity form.
Normal Form of Benefit	Life Annuity
Accrued Benefit	Normal Retirement Benefit based on earnings and participation to date.
Early Retirement Benefit	Minimum Age: 52 Minimum Service: 10 years Benefit Amount: Accrued benefit, reduced by 7% for each year by which early retirement precedes normal retirement.
Pre-Retirement Death Benefit	Member contributions with interest, plus a \$5,000 lump-sum benefit.
Disability Benefit	Determined in the same manner as the normal retirement benefit.
Vest Termination Benefit	Upon termination after 10 years of service, 100% of the accrued benefit, deferred until the normal retirement date. A school committee member is vested after six years of plan participation.

**Contributions**

Plan members contribute 5% of earnings during the year. The School Department contributes based upon an annual actuarial valuation. During fiscal 2017, the School Department's contribution totaled \$2,044,880. Administrative costs are included in the actuarial valuation as part of the normal cost and financed through contributions.

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**Investments**

Investment information has been provided by USI Advisors.

*Investment Policy*

The pension plan’s policy in regard to the allocation of invested assets is established and may be amended by the Warwick School Committee by a majority vote of its members. It is the policy of the Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan’s investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans.

This is an ongoing plan with a perpetual time horizon. For this reason, long-term capital market assumptions (20+ years) are applicable to approximate future real rate of return expectations. A modified building blocks methodology was used because being able to identify historical return premiums of asset classes in the context of varying market environments provides a reasonable basis to estimate the performance of asset classes going forward.

Best estimates of real rates of return for each major asset class included in the pension plan’s target asset allocation as of June 30, 2017 are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
US Equity-Large Cap	25.69%	8.70%
US Equity-Small/Mid Cap	15.61%	9.80%
Non-US Equity - Developed	9.40%	8.70%
Non-US Equity - Emerging	5.56%	9.60%
US Corporate Bonds - Core	11.06%	5.10%
US Corporate Bonds - High Yield	4.80%	7.70%
Non-US Debt - Emerging	3.87%	6.80%
TIPS (Inflation Protected)	3.84%	5.30%
US Treasuries (cash equivalents)	20.17%	0.00%
Real Estate	0.00%	7.20%

**Rate of Return**

For the year ended June 30, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 12.61%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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**Net Pension Liability**

The City's net pension liability was measured as of June 30, 2017. The components of the net pension liability of the City at June 30, 2017, were as follows:

Total pension liability	\$ 53,267,565
Plan fiduciary net position	<u>48,797,539</u>
City's net position liability	<u>\$ 4,470,026</u>
Plan fiduciary net position as a percentage of the total pension liability	91.61%

**Actuarial Assumptions**

The following actuarial assumptions were used in the June 30, 2017 actuarial valuation:

Actuarial cost method	Individual Entry Age Normal Actuarial Cost Method
Amortization method	Level Amortization
Salary increases	3.00%
Investment rate of return	7.00%
Mortality rates	Prescribed IRS Static Mortality Tables for the Year of the Valuation

**Measurement of the Net Pension Liability**

*Discount Rate*

The net pension liability is measured as the total pension liability, less the amount of the pension plan's fiduciary net position. In actuarial terms, this will be the accrued liability less the market value of assets (not the smoothed actuarial value of assets that is often encountered in actuarial valuations performed to determine the employer's contribution requirement).

A single discount rate of 7.0% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.0%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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**Changes in the Net Pension Liability**

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a)-(b)</b>
Balances as of June 30, 2016	\$ 48,504,159	\$ 42,643,238	\$ 5,860,921
Changes for the year:			
Service cost	1,085,156		1,085,156
Interest	3,405,815		3,405,815
Differences between expected and actual experience	2,093,032		2,093,032
Assumption changes	81,200		81,200
Contributions - Employer		2,044,880	(2,044,880)
Contributions - Employee		803,054	(803,054)
Net investment income		5,414,063	(5,414,063)
Benefit payments, including refunds of contributions	(1,901,797)	(1,901,797)	-
Administrative expense		(205,899)	205,899
Net changes	<u>4,763,406</u>	<u>6,154,301</u>	<u>(1,390,895)</u>
Balances as of June 30, 2017	<u>\$ 53,267,565</u>	<u>\$ 48,797,539</u>	<u>\$ 4,470,026</u>

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

Below is a table providing the sensitivity of the net pension liability to changes in the discount rate. In particular, the table presents the plan's net pension liability (asset) if it was calculated using a single discount rate that is 1 percentage point lower (6.0%) or 1 percentage point higher (8.0%) than the single discount rate:

	<b>1% Decrease (6.0%)</b>	<b>Current Discount Rate (7.0%)</b>	<b>1% Increase (8.0%)</b>
Warwick School Employees	\$ 10,737,939	\$ 4,470,026	\$ (879,983)

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

For the year ended June 30, 2017, the Warwick Public School Employees Pension Plan recognized pension expense of \$1,403,504. As of June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 1,919,288	\$ 246,737
Changes of assumptions	144,090	
Net difference between projected and actual earning on pension plan investments	<u>1,610,789</u>	<u>1,922,853</u>
Total	<u>\$ 3,674,167</u>	<u>\$ 2,169,590</u>

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

<u>Year Ended June 30,</u>	<u>Net Deferred Outflows (Inflows) Resources</u>
2018	\$ 520,185
2019	520,187
2020	288,117
2021	(112,102)
2022	<u>288,190</u>
	<u>\$ 1,504,577</u>

**F. Warwick Public School Teachers' Pension Plan**

**Summary of Significant Accounting Policies**

**Basis of Accounting**

For the 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 Employees' Retirement System Plan (ERS) and the additions to and deductions from ERS' fiduciary net position have been determined on the same basis as they are reported by 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.

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**Plan Description**

Certain employees of the Warwick Public School system 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 five years of service as of July 1, 2012. Members are vested after five 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.

**Funding Policy**

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 2017, Warwick Public School System 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 who must contribute 11% of their annual covered salary. The State and Warwick Public Schools 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 Warwick Public Schools; the rates were 9.95% and 13.18% of annual covered payroll for the fiscal year ended June 30, 2017 for the State and Warwick Public Schools, respectively. Warwick Public Schools contributed \$10,619,358, \$10,888,514 and \$10,546,876 for the fiscal years ended June 30, 2017, 2016 and 2015, respectively, equal to 100% of the required contributions for each year.

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

At June 30, 2017, Warwick Public Schools reported a liability of \$140,460,773 for its proportionate share of the net pension liability that reflected a reduction for contributions made by the state. The amount recognized by Warwick Public Schools 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 Warwick Public Schools were as follows:

Warwick Public School's proportionate share of the Net Pension Liability	\$ 140,460,773
State of Rhode Island's proportionate share of the Net Pension Liability	<u>96,195,004</u>
Total Net Pension Liability	<u>\$ 236,655,777</u>

The net pension liability was measured as of June 30, 2016, 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, 2015 rolled forward to June 30, 2016. Warwick Public School's proportion of the net pension liability was based on a projection of Warwick Public School's 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, 2016, Warwick Public School's proportion was 4.71%.

