
CITY OF WARWICK

***COMPREHENSIVE ANNUAL
FINANCIAL REPORT***

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2009***

**Scott Avedisian
Mayor**

**Ernest M. Zmyslinski
Finance Director**

**Leonard J. Flood
Director of Business Affairs**

Prepared by: Finance Department

WARWICK, RHODE ISLAND

INTRODUCTORY SECTION

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List of City Officials
Certificate of Achievement for Excellence in Financial Reporting

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FOR THE YEAR ENDED JUNE 30, 2009**

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Ernest M. Zmyslinski
Finance Director

Scott Avedisian
Mayor

CITY OF WARWICK
FINANCE DEPARTMENT
3275 POST ROAD
WARWICK, RHODE ISLAND 02886
(401) 738-2000

February 3, 2010

To the Honorable Mayor, President and Members of the
Warwick City Council, and Citizens of the City of Warwick:

We hereby submit the Comprehensive Annual Financial Report for the City of Warwick, for the fiscal year ended June 30, 2009. The report has been prepared in accordance with generally accepted accounting principles (GAAP), adhering to the format promulgated through the Governmental Accounting Board's Statement 34. Responsibility for the accuracy of the data presented, as well the fairness of the representations contained within the report, rests with the City's management. To provide a reasonable basis for making these representations, the City of Warwick has established a comprehensive internal control framework that is designed to protect the government's assets from theft, loss or misuse, and to promote the compilation of reliable financial information for reporting and forecasting purposes. Since the cost of the internal control system should not outweigh its benefits, the City's internal control system has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatements. As management, we assert that, to the best of our knowledge, and in all material respects, this report is fair, complete, and summarizes the City's financial position in a comprehensive manner.

The Comprehensive Annual Financial Report is presented in four sections: Introductory, Financial, Statistical, and Single Audit. The Introductory Section contains this letter of transmittal, an organizational chart, and a listing of City Officials. The Financial Section contains the independent auditor's report, the management discussion and analysis (which should be read in conjunction with this transmittal letter to provide the reader with a greater understanding of the City's net assets and fund activity), the new city-wide financial statements, the basic financial statements of major and non-major funds, notes to the financial statements, and other supplementary information. The Statistical Section provides selected financial and demographic information presented on a multi-year basis.

In conformity with the Single Audit Act of 1996 and the United States Office of Management and Budget Circular A-133, "*Audits of States, Local Governments, and Non-Profit Organizations*", the City is required to submit to an annual audit of all federal grant awards. The Single Audit represents the final section of our report and contains the schedule of expenditures of federal grant awards.

GOVERNMENT PROFILE

The City of Warwick was established in 1642 and incorporated in 1931. The City has the second largest population in the State of Rhode Island and has total land area of approximately 35 square miles with another 14 square miles of inland water. Located 10 miles south of Providence, in Kent County, the City is centrally located within the State and connected to the northeast corridor by a network of interstate highways, including Interstate 95 and Interstate 295.

The City operates under a legislative charter providing for a nine-member council elected for two-year terms. All legislative powers of the City are vested in the City Council. Members of the Council are elected from each of the City's nine wards. In addition, a Mayor is elected for a two-year term and is the chief executive officer of the City. The Mayor is responsible for the administration and management of all offices, departments, and agencies except as otherwise provided by the City Charter. Duties of the Mayor include appointment of officers and employees of the City, preparation and presentation of the annual budget to the City Council, and the performance of other duties as required by ordinance or resolution. The Mayor has veto power over ordinances passed by the City Council, and may be overridden by a two-thirds vote of the City Council.

PUBLIC EDUCATION

A five-member School Committee directs the general administration of the City's school system. Three members are elected from designated school districts and two are elected at-large. The School Committee directs and controls all policies affecting the administration, construction, maintenance and operation of the public schools. The School Committee also appoints a superintendent of schools as its chief administrative agent and such other administrative officers as are considered necessary.

The City Charter provides that, based on budget estimates submitted by the School committee, the City Council establishes the School Department's appropriation in total only, and that the School Committee determines the allocation of the amounts appropriated.

The City's school system consists of 17 elementary schools, 3 junior high schools, 3 senior high schools and a career technical center. Most of these schools have been constructed in the last 40 years and the City does not anticipate the need for additional construction of school facilities in the near future, although renovations and additions to existing facilities are ongoing.

There is presently a professional staff of 1,586 in the school system, 1,057 of who are teachers. In the graduating class of 2009 approximately 86% of all high school graduates continued their education by attending two and four year colleges, technical institutes, or other forms of post secondary education.

The following is a summary of the actual school population trends in the City:

<u>Schedule of Enrollment</u>	
1999	12,065
2000	12,375
2001	12,382
2002	12,205

2003	12,078
2004	12,003
2005	11,709
2006	11,385
2007	10,944
2008	10,818
2009	10,525

During fiscal 2009, the City appropriated \$164,609,068 to the School Department. Final expenditures totaled \$159,516,654 – this reduction was due to a corresponding decline in State Aid. Their fiscal 2010 expense appropriation is \$164,609,068. The total fiscal 2010 State Aid for school operations has been budgeted at \$37,626,000.

MUNICIPAL SERVICES

In addition to its schools, the City provides major public services, certain of which are described below:

Executive and Administration

The Mayor with the assistance of the Finance, Personnel and Legal Departments exercises general oversight of the City. The City Clerk’s Office is responsible for all record maintenance and supervision of the municipal and probate courts. During fiscal 2009, the Executive and Administrative Divisions expended \$13.8 million, of which \$8.75 million represented debt service. The fiscal 2010 budget has been set at \$15.1 million.

Public Safety

A three member Board of Public Safety appointed by the Mayor, oversees the City’s Police Department, Fire and Rescue Services Departments and serves as license commissioners for the City.

Police: The City Police Department has 240 authorized positions consisting of 163 sworn officers, 23 school crossing guards and 54 civilian personnel. The police station, built in 1975, provides facilities for public safety issues. During fiscal 2009, the Police Department expended \$16.5 million. For fiscal 2010, \$15.7 million has been designated for operations.

Fire and Rescue: The City Fire Department and Rescue Service has 229 authorized positions consisting of 217 uniformed fire and rescue personnel and 12 civilian personnel, staffing eight stations throughout the City. In addition, the East Greenwich Fire District provides service to the southeastern section of the City. Fire and Rescue expended \$20.1 million during fiscal 2009 and \$19.7 million was budgeted for fiscal 2010.

Animal Shelter: The Animal Shelter consists of 4 employees and is responsible for administering care to the animal population. The fiscal 2009 expenditures totaled \$188,457 with \$201,327 budgeted for fiscal 2010.

Building Inspector: The City Building Inspection Department consists of 16 authorized positions responsible for insuring compliance with local and state building code ordinances and laws. The fiscal 2009 expenditures totaled \$858,453; \$807,517 was budgeted for fiscal 2010.

Social Services

Parks and Recreation: A staff of 17 maintains two indoor skating rinks, an indoor swimming pool with an adjacent therapeutic pool, 7 beaches, 60 athletic fields, 32 basketball courts, 39 tennis courts and 6 parks. They are assisted by the Public Works Field Maintenance Division. The Department is also responsible for regulating the City's three major harbors in Narragansett Bay. During fiscal 2009 the Department expended \$1.8 million. The fiscal 2010 budget has allotted \$1.9 million for recreation.

Warwick Public Library: The City library consists of a main library and three branches. The main facility contains over 225,000 items and provides research services to the City's residents and business community. Total library related expenditures for fiscal 2009 totaled \$2.6 million. These funds supported the acquisition of books and materials as well as an authorized staff of 50. The central library facility serves over 400,000 visitors a year. The fiscal 2010 budget amounts to \$2.6 million.

Human Services: This Department provides social and transportation services to the City's seniors at three neighborhood senior centers. It also provides contributive and in-kind support to non-profit organizations in the City. Fiscal 2009 expenditures totaled \$2.0 million, and the fiscal 2010 budget has been set at \$1.9 million.

Physical Resources

Planning and Community Development: A staff of 16 provides professional guidance on the physical and social development of the City and administers the Federal Community Development Block Grant Program and the Lead Hazard Reduction Program. Fiscal 2009 expenditures for these programs totaled \$895,436, with \$878,456 allocated for fiscal 2010.

Tourism, Culture, and Development: This Department, working closely with the Mayor's Office, assists the private sector in finding suitable facilities in the City. Also, the Department promotes the City and its lodging facilities through general circulation and trade advertising. Fiscal 2009 expenditures totaled \$465,778 and \$640,633 has been set aside for fiscal 2010 operations.

Public Works: An authorized staff of 136 maintains the City's 480 miles of roads, monitors the disposal operations of 30,000 tons of trash per year, maintains the City's fleet of vehicles, maintains approximately 40 buildings, and designs new infrastructure projects. During fiscal 2009 the Department expended \$11.8 million and has been allocated \$12.7 million through the fiscal 2010 budget.

Sewer and Water: These departments operate as enterprise funds, collecting revenue which is sufficient to support their operations. They are responsible for overseeing the City's water and wastewater treatment facilities.

ECONOMIC CONDITIONS AND OUTLOOK

POPULATION

The table below shows the City's population trends:

<u>Year</u>	<u>City</u>
2009	85,925
2005	87,365
2003	87,039
2000	85,808
1990	85,427
1980	87,123
1970	83,694
1960	68,504
1950	43,028
1940	28,757
1930	23,196
1920	13,481

INCOME LEVELS

According to the USDA Economic Research Service and the MuniNet Guide, the median family income of the City of Warwick was \$59,445. Median family income in the City increased 5.7% from 2000.

HOUSING

According to the 2000 U.S. Census, there were 37,085 dwelling units in the City compared to 35,141 dwelling units in 1990. The additional 1,944 dwelling units represent an increase of 9.5%.

ECONOMIC DEVELOPMENT

General: The Warwick Department of Tourism, Culture and Development is engaged in an on-going effort to promote and assist new, existing and expanding businesses. In this capacity, the Department serves as a liaison between City government and the private sector in the location of available land and facilities, and in the determination of available financing.

State Airport: Warwick's premier asset is also its greatest business convenience. Located directly in the heart of the City is T.F. Green Airport, the state's major commercial airport. The Rhode Island Airport Corporation opened a new \$200 million, two-level terminal in September of 1996 augmented with a landscape beautification program on the airport grounds and along its entrance on Post Road. Featuring separate arrival and departure access along with 19 gates and in improved baggage claim area, T.F. Green Airport has already attracted expanded service and increased passenger volume.

MAJOR INITIATIVES

The City of Warwick maintains a bond rating of A1, as determined by Moody's Investors Service and AA- from Standard & Poor's. These ratings are the result of firm and steady financial planning. They reflect Warwick's strong tax base, consistent financial performance, and manageable levels of bonded debt.

Annually, the City develops a Capital Improvement Plan. This plan serves as a blueprint for capital projects to be undertaken over a five-year period.

Open Space/Recreation:

The City remains especially committed to preserving recreational and open space areas. The City has purchased 40.9 acres at the site of the former Rocky Point Amusement Park in the Warwick Neck area. The planning process continues this year as the City moves towards creating a public park on the coastal property. The City is also exploring options to acquire additional acreage at the site so that the scope of the project might be expanded. Additionally, the City has initiated a project to construct a Fishing Pier and recreational area at historic Gorton's Pond. To fund the project, the City has received a \$150,000 grant from the RI Department of Environmental Management and a private grant in the amount of \$190,000 from the Ross Elkhay Foundation. A small amount of hotel tax money will fund the remainder of the project.

T.F. Green Airport and Intermodal Facility:

The City continues to receive additional revenue from airport-related activities. Taxes on airport parking and rental cars generated approximately \$2.5 million in revenue during fiscal 2009. The City also received airport-related funding from the Economic Development Commission. This revenue totaled \$800,765. The state's meal tax also generated approximately \$2.2 million for the City.

This year, construction of the Warwick Intermodal Train Station is progressing and is on track for completion this Fall. Paid for with a combination of federal and state money, the facility will give Warwick the closest air-rail link in the country and will provide MBTA commuter train service among Warwick, Providence and Boston, with service to Wickford Junction as well. It will include a bus hub, a six-level parking garage for rail commuters and car-rental companies, and a 1200-foot, enclosed, elevated walkway with moving sidewalks over Post Road, that will connect T.F. Green Airport to the Station.

The Rhode Island Airport Corporation (RIAC) estimates that the construction project alone will infuse \$127 million annually into the local economy, including \$43 million in construction wages. The project consists of four areas to be constructed concurrently: terminal end improvements, construction of skywalk, customer service operations and garage and fueling platforms.

Public Health:

In January of this year, the City of Warwick was named one of the first two HeartSafe Communities in Rhode Island. The award, presented by the Rhode Island Department of Health in partnership with the American Heart Association, is meant to help communities strengthen their so-called cardiac "Chain of Survival" by focusing on a number of areas related to emergency response readiness. HeartSafe communities must meet a number of criteria, including cardiopulmonary resuscitation (CPR) training programs; placement of automated external defibrillators (AEDs) throughout the community; trained first responders, with AEDs and Advanced Cardiac Life Support (ACLS) certification on emergency response vehicles; effective emergency response plans for

municipal and school buildings; and a demonstrated commitment to continually evaluate the community's response to cardiac emergencies.

Each of the areas earns a community a certain number of points – or “heartbeats” – based on its population. In order to receive the designation, Warwick, based on a population of 85,000, had to achieve 700 heartbeats, and, in fact, earned 1,255.

These efforts are particularly critical in the United States. According to statistics from the American Heart Association, cardiovascular disease is the nation's leading cause of death, with direct and indirect costs estimated to be \$503.2 billion in 2010. Cardiovascular disease accounts for over 34 percent of all deaths nationwide, with nearly 2,300 Americans dying of cardiovascular disease each day, an average of one death every 38 seconds. Additionally, 785,000 people in the U.S. will have a new coronary attack, an estimated 470,000 people nationwide will have a recurrent attack, and an additional 195,000 “silent” heart attacks will occur this year.

A continued collaboration among the City of Warwick, the Kent HeartSafe Foundation, educators, EMS leaders, clinicians, Kent Hospital, the Central Rhode Island Chamber of Commerce, the New England Institute of Technology, the Department of Health, the American Heart Association and the community at large will help us further our goal of reducing the number of cardiac emergencies and to improve our survival rates.

Apponaug Bypass:

The initial phases of the estimated \$30 million Apponaug Bypass have been completed. This innovative transportation project, which includes reconstructing the Apponaug circulator and opening it to two-way traffic, will greatly enhance ongoing efforts to make the area more pedestrian friendly and allow easier access to local businesses.

The project, which is under the jurisdiction of the Rhode Island Department of Transportation (RIDOT), is presently at 30 percent design stage. Planned advertising is for winter/spring of 2011 and the start of construction is scheduled for the spring of 2011. Project completion is slated for 2013.

Public Works:

Warwick continues to lead the state in recycling. The City's automated trash and recycling system has resulted in less waste being sent to the state landfill. The first full fiscal year of City-wide automation was 2007. In that year alone, sanitation tonnage was reduced by 1093 tons - a savings of almost \$70,000 compared to the previous year. During fiscal 2009 our tonnage continued to decline, so the City realized additional budgetary savings.

FINANCIAL INFORMATION

The City's Comprehensive Annual Financial Report provides detailed information on the City's current financial position. Our Management Discussion and Analysis will provide additional analysis.

BUDGETARY CONTROL

At least forty five days prior to the start of the fiscal year, the Mayor submits a budget to the City Council for consideration. Before the budget is adopted, a public hearing is held and taxpayers are given the opportunity to comment on the budget. After the hearing, the Council reviews the budget. They have the authority to increase or decrease budget line items. The budget is adopted on an affirmative vote of the majority of the City Council – this vote must occur at least 15 days prior to the start of each fiscal year. If the City Council has not adopted the budget by this date, the Charter stipulates that the Mayor's budget is deemed to have been adopted by the Council.

The operating budget is tracked via a budgetary control system. The system tracks expenditures and encumbrances, and compares them to budget. The report also calculates the amount of appropriation remaining. The Finance Department monitors spending and issues reports to departments to assist them in budget management.

CASH MANAGEMENT

Cash requirements are strictly monitored, and excess cash is invested in appropriate short term instruments. These investments are intended to maximize investment earnings, while maintaining an appropriate level of liquidity. The pension funds are invested in longer term investments- both bonds and equities- and are managed by consultants, hired to maximize the rates of return. Investment income includes appreciation in the fair value of investments. Increases in fair value during the current year, however, do not represent trends which can be anticipated or recognized as permanent additions to the funds. They are completely dependent on economic conditions, and may never be realized, especially for investments held for the long term.

RISK MANAGEMENT

The City is a member of the RI Interlocal Risk Management Trust. This organization was established as a joint venture to provide insurance coverage to local municipalities. The City of Warwick maintains insurance coverage for property, general liability, professional liability, and auto liability. The City self insures for workers compensation. Claim Strategies administers this program.

DEBT ADMINISTRATION

The ratios of net bonded debt to total assessed (property) valuation and net bonded debt per capita provide useful information when evaluating the City's financial position. These indicators were as follows on June 30, 2009:

Net Direct Bonded Debt

Ratio of Debt to Assessed Value

Debt Per Capita

\$ 55,381,466.

.56%

\$ 644.53

(Please See Statistical Tables For Additional Information)

INDEPENDENT AUDIT

Per the Warwick City Charter, and the General Laws of the State of Rhode Island, an independent audit of the City's financial statements and operations has been completed by the firm of Parmelee, Poirier, and Associates, LLC. Their opinion is included within this document.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Warwick for its comprehensive annual financial report for the fiscal year ended June 30, 2008. This was the sixth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

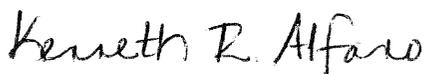
ACKNOWLEDGEMENT

The preparation of this Comprehensive Annual Financial Report would not have been possible without the efficient and dedicated efforts of the staff of the Treasury and Finance Divisions. Their competent efforts are greatly appreciated. Special thanks to Mayor Scott Avedisian, Council President Bruce Place, and the members of the City Council for their support in maintaining the highest standards of professionalism in the management of the City of Warwick's finances.

Respectfully submitted,

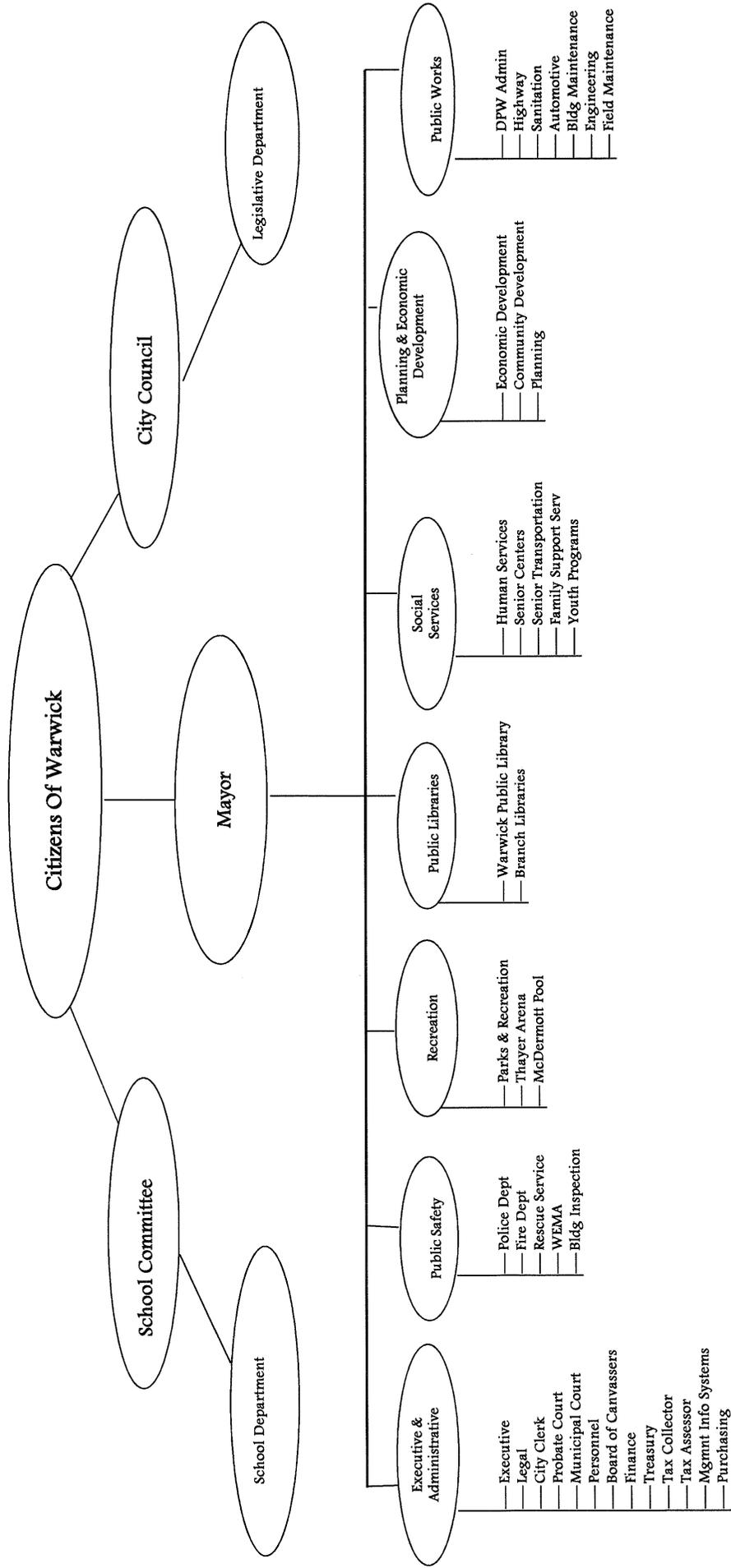


Ernest M. Zmyslinksi
Finance Director



Kenneth R. Alfano
Controller

THE CITY OF WARWICK, RHODE ISLAND GOVERNMENT ORGANIZATIONAL CHART





CITY OF WARWICK, RHODE ISLAND

MAYOR

Scott Avedisian

CITY COUNCIL

Bruce Place, Council President

Steven Colantuono

John DelGiudice

Charles J. Donovan, Jr.

Raymond E. Gallucci

Steve Merolla

Joseph J. Solomon

Helen Taylor

Donna M. Travis

SCHOOL COMMITTEE

Christopher E. Friel, Chairman

Paul Cannistra

Bethany Furtado

Patrick E. Maloney Jr.

Lucille Mota-Costa

FINANCE DEPARTMENT

Ernest M. Zmyslinski, Finance Director

David C. Olsen, City Treasurer

Kenneth R. Alfano, City Controller

SCHOOL ADMINISTRATION

Peter P. Horoschak, Superintendent

Leonard J. Flood, Director of Business Affairs

Steven Janelle, School Controller

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Warwick
Rhode Island

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A stylized handwritten signature in black ink.

President

A handwritten signature in black ink that reads "Jeffrey R. Emer".

Executive Director

FINANCIAL SECTION

This Section Contains the Following Subsections:

Independent Auditor's Report
Management's Discussion and Analysis
Basic Financial Statements
Required Supplementary Information
Supplementary Information

INDEPENDENT AUDITORS' REPORT

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

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 (City) as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Warwick, Rhode Island's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "*Government Auditing Standards*" issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of the City of Warwick, Rhode Island as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 3, 2010 on our consideration of the City of Warwick, Rhode Island's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis, budgetary comparison information and supplementary pension information on pages 3 through 16 and 78 through 89 respectively, are not a required part of the financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, the combining non-major fund financial statements, the combining fiduciary fund financial statements, other supplementary information, statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City. The combining non-major fund statements, the combining fiduciary fund financial statements, other supplementary information and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly presented in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.


Parmelee, Poirier & Associates, LLP
February 3, 2010

Management's Discussion and Analysis

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, 2009. 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 2008 and 2009 fiscal years.

FINANCIAL HIGHLIGHTS

The assets of the City of Warwick exceeded its liabilities at the close of the fiscal year by \$90,926,849 (*net assets*).

The City's total net assets decreased by \$18,378,586 during fiscal 2009, due primarily to an increase in the City's liabilities following the accrual of \$16.3 million in post-retirement healthcare benefits in accordance with GASB45. This liability represents the annual required contribution necessary to fund the total post-retirement liability over a thirty year period. Likewise, in accordance with GASB27, the City also accrued an additional \$6.8 million net pension obligation which relates to the Police I and Fire funding plan mechanism used by the City. These increases were offset by a decrease in the School's retroactive payroll liability of \$2.9 million.

At the close of the current fiscal year, the City's governmental funds reported *combined* ending fund balances of \$11,928,446, a decrease of \$1,799,900 from those of the prior year. This was primarily due to a decrease in various reserves.

Fiscal 2009 operating results for the general fund reflected a budgetary surplus of \$871,503. The transfer of certain reserves to revenue has resulted in a decrease in total fund balance of \$2,719,161, resulting in an ending fund balance of \$9,142,143. The fund's ending unreserved undesignated fund balance increased by \$1,308,105 to a total of \$5,916,723 or 2.1% of the total 2009 final budgeted expenditures.

The City's overall investment in capital assets (net of accumulated depreciation) decreased by \$ 10.9 million during this year. Annual depreciation expenditures exceeded additions. Key additions this year included city hall building upgrades, enhancements to the water infrastructure system and a massive sewer construction program.

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

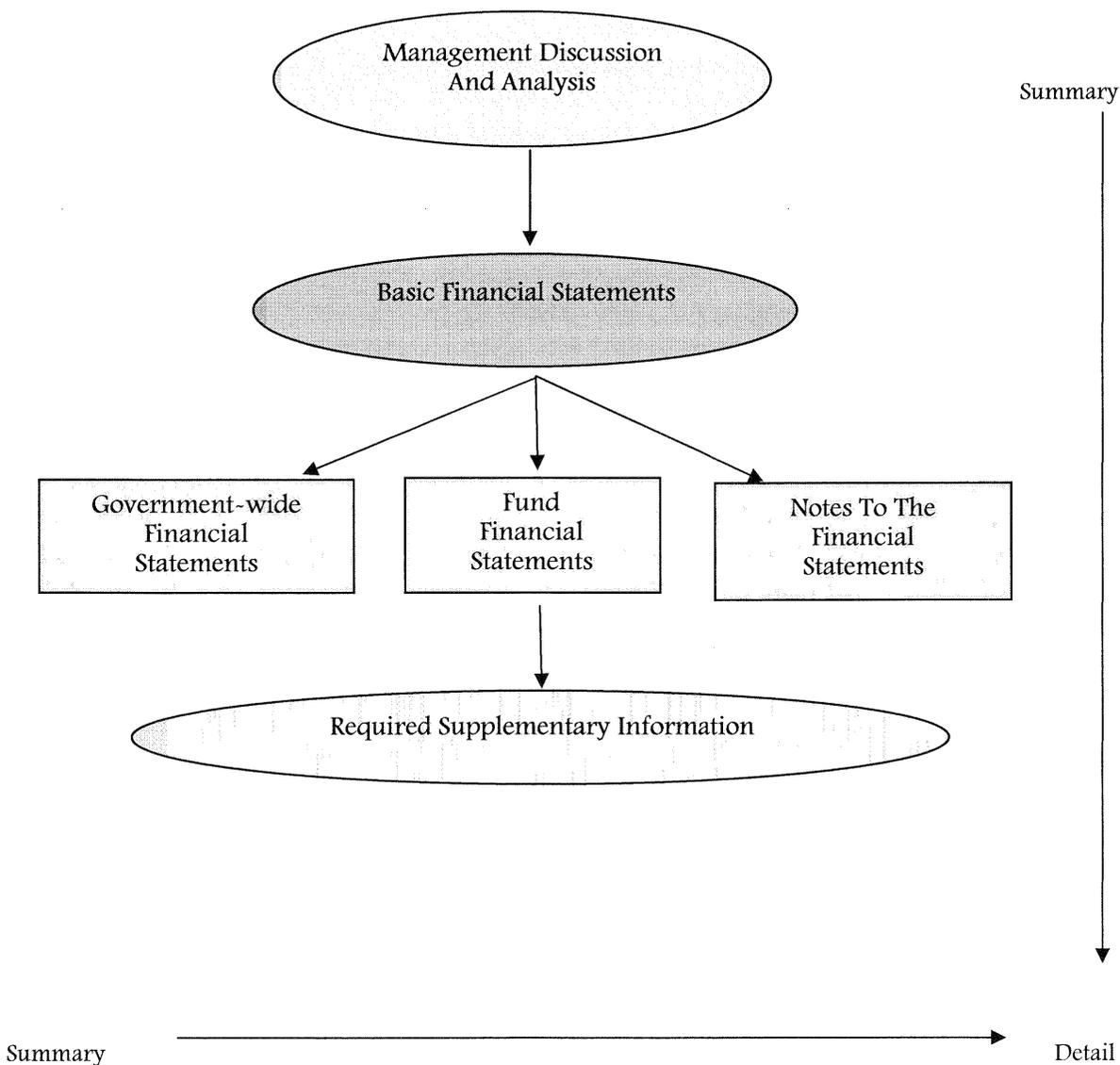


Figure A-1 shows how the required parts of this annual report are arranged and relate to one another.

- 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

	Government- Wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
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 operate similar to private businesses such as the sewer system.	Instances in which the City is the trustee or agent for someone else’s resources.
Required financial Statements	Statement of Net Assets Statement of Activities	Balance Sheet Statement of Revenues, Expenditures and Changes in Fund Balance	Statement of Net Assets Statement of Revenues, Expenses, and Changes in Net Assets. Statement of Cash Flows	Statement of Fiduciary Net Assets Statement of Changes in Fiduciary Net Assets
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 included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the City’s funds do not currently contain capital assets, although they can
Type of inflow/ Outflow information	All revenues and expenses during 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 received and payment is due	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during 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 the City's *net assets* and how they have changed. Net assets – the difference between the City's assets and liabilities – is one way to measure the City's financial health, or position.

- Over time, increases or decreases in the City's net assets are an indicator 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 19-21 of this report.

Proprietary Funds – The City of Warwick maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses an enterprise fund to account for its sewer and water operations. *Internal Service Funds* are used to accumulate and allocate costs internally among functions. The City uses an internal service fund to account for the workers compensation self insurance fund. Because this operation benefits predominantly governmental rather than business activities, the internal service fund has been included within the governmental activities in the government-wide financial statements.

The basic proprietary fund financial statements can be found on pages 22-24 of this report.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary funds financial statements can be found on pages 25-26 of this report.

Notes to the financial statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements follow the basic financial statements.

Other information – In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. This section includes budgetary comparison schedules, as well as information concerning the City's progress in funding its obligation to provide pension benefits to employees. Required supplementary information follows the notes to the financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The City's combined net assets (government and business-type activities) totaled \$90,926,849 at the close of the most recent fiscal year.

The largest portion of the City's net assets reflects its investment in capital assets such as land, building, equipment, and infrastructure, less any related outstanding debt. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Warwick's Net Assets June 30, 2009

	Governmental Activities		Business-type Activities		Totals	
	2009	2008	2009	2008	2009	2008
Current Assets	\$46,611,369	\$45,456,196	\$26,054,856	\$29,628,046	\$72,666,225	\$75,084,242
Capital Assets	123,859,846	132,873,284	192,256,516	194,162,187	316,116,362	327,035,471
Other Noncurrent Assets	3,796,912	3,626,958	42,776,901	43,036,912	46,573,813	46,663,870
Total Assets:	\$174,268,127	\$181,956,438	\$261,088,273	\$266,827,145	\$435,356,400	\$448,783,583
Current Liabilities	\$32,754,479	\$35,735,469	\$13,145,846	\$13,411,133	\$45,900,325	\$49,146,602
Long-term Liabilities	121,288,384	103,761,053	177,240,842	185,938,395	298,529,226	289,699,448
Total Liabilities:	\$154,042,863	\$139,496,522	\$190,386,688	\$199,349,528	\$344,429,551	\$338,846,050
Net Assets:						
Invested in capital assets net of related debt	\$64,184,519	\$67,828,026	\$63,148,905	\$55,465,549	\$127,333,424	\$123,293,575
Restricted	1,947,766	3,201,119	3,010,672	2,987,060	4,958,438	6,188,179
Unrestricted	(45,907,021)	(28,569,229)	4,542,008	9,025,008	(41,365,013)	(19,544,221)
Total Net Assets	\$20,225,264	\$42,459,916	\$70,701,585	\$67,477,617	\$90,926,849	\$109,937,533

An additional portion of the City's net assets represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets 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 assets. At the end of the current fiscal year, the City's unrestricted net asset total was negative, due to the cumulative accrual of the other post-employment benefit liability per GASB45 and the accrual of a net pension obligation per GASB27.