For the year ended June 30, 2017, Warwick Public Schools recognized gross pension expense of \$18,696,476 and revenue of \$8,052,143 for support provided by the State. At June 30, 2017, Warwick Public Schools reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$	\$ 2,771,369
Changes of assumptions		2,909,571
Net difference between projected and actual earning on pension plan investments	15,894,526	4,933,618
Changes in proportion and differences between employer contributions and proportionate share of contributions		6,497,571
Contributions subsequent to the measurement date	<u>10,300,657</u>	
Total	<u>\$ 26,195,183</u>	<u>\$ 17,112,129</u>

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\$10,300,657 reported as deferred outflows of resources related to pensions resulting from Warwick Public School’s contributions in fiscal year 2017 subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Net Deferred Outflows (Inflows) Resources</u>
2018	\$ (201,705)
2019	(201,705)
2020	2,265,104
2021	439,441
2022	(2,164,943)
Thereafter	<u>(1,353,795)</u>
	<u>\$ (1,217,603)</u>

**Actuarial Assumptions**

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

Inflation	2.75%
Salary increases	3.50% to 13.50%
Investment rate of return	7.50%

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

The actuarial assumptions used in the June 30, 2015 valuation rolled forward to June 30, 2016 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, 2013.

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**Investments**

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 23 sources. The June 30, 2015 expected arithmetic returns over the long-term (20 years) by asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity:	38.00%	
U.S. Equity		6.98%
International Developed		7.26%
International Emerging Markets		9.57%
Equity Hedge Funds	8.00%	4.10%
Private Equity	7.00%	10.15%
Core Fixed Income	15.00%	2.37%
Absolute Return Hedge Funds	7.00%	4.10%
Infrastructure	3.00%	5.58%
Real Estate	8.00%	5.33%
Other Real Return Assets:	11.00%	
Master Limited Partnerships		4.97%
Credit		4.97%
Inflation Linked Bonds		1.76%
Cash Overlay, Money Market	3.00%	0.82%
	<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.

**Measurement of the Net Pension Liability**

*Discount Rate*

The discount rate used to measure the total pension liability was 7.5%. 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**

Below is a table providing the sensitivity of the net pension liability to changes in the discount rate. In particular, the table presents the plan's net pension liability if it was calculated using a single discount rate that is 1 percentage point lower (6.5%) or 1 percentage point higher (8.5%) than the single discount rate (7.5%):

	<u>1% Decrease (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
School Teacher's Pension Plan	\$ 173,456,764	\$ 140,460,773	\$ 113,448,807

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

**15. DEFINED CONTRIBUTION PLAN**

**Defined Contribution 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.

Warwick Public Schools recognized pension expense of \$423,450 for the fiscal year ended June 30, 2017.

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>.

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**16. OTHER POST-EMPLOYMENT BENEFITS**

**A. Other Post-Employment Benefits - City**

**Plan Description**

The City administers a single-employer defined benefit healthcare plan. This plan does not include the pension benefits discussed in Note 14. The plan provides medical/drug and dental (police officers only) benefits for eligible retirees and their dependents through the City group health and dental insurance plans, which cover both active and retired members. Benefit provisions are established and amended by union contract, through negotiations between the City and respective unions. The plan does not issue a publicly available financial report.

**Funding Policy**

Contribution requirements are negotiated between the City and the respective unions. The City is required to contribute the cost of medical/drug and dental benefits, less the amount of any applicable co-payments in effect at the time of retirement. For the year ended June 30, 2017, the plan operated on a pay-as-you-go basis and no provision has been made to fund future benefits to be provided to plan members. For the fiscal year ended June 30, 2017, the City contributed \$8,004,053 to the plan.

At July 1, 2015, membership consisted of:

	<u><b>City, Police, Fire</b></u>
Active employees	757
Retired	<u>631</u>
Total	<u><u>1,388</u></u>

**Annual OPEB Cost and Net OPEB Obligation**

<u><b>Fiscal Year Ending</b></u>	<u><b>Annual OPEB Cost (AOC)</b></u>	<u><b>Actual Contribution</b></u>	<u><b>Expected Contribution</b></u>	<u><b>Net OPEB Obligation</b></u>
2015	\$ 24,080,274	\$ 7,224,889	30.0%	\$ 110,644,108
2016	22,953,802	8,104,497	35.3%	125,493,413
2017	23,713,917	8,004,053	33.8%	141,203,277

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<b>Actuarial Valuation Date July 1,</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b-a)/c)</b>
2014	\$ -	\$ 281,166,875	\$ 281,166,875		N/A	N/A
2015	-	272,613,934	272,613,934		N/A	N/A
2016	-	290,730,265	290,730,265		N/A	N/A

**Actuarial Methods and Assumptions**

The information presented was determined as part of the actuarial valuation. Additional information as of the last valuation follows:

Actuarial Cost Method	Projected Unit Credit (PUC)
Asset Valuation Method	Plan is currently unfunded
Payroll Growth Rate	N/A
Amortization Method	30 years
Remaining Amortization Period	29 years

**Annual OPEB Cost and Net OPEB Obligation**

Below are the required OPEB obligation presentations per GASB 45 for the period ending June 30, 2017:

Annual Required Contribution (ARC)	\$ 25,810,545
Interest on Net OPEB Obligation	5,019,737
Adjustment to ARC	<u>(7,116,365)</u>
Annual OPEB Cost (Expense)	23,713,917
Expected Benefit Payments	<u>(8,004,053)</u>
Increase in net OPEB Obligation	15,709,864
Net OPEB Obligation - Beginning of Year	<u>125,493,413</u>
Net OPEB Obligation - End of Year	<u><u>\$ 141,203,277</u></u>

**B. Other Post-Employment Benefits - School**

**Plan Description**

The Warwick School Department administers a single-employer defined benefit healthcare plan. The plan provides medical/drug benefits for eligible retirees and their dependents through the City's group health and dental insurance plans, which cover both active and retired members. Benefit provisions are established and amended by union contract, through negotiations between the City and respective unions. The plan does not issue a publicly available financial report. All benefits terminate at age 65.

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Teaching Employees are eligible for GASB Statement No. 45 benefits after serving the district for 20 to 30 years depending on their date of hire. Other district employees are required to reach age 62 and have 25 years of service. Teaching employees contribute 20 to 60% for coverage depending on their date of hire. Other employees will contribute 20% for coverage. Spouses of teaching employees are not covered by the plan. Spouses of other district employees will contribute 20% for coverage. Surviving beneficiaries continue to receive access to the districts medical coverage through COBRA after the death of the retired employee. Survivors are required to pay the full cost of benefits.

**Funding Policy**

Contribution requirements are negotiated between the Warwick School Department and the respective unions. The Warwick School Department is required to contribute the cost of medical/drug and dental benefits, less the amount of any applicable co-payments in effect at the time of retirement. For the year ended June 30, 2017, the plan operated on a pay-as-you-go basis and no provision has been made to fund future benefits to be provided to plan members. For the fiscal year ended June 30, 2017, the Warwick School Department contributed \$1,518,339 (estimated) for its employees.