Changes in Net Assets

During fiscal 2009, the government's total net assets decreased by \$18,378,586, as indicated below:

City of Warwick's Changes in Net Assets

	Governmental Activities		Business-type Activities		Totals	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program Revenue:						
Charges for Services	\$17,127,046	\$17,521,557	\$26,767,063	\$24,483,015	\$43,894,109	\$42,004,572
Operating Grants/Contrib.	51,258,003	55,130,733	-	39,153	51,258,003	55,169,886
Capital Grants/Contrib	-	3,600,000	1,238,170	326,620	1,238,170	3,926,620
General Revenue:						
Property Taxes	195,204,676	185,975,551			195,204,676	185,975,551
Interest on Property Taxes	1,728,716	1,591,941			1,728,716	1,591,941
State Aid & In Lieu of Tax	21,121,217	23,579,703			21,121,217	23,579,703
Investment Earnings	156,876	950,750	180,981	619,603	337,857	1,570,353
Tax Titles	20,334	33,212			20,334	33,212
Miscellaneous	4,470,760	5,650,040			4,470,760	5,650,040
Total Revenues:	291,087,628	294,033,487	28,186,214	25,468,391	319,273,842	319,501,878
Expenses:						
Executive & Admin	\$8,069,697	\$7,542,904			\$8,069,697	\$7,542,904
Public Safety	89,041,058	89,302,039			89,041,058	89,302,039
Recreation	3,330,999	3,358,547			3,330,999	3,358,547
Public Libraries	4,420,849	4,443,880			4,420,849	4,443,880
Social Services	2,875,875	2,973,994			2,875,875	2,973,994
Planning & E/D	3,405,639	3,314,008			3,405,639	3,314,008
Public Works	21,994,345	22,574,947			21,994,345	22,574,947
Education	174,286,188	175,918,003			174,286,188	175,918,003
Cafeteria Operations	3,005,016	2,908,848			3,005,016	2,908,848
Interest-Long Term Debt	2,360,516	2,902,909			2,360,516	2,902,909
Sewer			15,215,618	14,231,646	15,215,618	14,231,646
Water			9,646,628	9,681,133	9,646,628	9,681,133
Total Expenses:	312,790,182	315,240,079	24,862,246	23,912,779	337,652,428	339,152,858
Change in Net Assets						
Before Transfers	(21,702,554)	(21,206,592)	3,323,968	1,555,612	(18,378,586)	(19,650,980)
Transfers	100,000	50,000	(100,000)	(50,000)		
Change in Net Assets	(21,602,554)	(21,156,592)	3,223,968	1,505,612	(18,378,586)	(19,650,980)
Adjustment to Prior Yr	(632,098)				(632,098)	
Net Assets Beginning:	41,827,818	63,616,508	67,477,617	65,972,005	109,305,435	129,588,513
Net Assets End of Year:	\$20,225,264	\$42,459,916	\$70,701,585	\$67,477,617	\$90,926,849	\$109,937,533

Governmental activities. Governmental activities decreased the City's net assets by \$21,602,554. Key elements of this decrease are as follows:

1. Total Governmental Funds reported a combined decrease in fund balance of \$1.8 million.
2. The City's net assets decreased by \$15.8 million following the accrual of the fiscal 2009 annual required contribution relating to GASB45-Other Post Employment Benefits.
3. The City accrued an additional net pension obligation in the amount of \$6.8 million in accordance with GASB27. The City is funding the Police I and Fire Pension liability over a 40 year period, while GASB27 states that 30 years should be the maximum funding period.
4. The School Department's retroactive payroll liability decreased by \$2.9 million, resulting in an increase in net assets.
5. Capital asset additions totaled \$462,070, while fiscal 2009 depreciation expense amounted to \$9.5 million. This resulted in a net asset decrease of \$9.0 million.
6. Net assets increased due to the retirement of \$6.7 million in general long term debt and revenue accruals totaling \$1.5 million.

Business-type activities. Business-type activities increased the City's net assets by \$3,223,968. The key elements for this increase are as follows:

1. The Sewer Department had an operating surplus which totaled \$4.6 million. An increase in the usage rate provided a needed boost to the revenue base.
2. The Water Department reflected an operating surplus of \$1.7 million. This was primarily due to a transfer from the Water Infrastructure Fund in the amount of \$2.0 million.
3. Net assets of the Sewer Assessment Fund decreased by \$311,769, while the net assets of the other non-major enterprise funds (primarily Water Infrastructure) decreased by \$2,749,556.

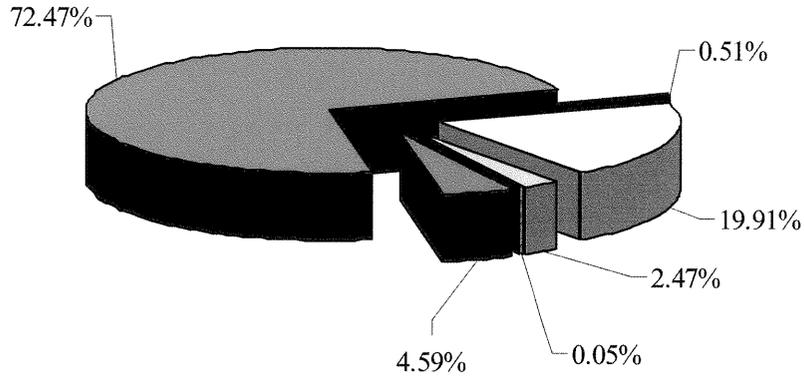
Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

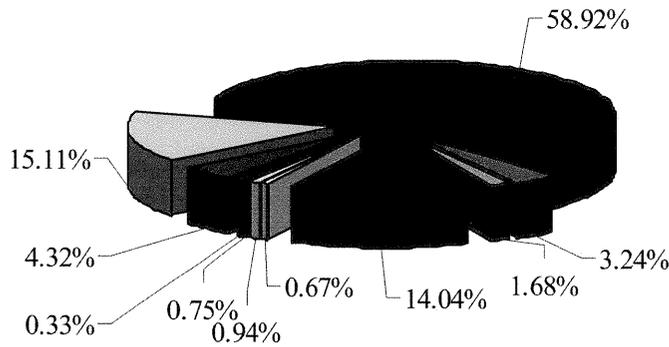
As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$11,928,446, a decrease of \$1,799,900 in comparison with the prior year. This can be attributed to the reduction in various reserve accounts. Most notably, during this year the budgeted \$3.6 million fund balance drawdown was transferred to revenue. \$6,953,737 or 58% of this the total fund balance represents unreserved fund balance, which is available for spending at the government's discretion. The unreserved portion of the fund balance has decreased by \$1,705,132 from that of the prior year. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed.

General Fund Revenues Fiscal 2009



■ General Property Taxes	194,214,398	■ Interest on Taxes	1,376,875
□ Intergovernmental Revenue	53,359,147	□ Charges For Services	6,630,207
■ Investment Income	136,424	■ Other Revenue	12,289,294

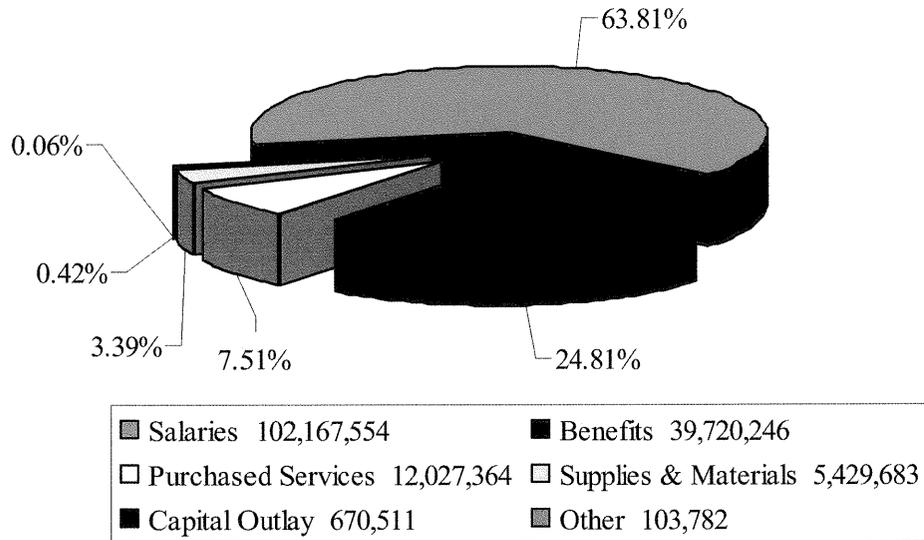
General Fund Expenditures Fiscal 2009



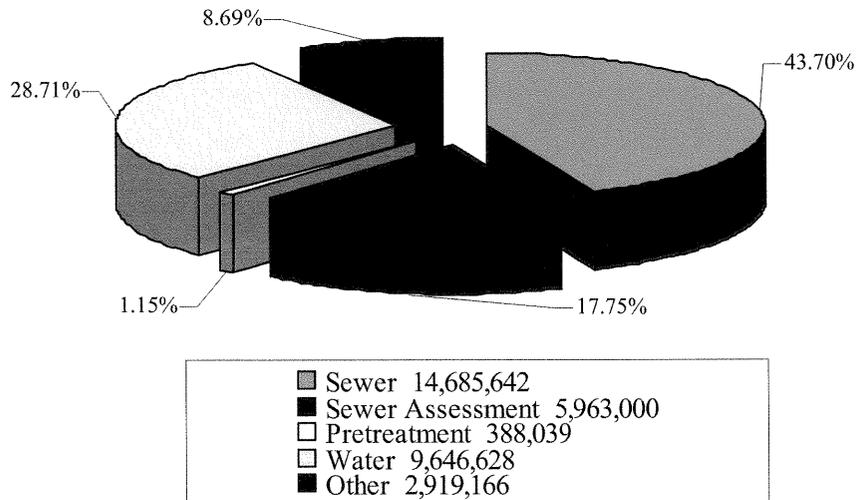
■ Exec & Admin	4,553,660	■ Public Safety	38,019,757
□ Recreation	1,812,084	□ Public Libraries	2,549,919
■ Social Services	2,018,315	■ Planning & E/D	905,227
■ Public Works	11,683,957	■ Benefits/Fixed Costs	40,905,942
■ School	159,516,654	■ Debt	8,759,992

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

Warwick Public Schools Fiscal 2009 Expenditures



Business-type Activities Fiscal 2009 Expenses



The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$5,916,723. Total fund balance was \$9,142,143. As a measure of the general fund liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 2.1% of total general fund budgeted expenditures. During fiscal 2009, the unreserved fund balance of the City's general fund decreased by \$1,982,904. This is a 25% decrease from the prior year unreserved 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 assets for the Sewer Department amounted to \$47,417,563. The funds invested in capital assets totals \$49,478,874, restricted funds total \$3,010,672, and unrestricted net assets totaled (\$5,071,983). This negative unrestricted total is representative of the fact that Sewer's cash reserves must increase in order to support the constantly increasing burden of debt principal and interest costs. The Department is in the middle of a massive capital improvement program to sewer a majority of the City. Upon completion of each phase of the program, the department will assess users a "sewer construction charge" to be paid over a twenty year period. This assessment will be applied to debt financing costs. The project has reached an interim phase where debt costs have been incurred, but the corresponding assessment fees have not all been realized.

Net assets for the Water Department totaled \$12,003,220. Of this, \$13,523,988 represents the investment in capital assets while the unrestricted portion totaled (\$1,520,768). Currently all assets are invested in capital. This year \$2.0 million was transferred from the Water Infrastructure Fund back to the Water Operating Fund to replenish daily cash reserves. This reflects the need to implement a rate increase which can permanently increase cash reserves to support operations. The Department cut back on the funding for the infrastructure replacement program, the restricted emergency fund and the renewal and replacement fund.

Unrestricted net assets in the workers compensation internal service fund amounted to \$290,700. Net assets decreased by \$134,403 due primarily to an increase in the claim reserve.

General Fund Budgetary Highlights

During fiscal 2009, the City's original budget of \$282,195,518 remained unchanged. At year end certain budgetary adjustments were made, however, to accommodate the following accounts:

- Savings of \$350,000 from the property revaluation program were transferred to the fire department budget.
- Due to an unusually high number of retirements, the severance pay budget was increased by \$130,000.
- The debt refunding credit was reallocated to the corresponding debt principal accounts.

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, 2009, amounted to \$316,116,362 (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 \$10.9 million.

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

1. New Police Vehicles - \$317,000
2. Water Infrastructure - \$688,000
3. Sewer construction – \$8.1 million in new sewer construction.

City of Warwick's Capital Assets

	Governmental Activities		Business-type Activities		Totals	
	2009	2008	2009	2008	2009	2008
Land	\$18,680,138	\$18,680,138	-	-	\$18,680,138	\$18,680,138
Land Improvements	10,317,200	10,280,153	-	-	10,317,200	10,280,153
Buildings	103,527,057	103,478,507	3,602,174	3,602,174	107,129,231	107,080,681
Infrastructure	194,285,887	194,285,887	256,470,558	247,334,768	450,756,445	441,620,655
Equipment	18,287,491	18,248,879	3,289,607	3,504,723	21,577,098	21,753,602
Licensed Vehicles	25,853,340	25,536,260			25,853,340	25,536,260
Construction in Progress	52,154	31,373	2,546,433	7,599,606	2,598,587	7,630,979
Subtotal:	371,003,267	370,541,197	265,908,772	262,041,271	636,912,039	632,582,468
Less Accumulated Depreciation:	(247,143,421)	(237,667,913)	(73,652,256)	(67,879,084)	(320,795,677)	(305,546,997)
Total:	\$123,859,846	\$132,873,284	\$192,256,516	\$194,162,187	\$316,116,362	\$327,035,471

Additional information on the City's capital assets can be found in Note 2 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 \$201,111,506. It is broken down as follows:

- General Fund Bonds Payable \$ 56,854,016.
- Water Bonds Payable \$ 2,782,045.
- Sewer Bonds Payable \$ 20,943,939.
- Sewer SRF Loans Payable \$120,531,506.

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 2009, the City of Warwick's general fund general obligation debt reflects a net decrease of \$3,997,017. This decrease was entirely due to debt principal repayments. There was no new general fund or enterprise fund debt issued during fiscal 2009. During the year, sewer debt decreased by \$8,291,689, and water debt decreased by \$210,256.

The City's bond ratings are as follows:

Moody'sA1
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 \$361,370,604. As of June 30, 2009 the City's current outstanding general fund debt falls under the debt limitation by \$304,516,588.

Additional information on the City's long-term debt can be found in Note 6 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 9.18%.
- Median income in Warwick was \$59,445.
- Warwick ranks second in population among Rhode Island's 39 cities and towns.

The following factors were considered in preparing the City's budget for the 2009-10 fiscal year.

- The City's contribution to School operations will remain constant at \$164.6 million.
- The City continued to participate in a self-insurance program for health care coverage.
- No funds were taken from the City's fund balance when preparing the fiscal 2010 budget.

Currently, the unreserved undesignated fund balance in the general fund totals \$ 5,916,723. While the City has maintained its commitment toward ensuring a steady growth for the City surplus, it has been necessary to utilize part of this surplus to ease the burden on its taxpayers. The City's fiscal 2010 tax rate for residential property increased from \$13.41 to \$14.14, or 5.4%. The commercial and industrial tax rate also increased 5.4% from \$20.12 to \$21.21. The tangible personal property rate increased from \$26.82 to \$28.28, or 5.4%. Per Rhode Island law, the inventory tax was phased out and the motor vehicle tax 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.