At July 1, 2015, membership consisted of:

	<u>School</u>
Active employees	1,165
Retired	<u>69</u>
Total	<u><u>1,234</u></u>

**Annual OPEB Cost and Net OPEB Obligation**

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost (AOC)</u>	<u>Actual Contribution</u>	<u>Expected Contribution</u>	<u>Net OPEB Obligation</u>
2015	\$ 3,832,606	\$ 1,709,076	44.6%	\$ 16,437,115
2016	4,317,345	1,271,934	29.5%	19,482,526
2017	4,601,317	1,518,339	33.0%	22,565,504

<u>Actuarial Valuation Date July 1,</u>	<u>Actuarial Value of Assets (a)</u>	<u>Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
2014	\$ -	\$ 40,139,099	\$ 40,139,099		N/A	N/A
2015	-	47,656,754	47,656,754		N/A	N/A
2016	-	52,306,217	52,306,217		N/A	N/A

**CITY OF WARWICK, RHODE ISLAND  
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
 JUNE 30, 2017**

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**Actuarial Methods and Assumptions**

The information presented was determined as part of the actuarial valuation. Additional information as of the last valuation follows:

Actuarial Cost Method	Projected Unit Credit (PUC)
Asset Valuation Method	Plan is currently unfunded
Payroll Growth Rate	N/A
Amortization Method	30 years
Remaining Amortization Period	29 years

**Annual OPEB Cost and Net OPEB Obligation**

Below are the required OPEB obligation presentations per GASB 45 for the period ending June 30, 2017:

Annual Required Contribution (ARC)	\$	4,926,813
Interest on Net OPEB Obligation		779,301
Adjustment to ARC		<u>(1,104,797)</u>
Annual OPEB Cost (Expense)		4,601,317
Expected Benefit Payments		<u>(1,518,339)</u>
Increase in net OPEB Obligation		3,082,978
Net OPEB Obligation - Beginning of Year		<u>19,482,526</u>
Net OPEB Obligation - End of Year	\$	<u><u>22,565,504</u></u>

**17. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES**

**Litigation**

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.

At June 30, 2017, the City had several lawsuits pending. The total maximum damages being sought from the City to these cases are not known. In the opinion of the City officials and the City’s legal counsel, the City’s ultimate liability with respects to these cases, if any, will be immaterial.

**CITY OF WARWICK, RHODE ISLAND  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2017**

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**Commitments**

The City had several outstanding construction projects as of June 30, 2017. These projects are evidenced by contractual commitments with contractors and include:

<u>Contract</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>	<u>Funding Source(s)</u>
NW Gorton's Pond	\$ 242,194	\$ 72,884	SRF Capital Contracts
Governor Francis III	167,288	9,899	SRF Capital Contracts
AWT II Phopserus Removal/Upgrade	14,995,742	309,528	SRF Capital Contracts
East Natick III	29,838	122,253	SRF Capital Contracts
Primary Clarifier	125,970	21,450	SRF Capital Contracts
Fire Code Compliance Program	247,381	16,904	GO Bond
Fire Code Compliance Program	120,780	17,920	GO Bond
Fire Code Compliance Program	<u>221,310</u>	<u>73,490</u>	GO Bond
	<u>\$ 16,150,503</u>	<u>\$ 644,328</u>	

**Grants**

The City has received federal and state grants for specific purposes that are subject to audit by the grantors or their representatives. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. City officials believe such allowances, if any, would be immaterial.

**18. RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; and natural disasters. As a result, the City participates in a non-profit, public entity risk pool (Rhode Island Interlocal Risk Management Trust, Inc.), which provides coverage for property/liability claims. Upon joining the Trust, the City signed a participation agreement which outlines the rights and responsibilities of both the Trust and the City. The agreement states that for premiums paid by the City, the Trust will assume financial responsibility for the City's losses up to the maximum amount of insurance purchased, minus the City's deductible amounts. 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 the losses the Trust retains internally for payment from the pooled contributions of its Members.

There have been no significant reductions in insurance coverage during the year ended June 30, 2017 as compared to the previous year. The claims incurred did not exceed insurance coverage this year.

**CITY OF WARWICK, RHODE ISLAND  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2017**

The changes in workers' compensation claims liability are as follows:

	<b>Beginning Fiscal Year Liability</b>	<b>Current Year Claims and Changes in Estimate</b>	<b>Claim Payments</b>	<b>Balance Fiscal Year End</b>
2015-2016	\$ 94,018	\$ 377,176	\$ 252,244	\$ 218,950
2016-2017	218,950	388,607	443,556	164,001

For its employer health insurance coverage, the School Department has chosen to participate in the Health Benefit Project provided by the WB Community Health, an independent, non-profit organization. The School Department is also self-insured for the dental insurance coverage through WB Community Health. Deposits made to the Collaborative are treated as expenditures when it is probable that a claim has been incurred, and include estimates amounts for claims that have been incurred but not reported (IBNR). Claim liabilities are calculated considering the effects of inflation, recent claim and health care trends, and other economic and social factors.

The City is fully insured for its employee health plan through the RI Interlocal Risk Management Trust, effective July 1, 2013. The City's employee dental plan is provided by Blue Cross on a fully insured basis. Prior to July 1, 2013, the City was self-insured with participation in WB Community Health.

An analysis of claims activity is presented below:

	<b>Liability July 1,</b>	<b>Claims and Changes in Estimates</b>	<b>Claims Payments</b>	<b>Liability June 30,</b>
School City	\$ 1,143,132	\$ 21,730,563 21,038,213	\$ 21,653,020 21,038,213	\$ 1,220,675 -
2015-2016	<u>\$ 1,143,132</u>	<u>\$ 42,768,776</u>	<u>\$ 42,691,233</u>	<u>\$ 1,220,675</u>
School City	\$ 1,220,675	\$ 22,289,468 20,851,583	\$ 22,123,499 20,851,583	\$ 1,386,644 -
2016-2017	<u>\$ 1,220,675</u>	<u>\$ 43,141,051</u>	<u>\$ 42,975,082</u>	<u>\$ 1,386,644</u>

**19. ABATEMENTS**

The City has two tax agreements in place in conjunction with the City's tax stabilization ordinance for Warwick Intermodal and Historic Districts. The tax relief relative to these agreements does not begin until fiscal year 2019.

**CITY OF WARWICK, RHODE ISLAND  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2017**

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**20. ON-BEHALF PAYMENTS**

The amount recognized in the School Unrestricted Fund revenues and education expenditures for contributions made by the state on behalf of the City’s teachers to the State Employees’ Retirement System of Rhode Island was \$7,250,385.

**21. PRIOR PERIOD ADJUSTMENT AND RESTATEMENT**

The following restatements were recorded to the beginning net position and fund balance for Governmental Activities, School Unrestricted Fund and Healthcare Management School Department:

	<u>Governmental Activities</u>	<u>School Unrestricted Fund</u>	<u>Healthcare Management School Department</u>
Net position/fund balance as previously reported at June 30, 2016	\$ (444,779,862)	\$ (26,136)	\$ 4,318,061
To correct overstated receivable balance	(1,100,158)		(1,100,158)
To correct understated capital assets	552,718		
To correct various account balances	<u>26,136</u>	<u>26,136</u>	
Net Position/Fund Balance as Restated at July 1, 2016	<u>\$ (445,301,166)</u>	<u>\$ -</u>	<u>\$ 3,217,903</u>

**22. SUBSEQUENT EVENTS**

On October 17, 2017, the City issued \$4,460,000 in general obligation bonds through the Rhode Island Health & Educational Building Corporation. The proceeds will be used by the Warwick School Department to fund school building improvements.

During fiscal 2018, the School Committee and School Teachers Union both voted to approve a new teachers’ contract. Given the lengthy negotiation period, the contract was issued in two parts - the first comprised the period September 1, 2015 to August 31, 2017, and the second comprised the period September 1, 2017 to August 21, 2020.