BASIC FINANCIAL STATEMENTS

Government-Wide Financial Statements

CITY OF WARWICK, RHODE ISLAND
Statement of Net Assets
June 30, 2009

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets:			
Current Assets:			
Cash and cash equivalents	\$ 11,629,889	\$ 13,399,590	\$ 25,029,479
Restricted cash and cash equivalents	-	3,010,672	3,010,672
Investments	2,944,792	-	2,944,792
Accrued interest receivable	3,121,908	82,681	3,204,589
Real estate and personal property tax receivable, net	3,830,278	-	3,830,278
Water and sewer use fees receivable, net	-	7,081,302	7,081,302
Sewer assessments receivable	-	2,682,184	2,682,184
Due from federal and state government	10,957,218	7,048,174	18,005,392
Internal balances	7,408,878	(7,408,878)	-
Inventories	-	54,355	54,355
Other receivables, net	6,718,406	104,776	6,823,182
Total current assets	46,611,369	26,054,856	72,666,225
Noncurrent assets:			
Sewer assessments receivable	-	40,898,577	40,898,577
Capital assets: (Note 2)			
Land	18,680,138	-	18,680,138
Depreciable buildings, equipment, infrastructure, net	105,127,554	189,710,083	294,837,637
Construction in progress	52,154	2,546,433	2,598,587
Capital assets, net	123,859,846	192,256,516	316,116,362
Other assets, net	3,796,912	1,878,324	5,675,236
Total noncurrent assets	127,656,758	235,033,417	362,690,175
Total assets	174,268,127	261,088,273	435,356,400
Liabilities:			
Current liabilities:			
Accounts payable and accrued liabilities	17,348,646	1,592,517	18,941,163
Accrued interest payable	849,434	1,330,702	2,180,136
Accrued compensated absences	408,550	15,528	424,078
Due to federal and state government	109,824	-	109,824
Unearned revenues:			
Taxes and assessments collected in advance	4,634,837	1,049,296	5,684,133
Other	2,591,351	-	2,591,351
Long-term debt - due within one year (Note 6)	6,811,837	9,157,803	15,969,640
Total current liabilities	32,754,479	13,145,846	45,900,325
Noncurrent liabilities:			
Unearned revenue	-	40,898,577	40,898,577
Other liabilities	3,488,900	-	3,488,900
Long-term debt - due in more than one year (Note 6)	55,796,517	135,233,789	191,030,306
Accrued compensated absences	9,518,987	291,054	9,810,041
Net other post-employment benefits obligation	30,606,627	817,422	31,424,049
Net pension obligation	21,877,353	-	21,877,353
Total noncurrent liabilities	121,288,384	177,240,842	298,529,226
Total liabilities	154,042,863	190,386,688	344,429,551
Net Assets:			
Invested in capital assets, net of related debt	64,184,519	63,148,905	127,333,424
Restricted for:			
Debt service payments	-	3,010,672	3,010,672
Education programs	61,002	-	61,002
Community development loans	915,036	-	915,036
City clerk records preservation	858,791	-	858,791
Public safety programs	112,937	-	112,937
Unrestricted	(45,907,021)	4,542,008	(41,365,013)
Total net assets	\$ 20,225,264	\$ 70,701,585	\$ 90,926,849

See auditor's report and accompanying notes to these financial statements

CITY OF WARWICK, RHODE ISLAND
Statement of Activities
For the Year Ended June 30, 2009

	Program revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Functions/ Programs							
Governmental Activities:							
Governmental activities:							
Executive and administration	\$ 8,069,697	\$ 2,209,444	\$ 92,479	\$ -	\$ (5,767,774)	\$ -	\$ (5,767,774)
Public safety	89,041,058	6,970,909	425,494	-	(81,644,655)	-	(81,644,655)
Recreation	3,330,999	900,225	3,000	-	(2,427,774)	-	(2,427,774)
Public libraries	4,420,849	40,736	737,318	-	(3,642,795)	-	(3,642,795)
Social services	2,875,875	126,658	433,349	-	(2,315,868)	-	(2,315,868)
Planning and economic development	3,405,639	1,681,609	1,452,484	-	(271,546)	-	(271,546)
Public works	21,994,345	332,001	356,562	-	(21,305,782)	-	(21,305,782)
Education	174,286,188	3,497,123	46,664,616	-	(124,124,449)	-	(124,124,449)
Cafeteria operations	3,005,016	1,368,341	1,092,701	-	(543,974)	-	(543,974)
Interest on long-term debt	2,360,516	-	-	-	(2,360,516)	-	(2,360,516)
Total governmental activities	312,790,182	17,127,046	51,258,003	-	(244,405,133)	-	(244,405,133)
Business type activities:							
Sewer	15,215,618	17,999,107	-	1,238,170	-	4,021,659	4,021,659
Water	9,646,628	8,767,956	-	-	-	(878,672)	(878,672)
Total business-type activities	24,862,246	26,767,063	-	1,238,170	-	3,142,987	3,142,987
Total	\$ 337,652,428	\$ 43,894,109	\$ 51,258,003	\$ 1,238,170	(244,405,133)	3,142,987	(241,262,146)
General revenues:							
Property taxes					195,204,676	-	195,204,676
Interest on property taxes					1,728,716	-	1,728,716
General state aid and in lieu of taxes					21,121,217	-	21,121,217
Investment earnings					156,876	180,981	337,857
Tax titles					20,334	-	20,334
Miscellaneous					4,470,760	-	4,470,760
Transfers					100,000	(100,000)	-
Total general revenues and transfers					222,802,579	80,981	222,883,560
Change in net assets					(21,602,554)	3,223,968	(18,378,586)
Adjustments to prior years - see note 19					(632,098)	-	(632,098)
Net assets-beginning - restated					41,827,818	67,477,617	109,305,435
Net assets-ending					\$ 20,225,264	\$ 70,701,585	\$ 90,926,849

See auditor's report and accompanying notes to these financial statements

Fund Financial Statements

CITY OF WARWICK, RHODE ISLAND
Balance Sheet
Governmental Funds
June 30, 2009

	<i>General Fund</i>	<i>School Unrestricted Fund</i>	<i>Non-Major Governmental Funds</i>	<i>Total Governmental Funds</i>
ASSETS				
Cash and cash equivalents	\$ 5,397,817	\$ 3,492,963	\$ 2,265,484	\$ 11,156,264
Investments	705,842	-	2,238,950	2,944,792
Accounts receivable:				
Real estate and personal property taxes receivable (net)	3,830,278	-	-	3,830,278
Due from federal and state governments	2,939,523	4,629,325	3,388,370	10,957,218
Other receivables	533,791	876,709	5,988,065	7,398,565
Due from other funds	9,718,150	3,638,266	1,912,949	15,269,365
Advance to other funds	1,843,201	-	-	1,843,201
Other assets	3,249,897	-	-	3,249,897
Total assets	\$ 28,218,499	\$ 12,637,263	\$ 15,793,818	\$ 56,649,580
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued expenditures	\$ 3,782,613	\$ 12,022,358	\$ 1,294,750	\$ 17,099,721
Due to federal and state governments	105,352	-	4,472	109,824
Due to other funds	4,257,588	-	3,516,543	7,774,131
Advance from other funds	-	1,843,201	-	1,843,201
Deferred revenues:				
Taxes collected in advance	4,634,837	-	-	4,634,837
Uncollected property taxes	2,932,109	-	-	2,932,109
Other	-	-	6,838,411	6,838,411
Other liabilities	3,363,857	125,043	-	3,488,900
Total liabilities	19,076,356	13,990,602	11,654,176	44,721,134
Fund balances:				
Reserve for:				
Encumbrances	282,219	-	392,281	674,500
Claims and judgments	600,000	-	-	600,000
Advance to School Unrestricted Fund	1,843,201	-	-	1,843,201
Reserve for education	500,000	-	-	500,000
School restricted funds	-	489,862	-	489,862
Revolving loans	-	-	867,146	867,146
Unreserved:				
Undesignated	5,916,723	(1,843,201)	-	4,073,522
Unreserved, reported in:				
Special revenue funds	-	-	2,496,790	2,496,790
Capital project funds	-	-	383,425	383,425
Total fund balances	9,142,143	(1,353,339)	4,139,642	11,928,446
Total liabilities and fund balances	\$ 28,218,499	\$ 12,637,263	\$ 15,793,818	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. (Note 12)	123,859,846
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. (Note 12)	6,346,654
Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. (Note 12)	(124,472,856)
Interest on long-term debt is not accrued in governmental funds, but rather recognized as an expenditure when due. (Note 12)	2,272,474
Internal service fund equity balance (Note 12)	290,700
Net assets of governmental activities	\$ 20,225,264

See auditor's report and accompanying notes to these financial statements

CITY OF WARWICK, RHODE ISLAND
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2009

	<u>General Fund</u>	<u>School Unrestricted Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
General property taxes	\$ 194,214,398	\$ -	\$ -	\$ 194,214,398
Interest on taxes	1,376,875	-	-	1,376,875
Intergovernmental revenue	20,728,192	32,860,168	7,831,245	61,419,605
Federal revenue-SFSF	-	2,224,260	-	2,224,260
State contribution to pension plan	-	6,319,011	-	6,319,011
Charges for services	4,327,906	1,153,737	7,049,930	12,531,573
Investment income	136,424	-	15,977	152,401
Contributions and private grants	-	-	187,375	187,375
Other revenue	8,515,698	2,343,386	267,901	11,126,985
Total revenues	<u>229,299,493</u>	<u>44,900,562</u>	<u>15,352,428</u>	<u>289,552,483</u>
Expenditures				
Current:				
Executive and administrative	4,553,659	-	318,632	4,872,291
Public safety	38,019,757	-	3,213,527	41,233,284
Recreation	1,812,084	-	557	1,812,641
Public libraries	2,549,919	-	38,550	2,588,469
Social services	2,018,315	-	60,925	2,079,240
Planning and economic development	905,227	-	1,811,177	2,716,404
Public works	11,683,957	-	3,164	11,687,121
Employee benefits, fixed costs and capital	40,692,687	-	-	40,692,687
Education	-	160,119,140	5,356,132	165,475,272
Cafeteria operations	-	-	3,005,016	3,005,016
State contribution to pension plan	-	6,319,011	-	6,319,011
Debt service	-	-	8,757,692	8,757,692
Total expenditures	<u>102,235,605</u>	<u>166,438,151</u>	<u>22,565,372</u>	<u>291,239,128</u>
Excess of revenues over (under) expenditures before other financing sources (uses)	<u>127,063,888</u>	<u>(121,537,589)</u>	<u>(7,212,944)</u>	<u>(1,686,645)</u>
Other financing sources (uses)				
Transfers from other funds	2,679,523	123,468,068	10,096,174	136,243,765
Transfers to other funds	<u>(132,462,572)</u>	<u>(543,974)</u>	<u>(3,350,474)</u>	<u>(136,357,020)</u>
Total other financing sources (uses)	<u>(129,783,049)</u>	<u>122,924,094</u>	<u>6,745,700</u>	<u>(113,255)</u>
Net change in fund balances	<u>(2,719,161)</u>	<u>1,386,505</u>	<u>(467,244)</u>	<u>(1,799,900)</u>
Fund balances July 1, 2008	11,861,304	(2,909,001)	4,776,043	13,728,346
<i>Prior period adjustment - see note 19</i>	-	169,157	(169,157)	-
Restated - fund balances July 1, 2008	<u>11,861,304</u>	<u>(2,739,844)</u>	<u>4,606,886</u>	<u>13,728,346</u>
Fund balances June 30, 2009	<u>\$ 9,142,143</u>	<u>\$ (1,353,339)</u>	<u>\$ 4,139,642</u>	<u>\$ 11,928,446</u>

See auditor's report and accompanying notes to these financial statements

CITY OF WARWICK, RHODE ISLAND
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2009

Net change in fund balances-total governmental funds	\$ (1,799,900)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds reported capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$9,475,508) exceeds capital outlay (\$462,070) in the current period.	(9,013,438)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	1,178,829
Interest expenses in the statement of activities includes accrued interest calculated for bonds payable	(112,655)
Interest on taxes in the statement of activities includes accrued interest calculated for property taxes not yet paid.	351,841
Long-term liabilities (including bonds payable, capital leases, compensated absences accrued retroactive payroll, net pension obligations, and the net OPEB obligations) are not due and payable in the current period and therefore are not reported in the Governmental Funds Balance Sheet	(12,072,828)
The Internal Service Fund is used by management to charge the costs of Worker's Compensation claims. The net revenues (expenses) of the Internal Service Fund is reported with Governmental Activities in the Government-Wide financial statements.	(134,403)
	\$ (21,602,554)
Change in net assets of governmental activities.	\$ (21,602,554)

Please see Note 13 for a more detailed explanation of the differences between the Government-Wide Financial Statements and the Fund Financial Statements

See auditor's report and accompanying notes to these financial statements

CITY OF WARWICK, RHODE ISLAND
Statement of Net Assets
Proprietary Funds
June 30, 2009

	Business-Type Activities Enterprise Funds				Total	Governmental Activities
	Sewer Fund	Sewer Assessment Fund	Water Fund	Other Non-Major Enterprise Funds		Internal Service Fund
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 5,253,676	\$ 2,972	\$ 3,622,819	\$ 4,520,123	\$ 13,399,590	\$ 473,625
Restricted cash and cash equivalents	3,010,672	-	-	-	3,010,672	-
Accounts receivable, net:						
Water and sewer use fees	4,145,969	-	2,354,418	580,915	7,081,302	-
Sewer assessments	-	2,682,184	-	-	2,682,184	-
Accrued interest	179	-	-	82,502	82,681	-
Due from federal & state government	7,048,174	-	-	-	7,048,174	-
Other receivables	41,996	-	-	62,780	104,776	66,000
Due from other funds	38,586	-	-	4,560,077	4,598,663	-
Inventory	-	-	54,355	-	54,355	-
Total current assets	<u>19,539,252</u>	<u>2,685,156</u>	<u>6,031,592</u>	<u>9,806,397</u>	<u>38,062,397</u>	<u>539,625</u>
Non-current assets:						
Sewer assessments receivable	-	40,898,577	-	-	40,898,577	-
Construction in progress	2,401,013	-	95,260	50,160	2,546,433	-
Depreciable capital assets, net	176,215,142	-	13,399,058	95,883	189,710,083	-
Other assets, net	1,842,403	-	35,921	-	1,878,324	-
Total noncurrent assets	<u>180,458,558</u>	<u>40,898,577</u>	<u>13,530,239</u>	<u>146,043</u>	<u>235,033,417</u>	<u>-</u>
Total assets	<u>199,997,810</u>	<u>43,583,733</u>	<u>19,561,831</u>	<u>9,952,440</u>	<u>273,095,814</u>	<u>539,625</u>
LIABILITIES						
Current liabilities:						
Accounts payable and accrued expenses	712,617	-	828,380	51,520	1,592,517	-
Accrued interest payable	1,300,941	-	29,761	-	1,330,702	-
Accrued compensated absences	15,528	-	-	-	15,528	-
Due to other funds	8,466,060	1,561	3,351,156	188,764	12,007,541	-
Advanced collections	-	1,049,296	-	-	1,049,296	-
Current portion of long term debt	8,944,069	-	213,734	-	9,157,803	-
Total current liabilities	<u>19,439,215</u>	<u>1,050,857</u>	<u>4,423,031</u>	<u>240,284</u>	<u>25,153,387</u>	<u>-</u>
Non-current liabilities:						
Claims payable	-	-	-	-	-	248,925
Accrued compensated absences	124,655	-	147,647	18,752	291,054	-
Unearned revenue	-	40,898,577	-	-	40,898,577	-
Bonds and loans payable	132,661,267	-	2,572,522	-	135,233,789	-
Net other post-employment benefits obligation	355,110	-	415,411	46,901	817,422	-
Total noncurrent liabilities	<u>133,141,032</u>	<u>40,898,577</u>	<u>3,135,580</u>	<u>65,653</u>	<u>177,240,842</u>	<u>248,925</u>
Total liabilities	<u>152,580,247</u>	<u>41,949,434</u>	<u>7,558,611</u>	<u>305,937</u>	<u>202,394,229</u>	<u>248,925</u>
NET ASSETS						
Invested in Capital assets, net of related debt	49,478,874	-	13,523,988	146,043	63,148,905	-
Restricted for debt service payments	3,010,672	-	-	-	3,010,672	-
Unrestricted	(5,071,983)	1,634,299	(1,520,768)	9,500,460	4,542,008	290,700
Total net assets	<u>\$ 47,417,563</u>	<u>\$ 1,634,299</u>	<u>\$ 12,003,220</u>	<u>\$ 9,646,503</u>	<u>\$ 70,701,585</u>	<u>\$ 290,700</u>

See auditor's report and accompanying notes to these financial statements

CITY OF WARWICK, RHODE ISLAND
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2009

	Business-Type Activities Enterprise Funds				Total	Governmental Activities
	Sewer Fund	Sewer Assessment Fund	Water Fund	Other Non-Major Enterprise Funds		Internal Service Fund
Operating revenues						
Assessments and user fees	\$ 11,383,393	\$ 3,002,926	\$ 8,501,403	\$ 372,020	\$ 23,259,742	\$ -
Other revenues	506,727	2,644,028	266,553	90,013	3,507,321	4,475
Total operating revenues	<u>11,890,120</u>	<u>5,646,954</u>	<u>8,767,956</u>	<u>462,033</u>	<u>26,767,063</u>	<u>4,475</u>
Operating expenses						
Contract services	387,305	-	104,360	-	491,665	-
Salaries and benefits	2,714,057	-	2,847,417	290,159	5,851,633	-
Materials and supplies	535,146	-	18,605	151,694	705,445	-
Depreciation and amortization	5,246,860	-	674,949	10,344	5,932,153	-
Operations	2,040,083	-	5,883,157	74,779	7,998,019	-
Worker's compensation claims	-	-	-	-	-	352,133
Miscellaneous	-	-	-	28,000	28,000	-
Total operating expenses	<u>10,923,451</u>	<u>-</u>	<u>9,528,488</u>	<u>554,976</u>	<u>21,006,915</u>	<u>352,133</u>
Operating income (loss)	<u>966,669</u>	<u>5,646,954</u>	<u>(760,532)</u>	<u>(92,943)</u>	<u>5,760,148</u>	<u>(347,658)</u>
Non-operating revenues (expenses)						
Interest income	75,577	4,277	35,511	65,616	180,981	-
Interest expense	(3,737,191)	-	(118,140)	-	(3,855,331)	-
Total non-operating revenues (expenses)	<u>(3,661,614)</u>	<u>4,277</u>	<u>(82,629)</u>	<u>65,616</u>	<u>(3,674,350)</u>	<u>-</u>
Income (loss) before contributions and transfers	<u>(2,694,945)</u>	<u>5,651,231</u>	<u>(843,161)</u>	<u>(27,327)</u>	<u>2,085,798</u>	<u>(347,658)</u>
Capital contributions	1,238,170	-	-	-	1,238,170	-
Transfers in	6,079,797	-	2,530,432	30,000	8,640,229	213,255
Transfers out	(25,000)	(5,963,000)	-	(2,752,229)	(8,740,229)	-
Total contributions and transfers	<u>7,292,967</u>	<u>(5,963,000)</u>	<u>2,530,432</u>	<u>(2,722,229)</u>	<u>1,138,170</u>	<u>213,255</u>
Change in Net Assets	<u>4,598,022</u>	<u>(311,769)</u>	<u>1,687,271</u>	<u>(2,749,556)</u>	<u>3,223,968</u>	<u>(134,403)</u>
Total Net Assets - beginning of year	42,819,541	1,946,068	10,315,949	12,396,059	67,477,617	425,103
Total Net Assets - end of year	<u>\$ 47,417,563</u>	<u>\$ 1,634,299</u>	<u>\$ 12,003,220</u>	<u>\$ 9,646,503</u>	<u>\$ 70,701,585</u>	<u>\$ 290,700</u>

See auditor's report and accompanying notes to these financial statements

CITY OF WARWICK, RHODE ISLAND
Statement of Cash Flows-Proprietary Funds
For the Fiscal Year Ended June 30, 2009

	Business-Type Activities				Total	Governmental
	Enterprise Funds					Activities
	Sewer Fund	Sewer Assessment Fund	Water Fund	Other Non-Major Enterprise Funds		Internal Service Fund
Cash flows from operating activities						
Cash received from customers	\$ 11,343,893	\$ 5,940,356	\$ 9,101,771	\$ 347,604	\$ 26,733,624	\$ -
Cash payments to suppliers for goods and services	(3,309,205)	-	(6,263,783)	(196,405)	(9,769,393)	-
Cash payments to employees for services	(2,481,353)	-	(2,572,578)	(264,390)	(5,318,321)	-
Other operating receipts	-	-	-	92,987	92,987	4,475
Other operating payments	-	-	-	(28,000)	(28,000)	(213,255)
Net cash provided by (used for) operating activities	<u>5,553,335</u>	<u>5,940,356</u>	<u>265,410</u>	<u>(48,204)</u>	<u>11,710,897</u>	<u>(208,780)</u>
Cash flows from non-capital financing activities						
Interfund cash receipts	3,397,261	5,283	-	11,281	-	1,951
Interfund cash payments	349,986	(7,501)	(2,135,038)	-	(1,792,553)	-
Transfers from other funds	6,079,797	-	2,530,432	30,000	8,640,229	213,255
Transfers to other funds	(25,000)	(5,963,000)	-	(2,690,628)	(8,678,628)	-
Net cash provided by (used for) non-capital financing activities	<u>9,802,044</u>	<u>(5,965,218)</u>	<u>395,394</u>	<u>(2,649,347)</u>	<u>(1,830,952)</u>	<u>215,206</u>
Cash flows from capital and related financing activities						
Acquisition and construction of capital assets	(3,301,416)	-	(786,667)	-	(4,088,083)	-
Loan proceeds	1,861,952	-	-	-	1,861,952	-
Refunding bonds issued	144,888	-	3,387	-	148,275	-
Capital contributions	1,238,170	-	-	-	1,238,170	-
Interest paid on bonds and loans	(3,737,191)	-	(118,140)	-	(3,855,331)	-
Principal paid on bonds and loans	(8,293,216)	-	(206,245)	-	(8,499,461)	-
Net cash provided (used for) capital and related financing activities	<u>(12,086,813)</u>	<u>-</u>	<u>(1,107,665)</u>	<u>-</u>	<u>(9,106,395)</u>	<u>-</u>
Cash flows from investing activities						
Interest and dividends on investment	75,577	4,277	35,511	65,616	180,981	-
Net cash provided by (used for) investing activities	<u>75,577</u>	<u>4,277</u>	<u>35,511</u>	<u>65,616</u>	<u>180,981</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	3,344,143	(20,585)	(411,350)	(2,631,935)	280,273	6,426
Cash and cash equivalents at beginning of year	4,920,205	23,557	4,034,169	7,152,058	16,129,989	467,199
Cash and cash equivalents at end of year	<u>\$ 8,264,348</u>	<u>\$ 2,972</u>	<u>\$ 3,622,819</u>	<u>\$ 4,520,123</u>	<u>\$ 16,410,262</u>	<u>\$ 473,625</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities						
Operating income (Loss)	\$ 966,669	\$ 5,646,954	\$ (760,532)	\$ (92,943)	\$ 5,760,148	\$ (347,658)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:						
Depreciation and amortization	5,246,860	-	674,949	10,344	5,932,153	-
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable net	(534,828)	690,062	333,815	(24,416)	464,633	-
(Increase) decrease in other receivables	(11,399)	-	-	5,246	(6,153)	-
(Increase) decrease in accrued interest receivable	4,458	-	-	(2,272)	2,186	-
(Increase) decrease in inventory	-	-	21,309	-	21,309	-
Increase (decrease) in accounts payable and accrued expense	(358,289)	-	(273,862)	30,068	(602,083)	138,878
Increase (decrease) in accrued interest payable	11,728	-	(1,094)	-	10,634	-
Increase (decrease) in advanced collections	-	(284,924)	-	-	(284,924)	-
Increase (decrease) in unearned revenue	-	(111,736)	-	-	(111,736)	-
Increase (decrease) in net other post employment benefits obligations	230,865	-	280,637	32,160	543,662	-
Increase (decrease) in compensated absences	(2,729)	-	(9,812)	(6,391)	(18,932)	-
Total adjustments	<u>4,586,666</u>	<u>293,402</u>	<u>1,025,942</u>	<u>44,739</u>	<u>5,950,749</u>	<u>138,878</u>
Net cash provided by operating activities	<u>\$ 5,553,335</u>	<u>\$ 5,940,356</u>	<u>\$ 265,410</u>	<u>\$ (48,204)</u>	<u>\$ 11,710,897</u>	<u>\$ (208,780)</u>

See auditor's report and accompanying notes to these financial statements

CITY OF WARWICK, RHODE ISLAND
Statement of Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2009

	<u>Pension Trust Funds</u>	<u>Private-purpose Trust Funds</u>	<u>Agency Funds</u>
ASSETS			
Cash	\$ 4,682,447	\$ 30,527	\$ 959,583
Investments, at fair value:			
Equity pool	27,541,572	-	-
Equity small cap funds	35,558,887	-	-
Fixed income pool	106,605,446	120,365	575,448
Index funds	59,522,517	-	-
International equity funds	10,197,800	-	-
Immediate participation guarantee contracts	7,044,870	-	-
Mutual funds	21,131,957	-	-
Accrued interest receivable	982	-	-
Other receivable	2,639,360	-	-
Internal balances	-	7,164	-
Total Assets	<u>274,925,838</u>	<u>158,056</u>	<u>1,535,031</u>
LIABILITIES			
Accounts payable	248,320	110	4,408
Due to federal and state governments	-	-	46,412
Internal balances	-	66	93,454
Deposits held in custody for others	-	-	1,390,757
Total liabilities	<u>248,320</u>	<u>176</u>	<u>1,535,031</u>
NET ASSETS			
Held in trust for pension benefits and other purposes	<u>\$ 274,677,518</u>	<u>\$ 157,880</u>	<u>\$ -</u>

See auditor's report and accompanying notes to these financial statements

CITY OF WARWICK, RHODE ISLAND
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2009

	<u>Pension Trust Fund</u>	<u>Private-purpose Trust Funds</u>
Additions		
Contributions- employer	\$ 21,435,800	\$ -
Plan members	4,840,746	-
Total additions	<u>26,276,546</u>	<u>-</u>
Investment earnings		
Net appreciation (decrease) in fair value of investments	(52,647,126)	-
Interest and dividends	954,467	1,876
Less investment expense	(887,544)	-
Net investment earnings	<u>(52,580,203)</u>	<u>1,876</u>
Other revenue	-	27,696
Total additions	<u>(26,303,657)</u>	<u>29,572</u>
Deductions		
Benefits paid	29,894,057	-
Administrative and other expenses	148,297	43,887
Annuity purchases	1,588,661	-
Total deductions	<u>31,631,015</u>	<u>43,887</u>
Change in net assets	(57,934,672)	(14,315)
Net assets - beginning of year	332,612,190	172,195
Net assets - end of year	<u>\$ 274,677,518</u>	<u>\$ 157,880</u>

See auditor's report and accompanying notes to these financial statements

Notes to Financial Statements

CITY OF WARWICK, RHODE ISLAND
Notes to the Financial Statements
June 30, 2009

The financial statements of the City of Warwick, Rhode Island, 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 financial statements are an integral part of the City's financial statements.

NOTE 1 -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The City of Warwick 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.

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.14, as amended by GASB Statement No.39, "Determining Whether Certain Organizations are Component Units." A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable or for which the nature and significance of its relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The City of Warwick does not have any component units.

B. BASIS OF PRESENTATION AND ACCOUNTING

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses as appropriate. Governmental resources are allocated to and accounted for in individual funds to demonstrate legal compliance and to aid management by segregating transactions related to specific City functions or activities.

Government-Wide Financial Statements

The City's Government-Wide Financial Statements include a Statement of Net Assets and a Statement of Activities. These statements present summaries of Governmental and Business-Type Activities for the City accompanied by a total column. Fiduciary activities of the City are not included in these statements.

These statements are presented using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all the City's assets and liabilities, including capital assets as well as infrastructure assets and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. Program revenues for the City are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

CITY OF WARWICK, RHODE ISLAND
Notes to the Financial Statements
June 30, 2009

NOTE 1 -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The City's policy is to first apply restricted resources and then unrestricted resources when expenses are incurred for purposes for which both restricted and unrestricted net assets are available.

Certain eliminations have been made as prescribed by GASB Statement No.34 for interfund activities, payables and receivables. All internal balances in the Statement of Net Assets have been eliminated except those representing balances between the Governmental Activities and the Business-Type Activities, which are presented as internal balances and eliminated in the total column. In the Statement of Activities, Internal Service Fund transactions have been eliminated; however, those transactions between Governmental and Business-Type Activities have not been eliminated.

The City applies to the Business-Type Activities and Enterprise Funds all applicable GASB pronouncements (including all NCGA Statements and Interpretations currently in effect) as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) of the Committee on Accounting Procedure.

Governmental Fund Financial Statements

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for each major governmental fund and nonmajor governmental funds in total. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net assets and changes in net assets presented in the Government- Wide Financial Statements.

All governmental funds are accounted for using the spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which the City has treated as susceptible to accrual are property tax and intergovernmental revenues. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Major Governmental Funds:

General Fund – The General Fund is used to account for resources devoted to financing the General services that the City performs for its citizens.

School Unrestricted Fund – The School Unrestricted Fund is used to account for the budgeted resources devoted to financing the general operations of the School Department.

CITY OF WARWICK, RHODE ISLAND
Notes to the Financial Statements
June 30, 2009

NOTE 1 -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Proprietary Fund Financial Statements

Proprietary Fund Financial Statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Fund Net Assets, and a Statement of Cash Flows. A column representing Internal Service Funds is also presented in these statements. However, Internal Service balances and activities have been combined with the Governmental Activities in the Government-Wide Financial Statements.

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Fund Net Assets present increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

Major Enterprise Funds:

Sewer Fund – The Sewer Fund is used to account for sewer use fees and the expenses associated with providing sewer services to City residents.

Sewer Assessment Fund – The Sewer Assessment Fund is used to account for special assessments related to the construction of the City's sewer system which are payable over 20 years.

Water Fund – The Water Fund is used to account for water use fees and the expenses associated with water services to City residents.

The City has only one Internal Service Fund as follows:

Workers' Compensation Fund – The Worker's Compensation Fund is used to account for the City's self-insured workers' compensation program.

Fiduciary Fund Financial Statements

Fiduciary Fund Financial Statements include a Statement of Net Assets. The City's Fiduciary Funds are Pension Trusts, Private Purpose Trusts and Agency Funds. Fiduciary Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations or other governments. The Fiduciary Funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Agency Funds are purely custodial and do not involve measurement of results of operations.

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

CITY OF WARWICK, RHODE ISLAND
Notes to the Financial Statements
June 30, 2009

NOTE 1 -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Private Purpose Trust Funds – These funds account for assets held by the City under various trust arrangements for the benefit of certain individuals and groups.

Agency Funds – These funds account for assets held by the City as agent for various student groups, funds held in probate and funds held in escrow for other parties.

C. CASH EQUIVALENTS

For the purpose of the Statement of Cash Flows, the City considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

D. INVESTMENTS

The City has implemented Government Accounting Standards Board Statement No.31. As such investments are recorded at fair value, except for nonparticipating interest earning investment contracts (i.e. certificates of deposit), which are recorded at amortized cost.

E. ACCOUNTS RECEIVABLE AND TAXES RECEIVABLE

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. Property taxes that were levied on June 16, 2008 for the current year and other delinquent balances are recorded as 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.

G. INVENTORY

Inventory is maintained on a periodic system and is stated at cost (first in, first out method of inventory valuation). Inventory is generally recorded as expenditures/expenses when consumed.

H. CAPITAL ASSETS AND DEPRECIATION

Capital assets are reported in the Government-Wide Statement of Net Assets but are not reported in the Governmental Fund Financial Statements.

All property and equipment is capitalized at historical or estimated historical cost. Donated fixed assets are recorded at the fair market values as of the date received. The City follows the policy of not capitalizing assets with a cost of less than \$10,000 and a useful life of less than one year.

The City has capitalized major governmental infrastructure assets acquired or having significant improvements since June 30, 1980. The City has chosen to apply the standard valuation method rather than the modified approach.

CITY OF WARWICK, RHODE ISLAND
Notes to the Financial Statements
June 30, 2009

NOTE 1 -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Depreciation is calculated using the straight-line method over the following useful lives:

<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	50 years
Wastewater collection system	50 – 75 years
Hydrants	50 years
Meters	20 – 40 years
Distribution lines	65 years
Machinery, equipment and furniture	5 – 30 years
Vehicles	5 – 8 years

I. DEBT PREMIUMS AND ISSUANCE COSTS

In the Governmental Fund Financial Statements, debt premiums and issuance costs are treated as period costs in the year of issue. Debt issuance costs are shown as “other expenditure” and debt premiums are reflected as “other financing source”.

In the Government-Wide Statements, debt premiums and issuance costs are deferred and amortized over the term of the debt. Debt premiums are presented as an addition to the face amount of the debt payable whereas issuance costs are recorded as other assets.

J. DEFERRED REVENUE

In the Fund Financial Statements, deferred revenue represents funds received in advance of being owed or receivables, which will be collected and included in revenues of future fiscal years. In the General Fund, unearned revenues relate to delinquent property tax balances less amounts due as of the balance sheet date and received sixty days thereafter. In the Sewer Assessment Fund, deferred revenues relate to sewer assessment receivables billed over twenty years.

K. PROPERTY TAXES

The City is permitted by State Law to levy property taxes. Current tax collections for the City were approximately 97.9 percent of the total 2008 levy.

The City's fiscal 2009 property taxes were levied on June 16, 2008 (also the lien date) on the assessed valuation as of December 31, 2007. Taxes are payable in full or quarterly, at the taxpayer's option. Installment due dates are July 15, October 15, January 15, and April 15. Taxes not paid by the due date are delinquent and carry an interest charge of twelve percent per annum from July 15. Assessed values for real property are based upon fair market value as of December 31, 2004. A revaluation of all real property must be done every ten years. A revaluation was done during fiscal year 2004 and was effective for the fiscal 2005 property tax levy.

CITY OF WARWICK, RHODE ISLAND
Notes to the Financial Statements
June 30, 2009

NOTE 1 -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. 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, 2009.

The entire compensated absence liability is reported on the Government-Wide Financial Statements. For Governmental Fund Financial Statements the amount of compensated absences has been recorded as a current liability to the extent that the compensated absences have matured (i.e. upon an employee's resignation or retirement). The balance of the liability that has not matured is not recorded in the Governmental Fund Financial Statements.

M. ACCRUED LIABILITIES AND LONG-TERM DEBT

All accrued liabilities and long-term debt are reported in the Government-Wide Financial Statements.

For Governmental Fund Financial Statements, the accrued liabilities are generally reported as a governmental fund liability if due for payment as of the balance sheet date regardless of whether they will be liquidated with current financial resources. However, claims and judgments and compensated absences paid from governmental funds are reported as a liability in the Fund Financial Statements only for the portion expected to be financed from expendable available financial resources. Long-term debt paid from governmental funds is not recognized as a liability in the Fund Financial Statements until due.