**CITY OF WARWICK, RHODE ISLAND**  
**SCHEDULE OF REVENUES AND EXPENDITURES (NON-GAAP BUDGETARY BASIS)**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	Original Budgeted Revenues	Final Budgeted Revenues	Actual Amounts (Budgetary Basis)	Variance
General Property Taxes	\$ 226,606,952	\$ 226,606,952	\$ 231,148,289	\$ 4,541,337
Intergovernmental:				
Telephone tax	1,019,420	1,019,420	1,022,628	3,208
Aid to school buildings	1,119,013	1,119,013	875,048	(243,965)
Tax in lieu	1,712,951	1,712,951	1,690,561	(22,390)
Motor vehicle tax phase-out	964,536	964,536	1,013,712	49,176
Departmental grant income	1,449,394	1,900,953	2,038,739	137,786
State municipal incentive aid			11,062	11,062
Total intergovernmental	<u>6,265,314</u>	<u>6,716,873</u>	<u>6,651,750</u>	<u>(65,123)</u>
Licenses and fees:				
Licenses - police/miscellaneous	354,000	354,000	341,074	(12,926)
Municipal fees	2,015,000	2,015,000	2,209,571	194,571
Building permits	826,200	826,200	1,021,446	195,246
Advertising and zoning fees	23,000	23,000	26,966	3,966
Recreational fees	853,000	853,000	881,763	28,763
Parking violation and fines	191,000	191,000	251,437	60,437
Department processing/program fees	492,000	492,000	632,732	140,732
Total licenses and fees	<u>4,754,200</u>	<u>4,754,200</u>	<u>5,364,989</u>	<u>610,789</u>
Other revenue:				
Tax titles	113,000	113,000	15,629	(97,371)
Interest on taxes	1,900,000	1,900,000	2,206,364	306,364
Interest on investments/capital projects	900	900	69,203	68,303
Housing authority	138,000	138,000	147,390	9,390
Airport parking tax	500,000	500,000	500,000	-
Airport miscellaneous income	775,000	775,000	914,546	139,546
Airport surcharge	1,000,000	1,000,000	1,255,920	255,920
Airport EDC	778,000	778,000	774,835	(3,165)
Municipal court	250,000	250,000	172,842	(77,158)
Hotel tax	1,802,129	1,802,129	1,988,845	186,716
Meal tax	2,800,000	2,800,000	2,890,427	90,427
Pilot Program - Johnson & Wales	40,000	40,000	45,917	5,917
School back charge - lease purchase/tipping fee	15,000	15,000	19,636	4,636
School RIHEBC Debit reimbursement	1,354,389	1,354,389	1,289,857	(64,532)
Enterprise fund back charges	2,656,315	2,656,315	2,662,677	6,362
Other	3,026,100	3,026,100	3,675,181	649,081
Total other revenue	<u>17,148,833</u>	<u>17,148,833</u>	<u>18,629,269</u>	<u>1,480,436</u>
Total revenues	<u>254,775,299</u>	<u>255,226,858</u>	<u>261,794,297</u>	<u>6,567,439</u>
Other financing sources:				
School re-appropriated surplus		3,185,454	3,185,454	-
Rescue service fees	2,300,000	2,300,000	2,796,326	496,326
Transfers - in from school	41,652,820	41,652,820	41,584,646	(68,174)
Total other financing sources	<u>43,952,820</u>	<u>47,138,274</u>	<u>47,566,426</u>	<u>428,152</u>
Total Revenues and Other Financing Sources	<u>\$ 298,728,119</u>	<u>\$ 302,365,132</u>	<u>\$ 309,360,723</u>	<u>\$ 6,995,591</u>

(Continued on next page)

**CITY OF WARWICK, RHODE ISLAND**  
**SCHEDULE OF REVENUES AND EXPENDITURES (NON-GAAP BUDGETARY BASIS)**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Original Budgeted Revenues</u>	<u>Final Budgeted Revenues</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance</u>
Executive and administrative:				
Executive department	\$ 402,572	\$ 402,572	\$ 380,021	\$ 22,551
Legal department	452,350	452,350	297,925	154,425
City clerk	403,681	403,681	327,492	76,189
Probate court	109,090	109,090	116,419	(7,329)
Municipal court	105,294	105,294	97,445	7,849
Personnel department	351,537	351,537	326,052	25,485
	<u>1,824,524</u>	<u>1,824,524</u>	<u>1,545,354</u>	<u>279,170</u>
Legislative and citizens representation:				
Legislative department	295,604	295,604	189,506	106,098
Board of canvassers	327,885	327,885	266,287	61,598
	<u>623,489</u>	<u>623,489</u>	<u>455,793</u>	<u>167,696</u>
Financial management:				
Finance administration	422,549	422,549	353,083	69,466
Treasury	474,197	474,197	420,534	53,663
Management information services	1,347,411	1,347,411	1,131,663	215,748
Purchasing	193,653	193,653	185,987	7,666
City tax collection	725,046	725,046	850,510	(125,464)
City assessment	790,302	790,302	750,701	39,601
Board of assessment review	15,150	15,150	3,000	12,150
	<u>3,968,308</u>	<u>3,968,308</u>	<u>3,695,478</u>	<u>272,830</u>
Total executive and administrative	<u>6,416,321</u>	<u>6,416,321</u>	<u>5,696,625</u>	<u>719,696</u>
Public safety department:				
Animal shelter	215,997	215,997	201,216	14,781
Police department	19,564,923	19,564,923	19,307,750	257,173
Fire department	22,054,774	22,054,774	22,655,795	(601,021)
Organized crime/drug enforcement task force	21,500	21,500	30,138	(8,638)
Alcohol and highway safety enforcement	86,000	86,000	91,291	(5,291)
Police grants	54,000	54,000	49,271	4,729
Fire grants			60,205	(60,205)
Emergency management	232,242	327,242	433,927	(106,685)
Building inspection and minimum housing	864,946	864,946	785,058	79,888
Board of public safety	54,364	54,364	55,270	(906)
Total public safety	<u>43,148,746</u>	<u>43,243,746</u>	<u>43,669,921</u>	<u>(426,175)</u>

(Continued on next page)

**CITY OF WARWICK, RHODE ISLAND**  
**SCHEDULE OF REVENUES AND EXPENDITURES (NON-GAAP BUDGETARY BASIS)**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	Original Budgeted Revenues	Final Budgeted Revenues	Actual Amounts (Budgetary Basis)	Variance
Recreation:				
Parks and recreation	\$ 417,685	\$ 417,685	\$ 326,002	\$ 91,683
William Thayer memorial ice rink	860,562	860,562	956,472	(95,910)
McDermott swimming pool	559,569	559,569	507,553	52,016
	<u>1,837,816</u>	<u>1,837,816</u>	<u>1,790,027</u>	<u>47,789</u>
Public library	2,760,836	2,835,874	2,818,792	17,082
Social services:				
Human services administration	529,116	529,116	469,131	59,985
Senior center	475,354	475,354	448,794	26,560
Senior transportation	268,790	268,790	263,548	5,242
	<u>1,273,260</u>	<u>1,273,260</u>	<u>1,181,473</u>	<u>91,787</u>
Planning department	496,644	778,165	767,086	11,079
Community development	286,715	286,715	250,038	36,677
Tourism, culture and development	727,188	727,188	682,565	44,623
Public works department:				
Administrative division	207,261	207,261	221,930	(14,669)
Highway division	4,969,066	4,969,066	4,517,406	451,660
Sanitation division	2,158,395	2,153,395	2,072,572	80,823
Automotive Division	2,497,964	2,497,964	2,021,029	476,935
City building maintenance division	1,360,064	1,360,064	1,290,947	69,117
Engineering division	1,642,721	1,642,721	1,807,672	(164,951)
Recycling	69,500	74,500	74,257	243
Field maintenance	809,314	809,314	625,399	183,915
	<u>13,714,285</u>	<u>13,714,285</u>	<u>12,631,212</u>	<u>1,083,073</u>
Sewer review board	2,000	2,000	1,633	367
Employee benefits, special and capital:				
Employee benefits	26,101,664	26,101,664	25,857,421	244,243
Insurance	1,618,099	1,618,099	1,745,256	(127,157)
City council claims	20,000	20,000	15,693	4,307
Postage	80,020	80,020	83,766	(3,746)
Fixed costs	479,600	479,600	555,110	(75,510)
Pension	29,805,262	29,805,262	30,318,953	(513,691)
	<u>58,104,645</u>	<u>58,104,645</u>	<u>58,576,199</u>	<u>(471,554)</u>
Total expenditures	<u>128,768,456</u>	<u>129,220,015</u>	<u>128,065,571</u>	<u>1,154,444</u>
Other financing uses:				
Operating transfer to debt service fund	8,824,379	8,824,379	8,701,533	122,846
Operating transfer to school unrestricted fund	161,135,284	164,320,738	163,033,893	1,286,845
Total other financing uses	<u>169,959,663</u>	<u>173,145,117</u>	<u>171,735,426</u>	<u>1,409,691</u>
Total Expenditures and Other Financing Uses	<u>\$ 298,728,119</u>	<u>\$ 302,365,132</u>	<u>\$ 299,800,997</u>	<u>\$ 2,564,135</u>