N. 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.

CITY OF WARWICK, RHODE ISLAND
Notes to the Financial Statements
June 30, 2009

NOTE 2 –CAPITAL ASSETS

Capital asset activity for government funds for the year ended June 30, 2009 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental activities:				
Nondepreciable assets:				
Land	\$ 18,680,138	\$ -	\$ -	\$ 18,680,138
Construction in progress	31,373	20,781	-	52,154
Total nondepreciable assets	<u>18,711,511</u>	<u>20,781</u>	<u>-</u>	<u>18,732,292</u>
Depreciable assets				
Land improvements	10,280,153	37,047	-	10,317,200
Buildings	103,478,507	48,550	-	103,527,057
Infrastructure	194,285,887	-	-	194,285,887
Machinery & equipment	18,248,879	38,612	-	18,287,491
Motor Vehicles	25,536,260	317,080	-	25,853,340
Total depreciable assets	<u>351,829,686</u>	<u>441,289</u>	<u>-</u>	<u>352,270,975</u>
Less accumulated depreciation for:				
Land improvements	6,663,258	414,365	-	7,077,623
Buildings	45,559,172	2,133,244	-	47,692,416
Infrastructure	151,974,331	4,540,756	-	156,515,087
Machinery & equipment	14,419,292	859,654	-	15,278,946
Motor Vehicles	19,051,860	1,527,489	-	20,579,349
Total accumulated depreciation	<u>237,667,913</u>	<u>9,475,508</u>	<u>-</u>	<u>247,143,421</u>
Governmental activities capital assets, net	<u>\$ 132,873,284</u>	<u>\$ (9,013,438)</u>	<u>\$ -</u>	<u>\$ 123,859,846</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
Executive and administration	\$ 39,144
Public safety	1,164,973
Recreation	483,217
Public Libraries	212,816
Social Services	78,429
Planning & Economic Development	36,677
Public Works	5,724,208
Education	1,736,044
Total governmental activities depreciation expense	<u>\$ 9,475,508</u>

CITY OF WARWICK, RHODE ISLAND
Notes to the Financial Statements
June 30, 2009

NOTE 2 – CAPITAL ASSETS (continued)

Capital asset activity for business-type activity for the year ended June 30, 2009 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Adjustments</u>	<u>Ending Balance</u>
Business-type activities:					
Nondepreciable assets:					
Construction in progress	\$ 7,599,606	\$ 2,674,774	\$ 7,727,947	\$ -	\$ 2,546,433
Total nondepreciable assets	<u>7,599,606</u>	<u>2,674,774</u>	<u>7,727,947</u>	<u>-</u>	<u>2,546,433</u>
Depreciable assets:					
Buildings	3,602,174	-	-	-	3,602,174
Machinery, equipment & furniture	3,504,723	27,874	10,788	(232,202)	3,289,607
Water distribution system & wastewater collection system	247,334,768	8,903,588	-	232,202	256,470,558
Total depreciable assets	<u>254,441,665</u>	<u>8,931,462</u>	<u>10,788</u>	<u>-</u>	<u>263,362,339</u>
Less accumulated depreciation for:					
Buildings	978,218	51,527	-	-	1,029,745
Machinery, equipment & furniture	2,336,157	205,242	10,707	-	2,530,692
Water distribution system & wastewater collection system	64,564,709	5,527,110	-	-	70,091,819
Total accumulated depreciation	<u>67,879,084</u>	<u>5,783,879</u>	<u>10,707</u>	<u>-</u>	<u>73,652,256</u>
Business-type activities capital assets, net	<u>\$ 194,162,187</u>	<u>\$ 17,390,115</u>	<u>\$ 7,749,442</u>	<u>\$ -</u>	<u>\$ 192,256,516</u>

Depreciation expense was charged to functions as follows:

Business-type activities:	
Water	\$ 671,561
Sewer	<u>5,112,318</u>
Total business-type activities depreciation expense	<u>\$ 5,783,879</u>

CITY OF WARWICK, RHODE ISLAND
Notes to the Financial Statements
June 30, 2009

NOTE 3 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

- A. LEGAL DEBT MARGIN** – The City's legal debt margin as set forth by the state statute is limited to three percent of total taxable assessed value which approximates \$361,370,604. As of June 30, 2009 the City's debt applicable to the debt limitation is under the debt limit by \$304,516,588.
- B. DEFICIT FUND BLANCES** – The following funds had deficit fund balances as of June 30, 2009:

School Unrestricted Fund	(\$1,353,339)
RIPIN	(\$144)
2000 Recreation Bond	(\$427,897)
Injury Fund	(\$299)

NOTE 4 -CASH DEPOSITS

DEPOSITS – are in various financial institutions and are carried at cost. The carrying amount of deposits is separately displayed on the Balance Sheet of the Fund Financial Statements and the Statement of Net Assets as "Cash and Cash Equivalents".

	Carrying Amount
Total deposits	\$ 29,024,781
Add: Petty cash and cash on hand	5,480
Add: Investments classified as cash equivalents	4,682,447
Total Cash and Cash Equivalents Reported in the financial Statements	\$ 33,712,708

CUSTODIAL CREDIT RISK - This is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The City does not have a formal deposit policy for custodial credit risk, but is governed by the State Laws as described below. As of June 30, 2009, \$32,584,231 of the City's bank balance of \$34,018,744 was exposed to custodial credit risk as follows:

	Bank Balance
Insured (Federal Depository Insurance Funds)	\$1,434,513
Collateralized with securities held by pledging Financial institution or its agent, in the City's name	29,823,379
Uninsured or uncollateralized	2,760,852
Total	<u>\$ 34,018,744</u>

Under Rhode Island general laws, depository institutions holding deposits of the State, its agencies or governmental subdivisions of the State, shall at a minimum, insure or pledge eligible collateral equal to one hundred percent of the deposits that are time deposits with maturities greater than sixty days. Any of these institutions, which do not meet minimum capital standards prescribed by federal regulators, shall insure or pledge eligible collateral equal to one hundred percent of all deposits, regardless of maturity. At June 30, 2009, the City's uncollateralized deposits with depository institutions were \$2,760,852.

CITY OF WARWICK, RHODE ISLAND
Notes to the Financial Statements
June 30, 2009

NOTE 5 – INVESTMENTS

- A. The City invests in various types of investments, which are stated at fair value, except for non-participating 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:
- 1) Obligations of the United States government, and its agencies and instrumentalities.
 - 2) Certificates of deposit and other evidences of deposit at banks, credit unions, and savings and loan associations with offices in the State.
 - 3) Bankers' acceptance of banks with offices in the State.
 - 4) Commercial paper of banks with offices in the State.
 - 5) 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.
 - 6) Money market funds whose portfolios consist of the above instruments, and any other investments specifically approved by the City Council.
 - 7) No-load open-end diversified management investment companies incorporated under Rhode Island General Laws designed exclusively for all State government entities, agencies and instrumentalities.

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

INVESTMENT	FAIR VALUE	RATING
Corporate Equities	\$ 51,329,952	N/R
Money Market Funds	593,476	N/R
Mutual Funds - Equity	146,556,392	N/R
Pooled Mutual Funds	13,602,783	N/R
Mutual Fund - Stable Value	7,529,173	N/R
Real Estate Investment Trust	1,496,588	N/R
Immediate Participation Guarantee Contracts	7,044,870	N/R
Bonds & Notes	37,620,972	See Note 5 B
Depository Receipts - Equity	553,334	N/R
Foreign Currency	893,791	N/R
MBIA Investment Pool	3,640,603	N/R
State Street Short-Term Investment Fund	5,064,167	N/R
Total Investments	275,926,101	
Less: Investments Classified as Cash Equivalents	(4,682,447)	
Total Investments-Reported in the Financial Statements	\$271,243,654	

CITY OF WARWICK, RHODE ISLAND
Notes to the Financial Statements
June 30, 2009

NOTE 5 – INVESTMENTS (continued)

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. Information about the exposure of the City's type investments to this risk using the segment time distribution model is presented in schedule 5-B:

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

Custodial Credit Risk: Custodial credit risk for investments is the risk that in the event of failure of the counterparty, the city will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The City's investment in corporate equities of \$51,329,952 and bonds and notes of \$37,620,972 are held by the investments counterparty in the City's name.

CITY OF WARWICK, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

B. The City's investment in bonds and notes had the following credit ratings and maturities as of June 30, 2009

Investment Type/Rating	Fair Value	Less Than 1	Investment Maturities (in Years)						More Than 25
			1-5	6-10	11-15	16-20	21-25		
U. S. Treasury Notes and Bonds	\$ 10,059,784	\$ 1,834,323	\$ 3,179,714	\$ 4,797,354	\$ -	\$ 248,393	\$ -	\$ -	
AAA									
Federal Home Loan Bank Notes	529,897	-	-	-	-	-	-	529,897	
AAA									
FNMA Bonds & Notes	1,512,930	-	1,013,270	142,558	-	-	-	357,102	
AAA									
Corporate Bonds									
AAA	1,169,663	-	268,246	444,056	-	-	-	457,361	
AA+	1,393,905	-	734,992	-	-	-	-	658,913	
AA	356,630	-	-	-	-	-	-	356,630	
AA-	2,636,146	-	473,271	305,369	639,822	295,503	-	922,181	
A+	2,119,167	-	485,054	177,956	527,433	-	-	928,724	
A	2,689,181	-	1,100,180	1,102,547	-	-	-	486,454	
A-	1,690,284	-	548,442	819,494	-	-	-	322,348	
BBB+	2,474,045	-	414,245	605,740	-	548,226	-	905,834	
BBB	1,712,517	-	-	1,030,076	-	199,770	-	482,671	
BB-	82,247	-	-	-	-	-	-	82,247	
NR	109,888	-	109,888	-	-	-	-	-	
Commercial Mortgage Obligations									
AAA	4,254,164	-	-	46,438	-	-	224,245	3,983,481	
NR	1,950,409	-	-	263,307	538,189	-	603,968	544,945	
Municipals									
AA-	370,127	-	370,127	-	-	-	-	-	
A+	258,173	-	258,173	-	-	-	-	-	
Loans Receivable									
AAA	252,209	-	252,209	-	-	-	-	-	
Other Asset Backed									
AAA	328,161	-	-	-	-	328,161	-	-	
A+	561,281	-	-	-	561,281	-	-	-	
NR	1,110,164	-	-	-	-	1,110,164	-	-	
	<u>\$ 37,620,972</u>	<u>\$ 1,834,323</u>	<u>\$ 9,207,811</u>	<u>\$ 9,734,895</u>	<u>\$ 2,266,725</u>	<u>\$ 2,730,217</u>	<u>\$ 828,213</u>	<u>\$ 11,018,788</u>	

CITY OF WARWICK, RHODE ISLAND
Notes to the Financial Statements
June 30, 2009

NOTE 6 – LONG-TERM LIABILITIES

A. LONG-TERM LIABILITIES

Long-term liability activity for the governmental activities for the year ended June 30, 2009 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Adjustments</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities						
Bonds and capital leases payable:						
General obligation bonds	\$ 60,851,033	\$ -	\$ 3,997,017	\$ -	\$ 56,854,016	\$ 4,920,419
Capital lease payable	6,306,818	-	2,570,426	-	3,736,392	1,891,418
Plus amortized premium on bonds	912,830	-	82,657	-	830,173	-
Less deferred amount on refunding	655,448	-	89,634	-	565,814	-
Total bonds and capital leases payable	<u>67,415,233</u>	<u>-</u>	<u>6,560,466</u>	<u>-</u>	<u>60,854,767</u>	<u>6,811,837</u>
Other liabilities:						
Compensated absences	10,471,486	504,340	1,048,289	-	9,927,537	408,550
Net pension obligation	15,082,537	6,851,871	57,055	-	21,877,353	-
Net other post-employment benefits obligation	14,770,191	15,204,338	-	632,098	30,606,627	-
Accrued retroactive payroll	4,626,133	1,753,587	4,626,133	-	1,753,587	-
Total other liabilities	<u>44,950,347</u>	<u>24,314,136</u>	<u>5,731,477</u>	<u>632,098</u>	<u>64,165,104</u>	<u>408,550</u>
Governmental Activities long-term liabilities	<u>\$112,365,580</u>	<u>\$24,314,136</u>	<u>\$12,291,943</u>	<u>\$632,098</u>	<u>\$125,019,871</u>	<u>\$7,220,387</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 the Financial Statements
June 30, 2009

NOTE 6 – LONG-TERM LIABILITIES (continued)

Long-term liability activity for the business-type activities for the year ended June 30, 2009 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Adjustments</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Business-Type Activities						
Bonds and loans payable:						
Water	\$ 2,992,301	\$ -	\$ 210,256	\$ -	\$ 2,782,045	\$ 213,734
Sewer	149,767,134	-	8,291,689	-	141,475,445	8,944,069
Plus amortized premium on bonds	287,978	-	22,471	-	265,507	-
Less deferred amount on refundings	156,360	-	24,955	-	131,405	-
Total bonds and loans payable	<u>152,891,053</u>	<u>-</u>	<u>8,499,461</u>	<u>-</u>	<u>144,391,592</u>	<u>9,157,803</u>
Compensated absences	325,514	14,030	32,962	-	306,582	15,528
Net other post-employment benefits obligation	273,760	543,662	-	-	817,422	-
Business-Type Activities	<u><u>\$ 153,490,327</u></u>	<u><u>\$ 557,692</u></u>	<u><u>\$ 8,532,423</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 145,515,596</u></u>	<u><u>\$ 9,173,331</u></u>

B. GENERAL OBLIGATION BONDS DEBT SERVICE REQUIREMENTS

The debt service requirements for governmental activities at June 30, 2009 were as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total Debt Service
2010	\$ 4,920,419	\$ 2,298,370	\$ 7,218,789
2011	5,042,695	2,102,313	7,145,008
2012	4,572,639	1,918,815	6,491,454
2013	4,666,765	1,748,943	6,415,708
2014	4,504,889	1,566,124	6,071,013
2015-2026	<u>33,146,609</u>	<u>6,644,564</u>	<u>39,791,173</u>
	<u><u>\$ 56,854,016</u></u>	<u><u>\$ 16,279,129</u></u>	<u><u>\$ 73,133,145</u></u>

CITY OF WARWICK, RHODE ISLAND
Notes to the Financial Statements
June 30, 2009

NOTE 6 – LONG-TERM LIABILITIES (continued)

The debt service requirements for business-type activities at June 30, 2009 were as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total Debt Service
2010	\$ 1,409,581	\$ 973,462	\$ 2,383,043
2011	1,457,305	918,780	2,376,085
2012	1,457,361	863,999	2,321,360
2013	1,498,235	809,677	2,307,912
2014	1,510,111	752,417	2,262,528
2015-2026	16,393,391	4,269,561	20,662,952
	<u>\$ 23,725,984</u>	<u>\$ 8,587,896</u>	<u>\$ 32,313,880</u>

C. CAPITAL LEASE COMMITMENTS

The City of Warwick's capital leases consist of two leases for various vehicles and equipment. 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, 2009 were as follows:

Fiscal Year Ended June 30,	Total
2010	\$ 2,000,575
2011	971,294
2012	938,756
Total minimum lease payments	3,910,625
Less: Amount representing interest	(174,233)
Present value of minimum lease payments	<u>\$ 3,736,392</u>

CITY OF WARWICK, RHODE ISLAND
Notes to the Financial Statements
June 30, 2009

NOTE 6 – LONG-TERM LIABILITIES (continued)

D. LOANS PAYABLE

The City of Warwick has entered into fifteen loan agreements with the Rhode Island Clean Water Protection Finance Agency as follows:

<u>LOAN DATE</u>	<u>ORIGINAL LOAN AMOUNT</u>	<u>INTEREST RATE</u>	<u>MATURES</u>
March 11, 1992	\$ 3,500,000	3.16%	September 1, 1994-2013
March 10, 1993	3,100,000	3.11%	September 1, 1996-2015
December 19, 1995	3,996,000	2.82%	September 1, 1997-2016
March 31, 1997	10,000,000	2.97%	September 1, 1997-2016
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 20, 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%	March 1, 2009-2028

* 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 Agency 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, 2009, loans payable of \$120,531,506 are reflected in the Sewer Fund. A due from the Rhode Island Clean Water Protection Finance Agency of \$6,842,566 is for undrawn loan amounts, which the City is responsible to draw down and to repay in full.

CITY OF WARWICK, RHODE ISLAND
Notes to the Financial Statements
June 30, 2009

NOTE 6 – LONG-TERM LIABILITIES (continued)

The debt service through maturity for the above loans is as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total Debt Service
2010	\$ 7,748,222	\$ 2,780,787	\$ 10,529,009
2011	7,890,604	2,596,466	10,487,070
2012	8,043,190	2,402,466	10,445,656
2013	8,196,814	2,202,730	10,399,544
2014	8,355,064	1,997,688	10,352,752
2015-2029	80,297,612	9,758,809	90,056,421
	<u>\$ 120,531,506</u>	<u>\$ 21,738,946</u>	<u>\$ 142,270,452</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, 2009. The interest through maturity shown above is based on estimated amortization schedules prepared by Rhode Island Clean Water Protection Finance Agency. The Rhode Island Clean Water Finance Agency loans dated December 30, 2004, December 15, 2005, December 21, 2006, December 12, 2007 and April 30, 2008 are revenue loans. The revenue loans are secured by the revenues derived from the operation of the City's wastewater collection system.

CITY OF WARWICK, RHODE ISLAND
Notes to the Financial Statements
June 30, 2009

NOTE 6 – LONG-TERM LIABILITIES (continued)

E. SCHEUDLE OF BONDS AND LOANS PAYABLE

	Date of Issuance	Interest Rate	Date of Maturity	Authorized and Issued	Outstanding July 1, 2008	New Issues	Maturities During Year	Outstanding June 30, 2009
Governmental Funds								
Bonds Payable								
School - Refunding	10/15/1997	4.4/4.9%	11/15/2010	\$ 3,581,484	\$ 769,905	\$ -	\$ 262,338	\$ 507,567
School	1/15/2001	4.25/6.0%	1/15/2021	8,000,000	6,056,790	-	335,802	5,720,988
School - Refunding	6/1/2002	3.0/5.0%	10/15/2014	5,695,077	2,858,518	-	475,810	2,382,708
School	6/1/2002	3.5/5.25%	7/15/2021	6,000,000	4,854,432	-	254,845	4,599,587
School	6/15/2003	2.5/5.0%	6/15/2023	5,000,000	4,128,000	-	198,000	3,930,000
School	8/15/2004	2.5/5.0%	8/15/2024	5,000,000	4,530,000	-	174,000	4,356,000
School	1/15/2006	3.75/5.00%	1/15/2026	2,500,000	2,335,000	-	85,000	2,250,000
School - Refunding	4/30/2008	3.50/4.20%	8/1/2017	9,740,114	9,740,114	-	660,359	9,079,755
Drainage - Refunding	10/15/1997	4.4/4.9%	11/15/2010	1,074,822	231,053	-	78,729	152,324
Drainage - Refunding	6/1/2002	3.0/5.0%	10/15/2014	281,525	141,305	-	23,521	117,784
Drainage	6/15/2003	2.5/5.0%	6/15/2023	1,000,000	825,600	-	39,600	786,000
Drainage	8/15/2004	2.5/5.0%	8/15/2024	1,000,000	906,000	-	34,800	871,200
Drainage - Refunding	4/30/2008	3.50/4.20%	8/1/2017	685,646	685,646	-	19,466	666,180
Fire - Refunding	4/30/2008	3.50/4.20%	8/1/2017	424,435	424,435	-	14,821	409,614
Open Space - Refunding	10/15/1997	4.4/4.9%	11/15/2010	824,250	177,187	-	60,375	116,812
Open Space	1/15/2001	4.25/6.0%	1/15/2021	1,325,000	1,003,156	-	55,617	947,539
Open Space	6/1/2002	3.5/5.25%	7/15/2021	2,000,000	1,618,143	-	84,948	1,533,195
Open Space - Refunding	4/30/2008	3.50/4.20%	8/1/2017	870,396	870,396	-	28,867	841,529
City Buildings - Refunding	10/15/1997	4.4/4.9%	11/15/2010	357,960	76,950	-	26,220	50,730
City Buildings	1/15/2001	4.25/6.0%	1/15/2021	375,000	283,913	-	15,742	268,171
City Buildings	6/1/2002	3.5/5.25%	7/15/2021	1,625,000	1,314,744	-	69,022	1,245,722
Library - Refunding	4/30/2008	3.50/4.20%	8/1/2017	2,546,610	2,546,610	-	88,923	2,457,687
Recreation	1/15/2001	4.25/6.0%	1/15/2021	3,000,000	2,271,296	-	125,926	2,145,370
Recreation	6/15/2003	2.5/5.0%	6/15/2023	3,000,000	2,476,800	-	118,800	2,358,000
Recreation - Refunding	4/30/2008	3.50/4.20%	8/1/2017	870,396	870,396	-	28,867	841,529
Public Safety	6/15/2003	2.5/5.0%	6/15/2023	2,000,000	1,375,600	-	139,600	1,236,000
Public Safety	8/15/2004	2.5/5.0%	8/15/2024	5,500,000	4,983,000	-	191,400	4,791,600
Transportation - Refunding	4/30/2008	3.50/4.20%	8/1/2017	1,004,699	1,004,699	-	34,065	970,634
Senior Center - Refunding	10/15/1997	4.4/4.9%	11/15/2010	2,865,564	616,005	-	209,898	406,107
Senior Center - Refunding	6/1/2002	3.0/5.0%	10/15/2014	235,573	118,242	-	19,681	98,561
Animal Shelter	1/15/2001	4.25/6.0%	1/15/2021	1,000,000	757,098	-	41,975	715,123
Total Governmental Funds Bonds Payable				\$ 75,802,067	\$ 60,851,033	\$ -	\$ 3,997,017	\$ 56,854,016

CITY OF WARWICK, RHODE ISLAND
Notes to the Financial Statements
June 30, 2009

NOTE 6 – LONG-TERM LIABILITIES (continued)

E. SCHEUDLE OF BONDS AND LOANS PAYABLE

	Date of Issuance	Interest Rate	Date of Maturity	Authorized and Issued	Outstanding July 1, 2008	New Issues	Maturities During Year	Outstanding June 30, 2009
Enterprise Funds								
Bonds Payable								
Water Debt - Refunding	6/1/2002	3.0/5.0%	10/15/2014	\$ 985,358	\$ 494,578	\$ -	\$ 82,324	\$ 412,254
Water Debt	6/1/2002	3.5/5.25%	7/15/2021	1,500,000	1,213,609	-	63,711	1,149,898
Water Debt	6/15/2003	2.5/5.0%	6/15/2023	1,500,000	1,238,400	-	59,400	1,179,000
Water Debt - Refunding	2008	3.50/4.20%	8/1/2017	45,714	45,714	-	4,821	40,893
Sewer - Refunding	10/15/1997	4.4/4.9%	11/15/2010	715,920	153,900	-	52,440	101,460
Sewer	1/15/2001	4.25/6.0%	1/15/2021	2,500,000	1,892,747	-	104,938	1,787,809
Sewer	6/1/2002	3.5/5.25%	7/15/2021	1,000,000	809,072	-	42,474	766,598
Sewer - Refunding	6/1/2002	3.0/5.0%	10/15/2014	582,467	292,357	-	48,664	243,693
Sewer	6/15/2003	2.5/5.0%	6/15/2023	1,000,000	825,600	-	39,600	786,000
Sewer	8/15/2004	2.5/5.0%	8/15/2024	1,000,000	906,000	-	34,800	871,200
Sewer	1/15/2006	3.75/5.00%	1/15/2026	15,000,000	14,025,000	-	525,000	13,500,000
Sewer - Refunding	2008	3.50/4.20%	8/1/2017	3,066,990	3,066,990	-	179,811	2,887,179
Total Enterprise Funds Bonds Payable				28,896,449	24,963,967	-	1,237,983	23,725,984
Loans Payable								
PLUS SRF - 1ST	3/12/1992	3.16%	9/1/2013	3,500,000	1,050,000	-	175,000	875,000
PLUS SRF - 2ND	3/1/1993	3.11%	9/1/2015	3,100,000	1,509,000	-	166,000	1,343,000
PLUS SRF - 3RD	12/28/1995	2.82%	9/1/2016	3,996,000	1,798,200	-	199,800	1,598,400
PLUS SRF - 4TH	4/1/1997	2.97%	9/1/2016	10,000,000	4,736,842	-	526,316	4,210,526
PLUS SRF - 5TH	6/26/1998	2.57%	9/1/2019	10,200,000	6,601,887	-	463,053	6,138,834
PLUS SRF - 6TH	8/25/1999	2.84%	9/1/2019	14,750,000	10,631,561	-	756,127	9,875,434
PLUS SRF - 7TH	12/19/2000	2.90%	9/1/2020	20,232,323	14,422,094	-	929,119	13,492,975
PLUS SRF - 8TH	4/25/2002	1.25%	9/1/2022	12,000,000	9,627,450	-	517,939	9,109,511
PLUS SRF - 9TH	10/24/2002	1.00%	9/1/2022	20,000,000	16,533,434	-	921,608	15,611,826
PLUS SRF - 10TH	11/13/2003	1.34%	9/1/2024	20,000,000	17,409,000	-	884,000	16,525,000
PLUS SRF - 11TH	12/30/2004	1.40%	9/1/2025	20,000,000	18,284,000	-	875,000	17,409,000
PLUS SRF - 12TH	12/15/2005	1.41%	9/1/2026	5,000,000	4,750,000	-	250,000	4,500,000
PLUS SRF - 13TH	12/21/2006	1.27%	9/1/2027	9,500,000	9,500,000	-	475,000	9,025,000
PLUS SRF - 14TH	12/12/2007	1.685/2.145%	9/1/2026	6,942,000	6,942,000	-	-	6,942,000
PLUS SRF - 15TH	4/30/2008	4.85%	3/1/2028	4,000,000	4,000,000	-	125,000	3,875,000
Total Enterprise Funds Loans Payable				163,220,323	127,795,468	-	7,263,962	120,531,506
Total Enterprise Funds Bonds and Loans Payable				192,116,772	152,759,435	-	8,501,945	144,257,490

NOTE 7 – OPERATING LEASES

The School Department has entered into operating leases for equipment. As of June 30, 2009 future minimum rental commitments under operating leases are as follows:

<u>FISCAL YEAR ENDED JUNE 30,</u>	
2010	\$ 15,875
2011	4,680
2012	3,609
2013	<u>1,185</u>
Future minimum rental commitments	<u>\$25,348</u>

Rental expenditures related to operating leases were approximately \$124,139 in fiscal year 2009.

CITY OF WARWICK, RHODE ISLAND
Notes to the Financial Statements
June 30, 2009

NOTE 8 – NET ASSETS/FUND BALANCES

The Government-Wide Financial Statements utilize a net asset presentation. Net assets are categorized as invested in capital assets, net of related debt, restricted and unrestricted.

Invested in Capital Assets, Net of Related Debt – This category groups all capital assets into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

Restricted Net Assets – This category presents external restrictions imposed by grantors or laws and regulations.

Unrestricted Net Assets – This category represents net assets of the City, not restricted for any project or other purpose.

The following net assets restrictions are included in the Government-Wide Financial Statements:

Debt service payments – To restrict net assets held for debt service in accordance with the City's trust indenture.

Education programs – To restrict net assets to be used for education programs in accordance with grant agreements.

Community development loans – To restrict net assets to be used for community development loans in accordance with grant agreements.

City clerk records preservation – To restrict net assets to be used for City clerk records preservation in accordance with State Laws.

Public safety programs – To restrict net assets to be used for public safety programs in accordance with Federal and State Laws and grant agreements.

In the Fund Financial Statements, reserves and designations segregate portions of fund balance that are either not available or have been earmarked for specific purposes. At June 30, 2009, reservations and designations of fund balance are described below:

Reserve for Encumbrances – To reserve for purchase commitments, which have not lapsed at year-end, but do not constitute an expenditure or liability.

Reserve for Claims and Judgments – To reserve a portion of the fund balance for claims and judgments.

Reserve for Advance to School Unrestricted Fund – To reserve funds advanced to the School Unrestricted Fund which do not constitute a current financial resource.

Reserve for education – To reserve funds for School capital improvements.

Reserve for School Restricted Funds – To reserve School State set aside funds.

Reserve for Revolving Loans – To reserve funds held in escrow for home improvement loans.

CITY OF WARWICK, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 9 - INTERFUND BALANCES

The City reports interfund balances between many of their funds. The totals of all balances agree with the sum of interfund balances presented in the fund statements.

<i>Due To</i>	<i>Due From</i>						<i>Total</i>		
	<i>General Fund</i>	<i>School Unrestricted Fund</i>	<i>Non-major Governmental Funds</i>	<i>Sewer Fund</i>	<i>Sewer Assessment Fund</i>	<i>Water Fund</i>		<i>Non-major Enterprise Funds</i>	<i>Trust and Agency Funds</i>
General Fund	-	-	2,215,752	6,510,983	1,561	728,874	167,734	93,246	9,718,150
School Unrestricted Fund	3,638,266	-	-	-	-	-	-	-	3,638,266
Non-Major Governmental Funds	612,158	-	1,300,791	-	-	-	-	-	1,912,949
Sewer Fund	-	-	-	-	-	22,282	16,030	274	38,586
Sewer Assessment Fund	-	-	-	-	-	-	-	-	-
Water Fund	-	-	-	-	-	-	-	-	-
Non-Major Enterprise Funds	-	-	-	1,955,077	-	2,600,000	5,000	-	4,560,077
Internal Service Funds	-	-	-	-	-	-	-	-	-
Trust and Agency Funds	7,164	-	-	-	-	-	-	-	7,164
Total	4,257,588	-	3,516,543	8,466,060	1,561	3,351,156	188,764	93,520	19,875,192

The balances primarily result from the time lag between the dates the 1) transactions are recorded in the accounting system and 2) payments between funds are made.

An advance to the School Unrestricted Fund from the General Fund of \$1,843,201 is also reflected in the Governmental Fund Statements.

NOTE 10 - INTERFUND TRANSFERS

<i>Transfers To</i>	<i>Transfers From</i>						<i>Total</i>		
	<i>General Fund</i>	<i>School Unrestricted Fund</i>	<i>Non-major Governmental Funds</i>	<i>Sewer Fund</i>	<i>Sewer Assessment Fund</i>	<i>Water Fund</i>		<i>Non-major Enterprise Funds</i>	<i>Trust and Agency Funds</i>
General Fund	-	-	2,679,523	-	-	-	-	-	2,679,523
School Unrestricted Fund	123,468,068	-	-	-	-	-	-	-	123,468,068
Non-Major Governmental Funds	8,781,249	543,974	670,951	-	-	-	100,000	-	10,096,174
Sewer Fund	-	-	-	-	5,963,000	-	116,797	-	6,079,797
Sewer Assessment Fund	-	-	-	-	-	-	-	-	-
Water Fund	-	-	-	-	-	-	2,530,432	-	2,530,432
Non-Major Enterprise Funds	-	-	-	25,000	-	-	5,000	-	30,000
Internal Service Funds	213,255	-	-	-	-	-	-	-	213,255
Trust and Agency Funds	-	-	-	-	-	-	-	-	-
Total	132,462,572	543,974	3,350,474	25,000	5,963,000	-	2,752,229	-	145,097,249

Transfers are used to move revenues from the fund that the budget requires to collect them to the funds that the budget requires to expend them. For example, the transfer of \$123,468,068 is the School Unrestricted Funds appropriation that is budgeted in the General Fund as a revenue source to be transferred to the School and expended.

CITY OF WARWICK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 12 DIFFERENCES BETWEEN GOVERNMENTAL FUND BALANCE SHEET AND THE STATEMENT OF NET ASSETS.

"Total fund balances" of the city's governmental funds (\$11,928,446) differs from "net assets" of governmental activities (\$20,225,264) reported in the statement of net assets. This difference primarily results from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets. The effect of the differences is illustrated below.

Balance Sheet / Statement of Net Assets				
	Total Governmental Funds	Long-term Assets/ Liabilities (1)	Reclassifications and Eliminations (2)	Statement Net Assets Totals
Assets				
Cash and cash equivalents	\$ 11,156,264	-	\$ 473,625	\$ 11,629,889
Investments	2,944,792	-	-	2,944,792
Accounts receivable:				
Accrued interest receivable	-	3,121,908	-	3,121,908
Real estate & personal property taxes receivable	3,830,278	-	-	3,830,278
Due from federal and state governments	10,957,218	-	-	10,957,218
Other receivables	7,398,565	(832,515)	152,356	6,718,406
Due from other funds	15,269,365	-	(7,860,487)	7,408,878
Advances to other funds	1,843,201	-	(1,843,201)	-
Other assets	3,249,897	547,015	-	3,796,912
Land	-	18,680,138	-	18,680,138
Depreciable capital assets	-	105,127,554	-	105,127,554
Construction in progress	-	52,154	-	52,154
Total assets	56,649,580	126,696,254	(9,077,707)	174,268,127
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued expenses	17,099,721	-	248,925	17,348,646
Accrued interest payable	-	849,434	-	849,434
Due to federal and state governments	109,824	-	-	109,824
Due to other funds	7,774,131	-	(7,774,131)	-
Advances from other funds	1,843,201	-	(1,843,201)	-
Deferred revenue: taxes collected in advance	4,634,837	-	-	4,634,837
Deferred revenue: uncollected property taxes	2,932,109	(2,932,109)	-	-
Deferred revenue: other	6,838,411	(4,247,060)	-	2,591,351
Other liabilities	3,488,900	-	-	3,488,900
Long-term liabilities				
Due within one year	-	7,220,387	-	7,220,387
Due in more than one year	-	117,799,484	-	117,799,484
Total liabilities	44,721,134	118,690,136	(9,368,407)	154,042,863
Fund Balances/Net Assets				
Total fund balances/net assets	11,928,446	8,006,118	290,700	20,225,264
Total liabilities and fund balances/net assets	\$ 56,649,580	\$ 126,696,254	\$ (9,077,707)	\$ 174,268,127

CITY OF WARWICK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 12. DIFFERENCES BETWEEN GOVERNMENTAL FUND BALANCE SHEET AND THE STATEMENT OF NET ASSETS (continued)

(1) When capital assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the cost of these assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the City as a whole.