**CITY OF WARWICK, RHODE ISLAND**  
**BUDGETARY COMPARISON SCHEDULE - SCHOOL GENERAL FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES (NON-GAAP BUDGETARY BASIS)**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance</b>
Revenues:				
State and Federal School Aid	\$ 40,148,570	\$ 40,148,570	\$ 38,753,090	\$ (1,395,480)
Other school miscellaneous revenue	1,504,250	1,504,250	2,831,557	1,327,307
Appropriation from the City	119,482,464	119,482,464	119,482,464	-
Re-appropriation of fund balance - transfer from City		3,185,454	3,185,454	-
Total revenues	<u>161,135,284</u>	<u>164,320,738</u>	<u>164,252,565</u>	<u>(68,173)</u>
Expenditures:				
Education	<u>161,135,284</u>	<u>164,320,738</u>	<u>163,033,894</u>	<u>(1,286,844)</u>
Excess of Revenue over Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,218,671</u>	<u>\$ 1,218,671</u>

**CITY OF WARWICK, RHODE ISLAND**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY DATA AND BUDGETARY COMPLIANCE (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2017**

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B. Budgetary to GAAP Basis Reconciliation

The following reconciliation summarizes the difference for the City's General Fund and the School Unrestricted Fund between budgetary and GAAP basis accounting principles for the year ended June 30, 2017:

	<u>General Fund</u>	<u>School Unrestricted Fund</u>
Revenues and Other Financing Sources:		
Actual amounts (budgetary basis)	\$ 309,360,723	\$ 164,252,565
Difference - budget to GAAP		
The appropriated fund balance is a budgetary revenue but is not a current year revenue for financial reporting purposes		(1,218,671)
The appropriated fund balance from Reserve for Education is a budgetary revenue but is not a current year revenue for financial reporting purposes	(3,185,454)	
Transfer from other funds is a budgetary revenue, but is reported net of the related transfer to other funds for financial reporting purposes	(42,894,139)	
Fund back charges are budgetary revenue, but are reflected as a reduction of expenditures for financial reporting purposes	(2,662,677)	
Rescue Service Fund revenue net of transfer to General Fund reported as revenue for GAAP purposes not included in Budget Basis revenues.	1,378,956	
Transfer to other funds are reflected as reductions of revenue for budgetary purposes, but are reflected as revenues for financial reporting purposes.	(252,587)	
The pension contributions made to the Employees Retirement System by the State of Rhode Island on behalf of the City of Warwick is not reported as budgetary revenue, but is a current year revenue for financial reporting purposes		<u>7,250,385</u>
Total Revenues and Other Financing Sources as Reported in the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds	<u>\$ 261,744,822</u>	<u>\$ 170,284,279</u>

**CITY OF WARWICK, RHODE ISLAND**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY DATA AND BUDGETARY COMPLIANCE (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2017**

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B. Budgetary to GAAP Basis Reconciliation (Continued)

	<u>General Fund</u>	<u>School Unrestricted Fund</u>
Expenditures and Other Financing Sources:		
Actual amounts (budgetary basis)	\$ 299,800,997	\$ 163,033,894
Difference - budget to GAAP		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year supplies are received for financial reporting purposes.	(454,562)	
Transfer to School Department is reported at gross amount for budget purposes but is reported net of School revenue for GAAP.	(42,874,503)	
Transfer from other funds is a budgetary revenue, but is reported net of the related transfer to other funds for financial reporting purposes.		
Fund back charges are budgetary revenue, but are reflected as a reduction of expenditures for financial reporting purposes.	(2,662,677)	
Rescue Service Fund revenue net of transfer to General Fund reported as revenue for GAAP purposes not part of the budgetary basis expenditures.	1,378,956	
Transfer to other funds are reflected as reductions of revenue for budgetary purposes, but are reflected as revenues for financial reporting purposes.	(272,222)	
The pension contributions made to the Employees Retirement System by the State of Rhode Island on behalf of the City of Warwick is not reported as budgetary revenue, but is a current year revenue for financial reporting purposes.		<u>7,250,385</u>
Total Expenditures and Other Financing Sources as Reported in the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds	<u>\$ 254,915,989</u>	<u>\$ 170,284,279</u>

**CITY OF WARWICK, RHODE ISLAND**  
**SCHEDULE OF CHANGES IN EMPLOYERS' NET PENSION LIABILITY AND RELATED RATIOS**  
**CITY EMPLOYEES' PENSION PLAN**  
**LAST FOUR FISCAL YEARS**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability:				
Service cost	\$ 3,265,824	\$ 2,604,452	\$ 2,361,164	\$ 1,368,801
Interest	11,177,444	11,143,830	10,681,187	9,817,470
Difference between actual and expected experience		(552,930)	1,619,642	8,308,519
Assumption changes		8,912,895		(354,818)
Benefit payments	<u>(9,301,086)</u>	<u>(8,862,354)</u>	<u>(8,367,787)</u>	<u>(7,872,056)</u>
Net change in total pension liability	5,142,182	13,245,893	6,294,206	11,267,916
Total pension liability - beginning	<u>164,959,238</u>	<u>151,713,345</u>	<u>145,419,139</u>	<u>134,151,223</u>
Total pension liability - ending (a)	<u>170,101,420</u>	<u>164,959,238</u>	<u>151,713,345</u>	<u>145,419,139</u>
Plan fiduciary net position:				
Contributions - employer	5,764,819	5,505,376	5,640,498	5,436,625
Contributions - employee	1,765,310	1,620,427	1,579,755	1,572,702
Net investment income (loss)	14,263,989	(1,578,910)	2,695,082	15,609,969
Benefit payments	(9,301,086)	(8,862,354)	(8,367,787)	(7,872,056)
Administrative expense	(34,671)	(33,370)	(34,244)	(28,582)
Net change in plan fiduciary net position	12,458,361	(3,348,831)	1,513,304	14,718,658
Plan fiduciary net position beginning	<u>112,475,888</u>	<u>115,824,719</u>	<u>114,311,415</u>	<u>99,592,757</u>
Plan fiduciary net position - ending (b)	<u>124,934,249</u>	<u>112,475,888</u>	<u>115,824,719</u>	<u>114,311,415</u>
Net Pension Liability (a-b)	<u>\$ 45,167,171</u>	<u>\$ 52,483,350</u>	<u>\$ 35,888,626</u>	<u>\$ 31,107,724</u>
Plan fiduciary net position as a percentage of the total pension liability	73.4%	68.2%	76.3%	78.6%
Covered-employee payroll	\$ 22,066,375	\$ 20,255,338	\$ 20,072,947	18,391,191
Net pension liability as a percentage of covered payroll	204.7%	259.1%	178.8%	169.1%

Note:

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

**CITY OF WARWICK, RHODE ISLAND**  
**SCHEDULE OF CHANGES IN EMPLOYERS' NET PENSION LIABILITY AND RELATED RATIOS**  
**POLICE I AND FIRE PENSION PLAN**  
**LAST FOUR FISCAL YEARS**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability:				
Service cost	\$ 810,009	\$ 936,610	\$ 1,005,457	\$ 1,276,922
Interest	19,645,595	20,076,965	20,085,394	22,543,132
Difference between actual and expected experience		1,862	(1,195,853)	(10,108,652)
Assumption changes		16,534,846		(26,630,682)
Benefit payments	(21,067,877)	(20,192,173)	(19,753,740)	(19,675,904)
Net change in total pension liability	(612,273)	17,358,110	141,258	(32,595,184)
Total pension liability - beginning	294,678,763	277,320,653	277,179,395	309,774,579
Total pension liability - ending (a)	<u>294,066,490</u>	<u>294,678,763</u>	<u>277,320,653</u>	<u>277,179,395</u>
Plan fiduciary net position:				
Contributions - employer	17,465,464	17,378,897	16,039,998	15,206,485
Contributions - member	219,770	266,831	284,810	321,061
Net investment income (loss)	9,138,696	(929,819)	1,380,201	9,803,078
Benefit payments	(21,067,877)	(20,192,173)	(19,753,740)	(19,675,904)
Administrative expense	(38,823)	(29,322)	(29,576)	(24,335)
Other	670	-		
Net change in plan fiduciary net position	5,717,900	(3,505,586)	(2,078,307)	5,630,385
Plan fiduciary net position - beginning	66,038,452	69,544,038	71,622,345	65,991,960
Plan fiduciary net position - ending (b)	<u>71,756,352</u>	<u>66,038,452</u>	<u>69,544,038</u>	<u>71,622,345</u>
Net Pension Liability (a-b)	<u>\$ 222,310,138</u>	<u>\$ 228,640,311</u>	<u>\$ 207,776,615</u>	<u>\$ 205,557,050</u>
Plan fiduciary net position as a percentage of the total pension liability	24.4%	22.4%	25.1%	25.8%
Covered-employee payroll	\$ 3,139,571	\$ 3,811,871	\$ 4,068,714	\$ 4,154,657
Net pension liability as a percentage of covered-employee payroll	7080.9%	5998.1%	5106.7%	4947.6%

Note:

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

**CITY OF WARWICK, RHODE ISLAND**  
**SCHEDULE OF CHANGES IN EMPLOYERS' NET PENSION LIABILITY AND RELATED RATIOS**  
**POLICE II PENSION PLAN**  
**LAST FOUR FISCAL YEARS**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability:				
Service cost	\$ 4,744,240	\$ 3,884,441	\$ 3,770,366	\$ 3,762,837
Interest	15,258,836	14,589,705	13,811,883	13,520,113
Difference between actual and expected experience		329,603	738,684	(1,806,121)
Assumption changes		15,898,398		(3,961,813)
Benefit payments	(8,861,372)	(8,245,091)	(7,768,947)	(7,488,066)
Net change in total pension liability	<u>11,141,704</u>	<u>26,457,056</u>	<u>10,551,986</u>	<u>4,026,950</u>
Total pension liability - beginning	<u>223,166,775</u>	<u>196,709,719</u>	<u>186,157,733</u>	<u>182,130,783</u>
Total pension liability - ending (a)	<u>234,308,479</u>	<u>223,166,775</u>	<u>196,709,719</u>	<u>186,157,733</u>
Plan fiduciary net position:				
Contributions - employer	3,938,725	3,853,855	3,828,534	3,322,236
Contributions - member	2,008,027	1,931,974	1,914,267	1,661,118
Net investment income (loss)	22,689,311	(2,481,497)	4,075,102	24,147,499
Benefit payments	(8,861,372)	(8,245,091)	(7,768,947)	(7,488,066)
Administrative expense	(28,474)	(37,409)	(39,395)	(24,100)
Net change in plan fiduciary net position	<u>19,746,217</u>	<u>(4,978,168)</u>	<u>2,009,561</u>	<u>21,618,687</u>
Plan fiduciary net position - beginning	<u>173,436,969</u>	<u>178,415,137</u>	<u>176,405,576</u>	<u>154,786,889</u>
Plan fiduciary net position - ending (b)	<u>193,183,186</u>	<u>173,436,969</u>	<u>178,415,137</u>	<u>176,405,576</u>
Net Pension Liability (a-b)	<u>\$ 41,125,293</u>	<u>\$ 49,729,806</u>	<u>\$ 18,294,582</u>	<u>\$ 9,752,157</u>
Plan fiduciary net position as a percentage of the total pension liability	82.4%	77.7%	90.7%	94.8%
Covered-employee payroll	\$ 13,791,394	\$ 13,269,052	\$ 12,781,663	\$ 12,494,306
Net pension liability as a percentage of covered-employee payroll	298.2%	374.8%	143.1%	78.1%

Note:

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

**CITY OF WARWICK, RHODE ISLAND**  
**SCHEDULE OF CHANGES IN EMPLOYERS' NET PENSION LIABILITY AND RELATED RATIOS**  
**FIRE II PENSION PLAN**  
**LAST FOUR FISCAL YEARS**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability:				
Service cost	\$ 4,563,165	\$ 3,946,558	\$ 3,534,726	\$ 3,435,947
Interest	4,654,274	4,125,110	3,572,193	3,205,452
Difference between actual and expected experience		(577,982)	482,842	(62,953)
Assumption changes		5,201,487		(1,341,914)
Benefit payments	<u>(587,618)</u>	<u>(449,467)</u>	<u>(397,441)</u>	<u>(394,626)</u>
Net change in total pension liability	8,629,821	12,245,706	7,192,320	4,841,906
Total pension liability - beginning	<u>65,498,628</u>	<u>53,252,922</u>	<u>46,060,602</u>	<u>41,218,696</u>
Total pension liability - ending (a)	<u>74,128,449</u>	<u>65,498,628</u>	<u>53,252,922</u>	<u>46,060,602</u>
Plan fiduciary net position:				
Contributions - employer	3,149,947	2,973,277	2,943,088	2,903,462
Contributions - member	1,574,973	1,486,639	1,471,544	1,451,731
Net investment income (loss)	7,834,412	(930,262)	782,789	5,483,041
Benefit payments	(587,618)	(449,467)	(397,441)	(394,626)
Administrative expense	(20,875)	(8,926)	(8,697)	(4,315)
Net change in plan fiduciary net position	11,950,839	3,071,261	4,791,283	9,439,293
Plan fiduciary net position - beginning	<u>52,607,801</u>	<u>49,536,540</u>	<u>44,745,257</u>	<u>35,305,964</u>
Plan fiduciary net position - ending (b)	<u>64,558,640</u>	<u>52,607,801</u>	<u>49,536,540</u>	<u>44,745,257</u>
Net Pension Liability (a-b)	<u>\$ 9,569,809</u>	<u>\$ 12,890,827</u>	<u>\$ 3,716,382</u>	<u>\$ 1,315,345</u>
Plan fiduciary net position as a percentage of the total pension liability	87.1%	80.3%	93.0%	97.1%
Covered-employee payroll	\$ 14,188,946	\$ 13,393,144	\$ 12,602,432	\$ 11,769,201
Net pension liability as a percentage of covered-employee payroll	67.4%	96.2%	29.5%	11.2%

Note:

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

**CITY OF WARWICK, RHODE ISLAND**  
**SCHEDULE OF CHANGES IN EMPLOYERS' NET PENSION LIABILITY AND RELATED RATIOS**  
**WARWICK PUBLIC SCHOOLS EMPLOYEES' PENSION PLAN**  
**LAST FOUR FISCAL YEARS**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability:				
Service cost	\$ 1,085,156	\$ 1,182,332	\$ 1,153,661	\$ 1,233,904
Interest	3,405,815	3,239,682	3,013,821	2,683,152
Difference between actual and expected experience	2,093,032	(363,953)	342,058	664,117
Assumption changes	81,200	113,452		67,700
Benefit payments	<u>(1,901,797)</u>	<u>(1,506,891)</u>	<u>(1,122,881)</u>	<u>(1,035,956)</u>
Net change in total pension liability	4,763,406	2,664,622	3,386,659	3,612,917
Total pension liability - beginning	<u>48,504,159</u>	<u>45,839,537</u>	<u>42,452,878</u>	<u>38,839,961</u>
Total pension liability - ending (a)	<u>53,267,565</u>	<u>48,504,159</u>	<u>45,839,537</u>	<u>42,452,878</u>
Plan fiduciary net position:				
Contributions - employer	2,044,880	1,968,941	1,752,679	2,160,500
Contributions - employee	803,054	732,245	766,137	743,492
Net investment income	5,414,063	936,885	1,487,522	3,977,291
Benefit payments	(1,901,797)	(1,506,891)	(1,122,881)	(1,035,956)
Administrative expense	<u>(205,899)</u>	<u>(173,084)</u>	<u>(95,056)</u>	<u>(83,496)</u>
Net change in plan fiduciary net position	6,154,301	1,958,096	2,788,401	5,761,831
Plan fiduciary net position beginning	<u>42,643,238</u>	<u>40,685,142</u>	<u>37,896,741</u>	<u>32,134,910</u>
Plan fiduciary net position - ending (b)	<u>48,797,539</u>	<u>42,643,238</u>	<u>40,685,142</u>	<u>37,896,741</u>
Net Pension Liability (a-b)	<u>\$ 4,470,026</u>	<u>\$ 5,860,921</u>	<u>\$ 5,154,395</u>	<u>\$ 4,556,137</u>
Plan fiduciary net position as a percentage of the total pension liability	91.6%	87.9%	88.8%	89.3%
Covered-employee payroll	\$ 12,914,407	\$ 12,567,847	\$ 13,918,915	13,335,646
Net pension liability as a percentage of covered payroll	34.6%	46.6%	37.0%	34.2%

**Note:**

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

**CITY OF WARWICK, RHODE ISLAND  
SCHEDULE OF CITY CONTRIBUTIONS  
CITY EMPLOYEES' PENSION PLAN  
LAST FOUR FISCAL YEARS**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 5,764,819	\$ 5,505,376	\$ 5,640,498	\$ 5,436,625
Actual contribution made in relation to the actuarially determined contribution	<u>5,764,819</u>	<u>5,505,376</u>	<u>5,640,498</u>	<u>5,436,625</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 22,066,375	\$ 20,255,338	\$ 20,072,947	\$ 18,391,191
Contributions as a percentage of covered-employee payroll	26.1%	27.2%	28.1%	29.6%

**Notes to Schedule of Contributions**

Valuation date June 30, 2015  
Notes Actuarially determined contribution rates are calculated as of June 30, effective for the fiscal year that begins 12 months after the valuation date.

**Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial cost method For funding purposes, the Entry Age Normal Actuarial Cost Method is used.  
Single Equivalent Amortization Period 11 Years Closed  
Amortization Period for New Gains/Losses 20 years Closed  
Asset Valuation Method 5 Year Smoothed Market  
Inflation 2.75%  
Salary Increases 3.50% to 7.50% including inflation  
Investment rate of return 7.50%  
Retirement age Experienced-based table of rates that are specific to the type of eligibility condition.  
Mortality (Male) 115% of RP-2000 Combined Healthy for Males with White Collar adjustments, projected with Scale AA from 2000.  
(Female) 95% of RP-2000 Combined Healthy for Females with White Collar adjustments, projected with Scale AA from 2000.

**Other Information:  
Notes**

There were no benefit changes during the year.

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

**CITY OF WARWICK, RHODE ISLAND  
SCHEDULE OF CITY CONTRIBUTIONS  
POLICE I AND FIRE PENSION PLAN  
LAST FOUR FISCAL YEARS**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 17,465,464	\$ 17,378,897	\$ 16,039,998	\$ 15,206,485
Actual contribution made in relation to the actuarially determined contribution	<u>17,465,464</u>	<u>17,378,897</u>	<u>16,039,998</u>	<u>15,206,485</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 3,139,571	\$ 3,811,871	\$ 4,068,714	\$ 4,154,657
Contributions as a percentage of covered-employee payroll	556.3%	455.9%	394.2%	366.0%

**Notes to Schedule of Contributions**

Valuation date June 30, 2015  
Notes Actuarially determined contribution rates are calculated as of June 30, effective for the fiscal year that begins 12 months after the valuation date.

**Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial cost method For funding purposes, the Entry Age Normal Actuarial Cost Method is used.  
Single Equivalent Amortization Period 20 Years Closed  
Amortization Period for New Gains/Losses 20 years Closed  
Asset Valuation Method 5 Year Smoothed Market  
Inflation 2.75%  
Salary Increases 4.00% to 14.00% including inflation  
Investment rate of return 7.50%  
Retirement age Experienced-based table of rates that are specific to the type of eligibility condition.  
Mortality (Male) 115% of RP-2000 Combined Healthy for Males with White Collar adjustments, projected with Scale AA from 2000.  
(Female) 95% of RP-2000 Combined Healthy for Females with White Collar adjustments, projected with Scale AA from 2000.

**Other Information:**

Notes There were no benefit changes during the year.

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

**CITY OF WARWICK, RHODE ISLAND  
SCHEDULE OF CITY CONTRIBUTIONS  
POLICE II PENSION PLAN  
LAST FOUR FISCAL YEARS**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 3,938,725	\$ 3,853,855	\$ 3,828,534	\$ 3,322,236
Actual contribution made in relation to the actuarially determined contribution	<u>3,938,725</u>	<u>3,853,855</u>	<u>3,828,534</u>	<u>3,322,236</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 13,791,394	\$ 13,269,052	\$ 12,781,663	\$ 12,494,306
Contributions as a percentage of covered-employee payroll	28.6%	29.0%	30.0%	26.6%

**Notes to Schedule of Contributions**

Valuation date June 30, 2015  
 Notes Actuarially determined contribution rates are calculated as of June 30, effective for the fiscal year that begins 12 months after the valuation date.

**Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial cost method For funding purposes, the Entry Age Normal Actuarial Cost Method is used.  
 Single Equivalent Amortization Period 24 Years Closed  
 Amortization Period for New Gains/Losses 30 years Closed  
 Asset Valuation Method 5 Year Smoothed Market  
 Inflation 2.75%  
 Salary Increases 4.00% to 14.00% including inflation  
 Investment rate of return 7.50%  
 Retirement age Experienced-based table of rates that are specific to the type of eligibility condition.  
 Mortality (Male) 115% of RP-2000 Combined Healthy for Males with White Collar adjustments, projected with Scale AA from 2000.  
 (Female) 95% of RP-2000 Combined Healthy for Females with White Collar adjustments, projected with Scale AA from 2000.

Other Information:  
 Notes There were no benefit changes during the year.

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

**CITY OF WARWICK, RHODE ISLAND  
SCHEDULE OF CITY CONTRIBUTIONS  
FIRE II PENSION PLAN  
LAST FOUR FISCAL YEARS**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 3,149,947	\$ 2,973,277	\$ 2,943,088	\$ 2,903,462
Actual contribution made in relation to the actuarially determined contribution	<u>3,149,947</u>	<u>2,973,277</u>	<u>2,943,088</u>	<u>2,903,462</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 14,188,946	\$ 13,393,144	\$ 12,602,432	\$ 11,769,201
Contributions as a percentage of covered-employee payroll	22.2%	22.2%	23.4%	24.7%

**Notes to Schedule of Contributions**

Valuation date June 30, 2015  
Notes Actuarially determined contribution rates are calculated as of June 30, effective for the fiscal year that begins 12 months after the valuation date.

**Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial cost method For funding purposes, the Entry Age Normal Actuarial Cost Method is used.  
Single Equivalent Amortization Period 16 Years Closed  
Amortization Period for New Gains/Losses 20 years Closed  
Asset Valuation Method 5 Year Smoothed Market  
Inflation 2.75%  
Salary Increases 4.00% to 14.00% including inflation  
Investment rate of return 7.50%  
Retirement age Experienced-based table of rates that are specific to the type of eligibility condition.  
Mortality (Male) 115% of RP-2000 Combined Healthy for Males with White Collar adjustments, projected with Scale AA from 2000.  
(Female) 95% of RP-2000 Combined Healthy for Females with White Collar adjustments, projected with Scale AA from 2000.

**Other Information:**

Notes There were no benefit changes during the year.

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

**CITY OF WARWICK, RHODE ISLAND  
SCHEDULE OF CITY CONTRIBUTIONS  
WARWICK PUBLIC SCHOOL EMPLOYEE'S PENSION PLAN  
LAST FOUR FISCAL YEARS**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 1,156,709	\$ 1,161,346	\$ 1,092,021	\$ 1,236,062
Actual contribution made in relation to the actuarially determined contribution	<u>2,044,880</u>	<u>1,968,941</u>	<u>1,752,679</u>	<u>2,160,500</u>
Contribution deficiency (excess)	<u>\$ (888,171)</u>	<u>\$ (807,595)</u>	<u>\$ (660,658)</u>	<u>\$ (924,438)</u>
Covered-employee payroll	\$ 12,914,407	\$ 12,567,847	\$ 13,918,915	\$ 13,335,646
Contributions as a percentage of covered-employee payroll	15.8%	15.7%	12.6%	16.2%

**Notes to Schedule of Contributions**

Valuation date

July 1, 2016

Notes

Actuarially determined contribution rates are calculated as of the beginning of the fiscal year - July 1st.

**Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial cost method For funding purposes, the Entry Age Normal Actuarial Cost Method is used.

Amortization Method Level percentage of payroll

Remaining Amortization Period 30 years

Asset Valuation Method Fair Market Value

Salary Increases 3.00% per annum

Investment rate of return 7.00%

Retirement age 15% per year for ages 62-64, 100% at age 65

Mortality Prescribed IRS Static Mortality Table for the year of the valuation

Other Information:

Notes

There were no benefit changes during the year.

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

**CITY OF WARWICK, RHODE ISLAND  
SCHEDULE OF INVESTMENT RETURNS  
CITY PENSION PLANS  
LAST FOUR FISCAL YEARS**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense				
Police I and Fire Pension Plan	14.23%	-1.94%	0.51%	15.35%
Police II Pension Plan	13.17%	-1.40%	2.25%	15.70%
Fire II Pension Plan	14.40%	-1.81%	1.31%	14.80%
City Employees Pension Plan	12.78%	-1.37%	2.11%	15.73%
Warwick Public School Employees' Pension Plan	12.61%	2.30%	1.97%	17.24%

**Note:**

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

**CITY OF WARWICK, RHODE ISLAND  
SCHEDULE OF CITY CONTRIBUTIONS  
EMPLOYEES' RETIREMENT SYSTEM - TEACHERS  
LAST THREE FISCAL YEARS**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 10,619,358	\$ 10,888,514	\$ 10,546,876
Actual contribution made in relation to the actuarially determined contribution	<u>10,619,358</u>	<u>10,888,514</u>	<u>10,546,876</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 80,571,760	\$ 79,304,545	\$ 78,649,336
Contributions as a percentage of covered-employee payroll	13.2%	13.7%	13.4%

Notes:

- 1) Employers participating in the State Employees' Retirement System are required by RI General Laws, Section 36-10-2, to contribute an actuarially determined rate each year
- 2) The schedule is intended to show information for 10 years-additional years will be displayed as they become available

**CITY OF WARWICK, RHODE ISLAND**  
**SCHEDULE OF CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**EMPLOYEES' RETIREMENT SYSTEM - TEACHERS**  
**LAST THREE FISCAL YEARS**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employer's Proportion of the Net Pension Liability	4.708%	4.840%	5.003%
Employer's Proportionate Share of the Net Pension Liability	\$ 140,460,773	\$ 133,250,179	\$ 121,776,253
State's Proportionate Share of the Net Pension Liability	<u>96,195,004</u>	<u>91,032,340</u>	<u>83,507,586</u>
Total Net Pension Liability	<u>\$ 236,655,777</u>	<u>\$ 224,282,519</u>	<u>\$ 205,283,839</u>
Employer's Covered Employee Payroll	\$ 80,571,760	\$ 79,304,545	\$ 78,649,336
Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	174.33%	168.02%	154.83%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	54.10%	57.60%	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) The schedule is intended to show information for 10 years-additional years will be displayed as they become available

**CITY OF WARWICK, RHODE ISLAND  
 REQUIRED SUPPLEMENTARY INFORMATION  
 OTHER POST EMPLOYMENT BENEFITS  
 SCHEDULE OF FUNDING PROGRESS  
 LAST SIX FISCAL YEARS**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability Projected Unit Credit</u>	<u>AAL (UAAL) Funding Excess (Deficit)</u>	<u>Funding Ratio</u>	<u>Covered Payroll</u>	<u>UAAL (Funding Excess) as a Percentage of Covered Payroll</u>
6/30/2012	\$ -	\$ 261,427,061	\$ (261,427,061)	0.0%	N/A	N/A
6/30/2013	-	285,396,150	(285,396,150)	0.0%	N/A	N/A
6/30/2014	-	299,915,526	(299,915,526)	0.0%	N/A	N/A
6/30/2015	-	321,305,974	(321,305,974)	0.0%	N/A	N/A
6/30/2016	-	320,270,688	(320,270,688)	0.0%	N/A	N/A
6/30/2017	-	343,036,482	(343,036,482)	0.0%	N/A	N/A