Land	\$ 18,680,138
Construction in progress	52,154
Cost of capital assets	352,270,975
Accumulated depreciation	(247,143,421)
	\$ 123,859,846

Because the focus of governmental funds is on short term financing, some assets will not be available to pay for current-period expenditures. Those assets (for example receivables) are offset by deferred revenues in the governmental funds and thus are not included in the fund balance.

Allowance for uncollectible receivables	\$ (832,515)
Adjustment of deferred revenue	\$ 7,179,169

Interest on long-term debt is accrued in the statement of net assets but is not accrued in governmental funds, rather it is recognized as an expenditure when due.

Adjustment of accrued interest expense	\$ (849,434)
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Accrued interest receivable on property taxes are reported as revenue in the government-wide financial statements in the period earned. In the governmental funds financial statements, interest on property taxes is reported when received.

Adjustment of accrued interest receivable	\$ 3,121,908
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Long-term liabilities applicable to the city's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term are reported in the statement of net assets.

Bonds & notes payable	\$ (56,854,016)
Capital leases	(3,736,392)
Amortized premium on bonds	(830,173)
Deferred amount on refunding	565,814
Net pension obligation	(21,877,353)
Net other post employment benefit obligation	(30,606,627)
Accrued compensated absences	(9,927,537)
Accrued retroactive payroll	(1,753,587)
	\$ (125,019,871)

Bond issue costs

Bond issue costs	\$ 547,015
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(2) The Internal Service Fund is used by management to charge the costs of worker's compensation claims. The assets and liabilities of the Internal Service Fund are included in governmental activities in the government-wide Statement of net assets.

The elimination of internal balances of governmental and business type activities.	\$ 290,700
	\$ (9,617,332)

The reclassification of internal balances of fiduciary funds.

The reclassification of internal balances of fiduciary funds.	\$ 86,356
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CITY OF WARWICK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 13. DIFFERENCES BETWEEN GOVERNMENTAL FUND OPERATING STATEMENTS AND THE STATEMENT OF ACTIVITIES

The "net change in the fund balances" for governmental funds (\$1,799,900) differs from the "change in net assets" for governmental activities (\$21,602,554) 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 tax	\$ 194,214,398	\$ 990,278	\$ -	\$ -	\$ -	\$ 195,204,676
Interest on taxes	1,376,875	351,841	-	-	-	1,728,716
Intergovernmental revenue	61,419,605	6,319,011	-	-	-	67,738,616
Federal revenue - SFSF	2,224,260	-	-	-	-	2,224,260
State contribution to pension plan	6,319,011	(6,319,011)	-	-	-	-
Charges for services	12,531,573	188,551	-	-	-	12,720,124
Interest on investments	152,401	-	-	-	-	152,401
Contributions and private grants	187,375	-	-	-	-	187,375
Other revenues	11,126,985	-	-	4,475	-	11,131,460
Total revenues	289,552,483	1,530,670	-	4,475	-	291,087,628
Expenditures						
Current:						
Executive and administrative	4,872,291	2,202,690	18,363	352,133	624,220	8,069,697
Public safety	41,233,284	31,399,794	836,678	-	15,571,302	89,041,058
Recreation	1,812,641	999,631	483,217	-	35,510	3,330,999
Public libraries	2,588,469	1,283,778	212,816	-	335,786	4,420,849
Social services	2,079,240	596,988	78,429	-	121,218	2,875,875
Planning and economic development	2,716,404	502,357	20,610	-	166,268	3,405,639
Public works	11,687,121	3,707,449	5,662,503	-	937,272	21,994,345
Employee benefits, fixed costs and capital	40,692,687	(40,692,687)	-	-	-	-
Education	165,475,272	6,319,011	1,700,822	-	791,083	174,286,188
Cafeteria operations	3,005,016	-	-	-	-	3,005,016
State contribution to pension plan	6,319,011	(6,319,011)	-	-	-	-
Debt service	8,757,692	112,655	-	-	(6,509,831)	2,360,516
Total expenditures	291,239,128	112,655	9,013,438	352,133	12,072,828	312,790,182
Other financing uses/changes in net assets						
Net transfers (to) from other funds	(113,255)	-	-	213,255	-	100,000
Net change for the year	\$ (1,799,900)	\$ 1,418,015	\$ (9,013,438)	\$ (134,403)	\$ (12,072,828)	\$ (21,602,554)

CITY OF WARWICK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 13. DIFFERENCES BETWEEN GOVERNMENTAL FUND OPERATING STATEMENTS AND THE STATEMENT OF ACTIVITIES (continued)

(1) Because some property taxes and other receivables will not be collected for several months after fiscal year ends, they are not considered as "available" revenues in the governmental funds.

Deferred revenue property taxes	\$ 990,278
Deferred revenue special revenue funds	188,551
	\$ 1,178,829

Interest expense in the statement of activities differs from the amount reported in governmental funds. Accrued interest was calculated for bonds and notes payable. This represents the change from the prior year.

Accrued interest expenditure adjustment	\$ (112,655)
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Interest revenue in the statement of activities differs from the amount reported in governmental funds. Accrued interest was calculated for property taxes not paid as of year end. This represents the change from the prior year.

Accrued interest revenue adjustment	\$ 351,841
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Employee benefits, fixed costs, capital expenditures, and state contribution to the pension plan were reclassified to the appropriate program. Other revenues were reclassified to charges for services and intergovernmental revenues.

Employee benefits, fixed costs, capital expenditures, and state contribution to the pension plan were reclassified to the appropriate program. Other revenues were reclassified to charges for services and intergovernmental revenues.	\$ 40,692,687
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(2) When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources expended, whereas net assets decrease by the amount of depreciation expense charged for the year.

Capital outlay	\$ 462,070
Depreciation expense	(9,475,508)
Difference	\$ (9,013,438)

(3) Internal service funds are used by management to charge the cost of certain activities, such as workers compensation insurance coverage to individual funds. The adjustments for internal service funds "close" those funds by charging additional amounts or reducing expenditures to the governmental funds thus eliminating any surplus or deficit on the internal service fund.

Internal service funds are used by management to charge the cost of certain activities, such as workers compensation insurance coverage to individual funds. The adjustments for internal service funds "close" those funds by charging additional amounts or reducing expenditures to the governmental funds thus eliminating any surplus or deficit on the internal service fund.	\$ (134,403)
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(4) Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not recorded as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net assets.

As a result, debt proceeds and repayment of principal are reported as other financing sources and expenditures respectively in the governmental funds. Other long-term liabilities are reported as expenditures in the governmental funds when due and payable.

Net decrease in compensated absences	\$ 543,949
Net increase in the net pension obligation	(6,794,816)
Net increase in the net other post-employment benefit obligation	(15,204,338)
Net decrease in the accrued retroactive payroll	2,872,546
Net decrease in the amortized premium on bonds	82,657
Net decrease in the deferred amount on refunding	(89,634)
Principal payments made	6,567,443
Difference	\$ (12,022,193)

Bond issue costs are reported as expenditures in the Governmental Funds financial statements. The cost and related accumulated amortization is reflected as an other asset on the Government-Wide financial statements.

Bond issue costs are reported as expenditures in the Governmental Funds financial statements. The cost and related accumulated amortization is reflected as an other asset on the Government-Wide financial statements.	\$ (50,635)
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Amortization expense of bond issue costs

CITY OF WARWICK, RHODE ISLAND
Notes to the Financial Statements
June 30, 2009

NOTE 13 – DISAGGREGATION OF RECEIVABLE AND PAYABLE BALANCES

A. ACCOUNTS RECEIVABLE

The City disaggregates significant components of receivables in the financial statements except for other receivables.

Other receivables included in the following items at June 30, 2009:

	<u>Fund Statements</u> <u>Other Receivables</u>	<u>Allowance for</u> <u>Uncollectible</u> <u>Accounts</u>	<u>Government-Wide</u> <u>Statements Other</u> <u>Receivables, Net</u>
General Fund-			
Miscellaneous receivables	\$ 533,791	\$ -	\$ 533,791
School Unrestricted Fund			
Tuition, use of building, Medicaid and miscellaneous receivables	876,709	-	876,709
Community Development Fund -			
Home improvement loans receivable	2,059,381	(155,689)	1,903,692
Special Detail Fund -			
Detail fees receivable	226,768	-	226,768
Rescue Service Fund -			
Rescue service fees receivable	2,417,234	(676,826)	1,740,408
Lead Reduction Program -			
Lead reduction loans receivable	1,272,819	-	1,272,819
Other Nonmajor Governmental Funds -			
Miscellaneous receivables	11,863	-	11,863
On-Site Revolving Loan Fund			
Loans receivable	62,780	-	62,780
Sewer Fund -			
Septage and miscellaneous receivables	41,996	-	41,996
Internal Service Fund -			
Deposit receivable	66,000	-	66,000
Amounts due from fiduciary funds reclassified on the government-wide financial statements	93,454	-	93,454
Total	<u>\$ 7,662,795</u>	<u>\$ (832,515)</u>	<u>\$ 6,830,280</u>

CITY OF WARWICK, RHODE ISLAND
Notes to the Financial Statements
June 30, 2009

NOTE 13 – DESEGREGATION OF RECEIVABLE AND PAYABLE BALANCES (continued)

The following accounts receivable were also net of allowance for uncollectible accounts at June 30, 2009:

<u>Fund / Description</u>	<u>Allowance for Uncollectible Accounts</u>
General Fund – Real estate and personal property taxes	\$15,382,648
Sewer Fund – Sewer use fees	352,091
Industrial Pretreatment Fund – Sewer use fees	62,571

The City expects to collect net accounts receivable during the subsequent year except as follows:

- 1) Sewer assessments receivable – are payable over 20 years.
- 2) Community development loans receivable – are payable over a number of years based on the individual loan agreements.
- 3) On-Site revolving loans receivable – are payable over a number of years based on the individual loan agreements.

B. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The accounts payable and accrued liabilities at June 30, 2009 were as follows:

	<u>Vendors</u>	<u>Salaries & Benefits</u>	<u>Other</u>	<u>Total</u>
Governmental Activities:				
General Fund	\$ 2,787,245	\$ 995,368	\$ -	\$ 3,782,613
School Unrestricted Fund	9,583,820	2,438,538	-	12,022,358
Other Governmental Funds	1,265,649	29,101	-	1,294,750
Reconciliation of balances in fund financial statements to government-wide statements	-	-	248,925	248,925
	<u>\$ 13,636,714</u>	<u>\$ 3,463,007</u>	<u>\$ 248,925</u>	<u>\$ 17,348,646</u>
Business-Type Activities:				
Sewer Fund	\$ 629,693	\$ 74,717	\$ 8,207	\$ 712,617
Water Fund	784,975	43,405	-	828,380
Other Enterprise Funds	45,617	5,903	-	51,520
	<u>\$ 1,460,285</u>	<u>\$ 124,025</u>	<u>\$ 8,207</u>	<u>\$ 1,592,517</u>

CITY OF WARWICK, RHODE ISLAND
Notes to the Financial Statements
June 30, 2009

NOTE 14 – OTHER POST EMPLOYMENT BENEFITS

A. OTHER POST-EMPLOYMENT BENEFITS - CITY

Plan Description

The City of Warwick administers a single-employer defined benefit healthcare plan. This plan does not include the pension benefits discussed in Note 18. The plan provides medical/drug and dental (police officers only) 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.

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, 2009, 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, 2009, the City contributed \$6,705,018 for City employees.

Membership

At July 1, 2009, membership consisted of:	<u>Town, Police, Fire</u>
Active employees:	784
Pre-medicare retirees:	439
Medicare retirees:	<u>327</u>
Total:	<u>1,550</u>

Annual OPEB Cost and Net OPEB Obligation

Actuarial Valuation Date <u>July 1,</u>	Actuarial Value of Assets <u>(a)</u>	Accrued Liability (AAL) <u>(b)</u>	Unfunded AAL (UAAL) <u>(b-a)</u>	Funded Ratio <u>(a/b)</u>	Covered Payroll <u>(c)</u>	UAAL as a Percentage of Covered Payroll <u>((b-a)/c)</u>
2009	-	210,272,745	210,272,745	-	N/A	N/A

CITY OF WARWICK, RHODE ISLAND
Notes to the Financial Statements
June 30, 2009

NOTE 14 – OTHER POST EMPLOYMENT BENEFITS (continued)

Actuarial Methods and Assumptions

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

Valuation Date:	July 1, 2009
Actuarial Cost Method:	Projected unit credit cost method
Asset Valuation Method:	Plan is currently unfunded
Payroll Growth Rate:	3.2%
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, 2009:

Annual Required Contribution	\$ 18,856,800
Interest on OPEB	466,593
Adjustments to OPEB	(660,408)
Annual Pension Cost	<u>18,662,985</u>
Contributions Made	<u>(6,705,018)</u>
Increase (Decrease) in net pension obligation	11,957,967
OPEB obligation, beginning of year	<u>11,664,836</u>
OPEB obligation, end of year	<u><u>\$ 23,622,803</u></u>

B. OTHER POST-EMPLOYMENT BENEFITS - SCHOOL

Plan Description

The Warwick School Department administers a single-employer defined benefit healthcare plan. This plan does not include the pension benefits discussed above. The plan provides medical/drug and dental (police officers only) benefits for eligible retirees and their dependents through the District'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 District and respective unions. The plan does not issue a publicly available financial report. Retirement eligibility for OPEB benefits for all classes of employees are the same eligibility as required for all pension calculations discussed above.

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, 2009, 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, 2009, the Warwick School Department contributed \$1,692,036 for its employees.

CITY OF WARWICK, RHODE ISLAND
Notes to the Financial Statements
June 30, 2009

NOTE 14 – OTHER POST EMPLOYMENT BENEFITS (continued)

Membership

At July 1, 2009, membership consisted of:	<u>School Employees</u>
Active employees:	1,412
Pre-medicare retirees:	285
Medicare retirees:	<u>n/a</u>
Total:	<u>1,697</u>

Annual OPEB Cost and Net OPEB Obligation

Actuarial Valuation Date July 1,	Actuarial Value of Assets (a)	Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	-	47,479,237	47,479,237	-	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:

Valuation Date:	July 1, 2009
Actuarial Cost Method:	Projected unit credit cost method
Asset Valuation Method:	Plan is currently unfunded
Payroll Growth Rate:	3.2%
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, 2009:

Annual Required Contribution	\$ 5,553,088
Interest on OPEB	160,449
Adjustments to OPEB	<u>(231,466)</u>
Annual Pension Cost	5,482,071
Contributions Made	<u>(1,692,036)</u>
Increase (Decrease) in net pension obligation	3,790,035
OPEB obligation, beginning of year	<u>4,011,213</u>
OPEB obligation, end of year	<u><u>\$ 7,801,248</u></u>

CITY OF WARWICK, RHODE ISLAND
Notes to the Financial Statements
June 30, 2009

NOTE 15 – SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

A. LITIGATION

The city keeps a reserve for contingencies of \$600,000 in order to fund potential claims in excess of the insurance policy limits.

During the ordinary course of its operations, the City is also a party to various other claims, legal actions and complaints. In the opinion of the City's management and legal counsel, no prediction of the probable outcome or potential liability, if any, can be made on these matters or these/matters are not anticipated to have a material financial impact to the City's financial statements.

B. FEDERALLY ASSISTED PROGRAMS -COMPLIANCE AUDITS

The City participates in a number of federally assisted programs. The audits of these programs through the year ended June 30, 2009 were audited in connection with the accompanying financial statements under the Single Audit Concept and the reports thereon are presented in the Single Audit Section of this report. The amount, if any, of expenditures that may be disallowed cannot be determined but is not expected to be material to the financial position of the City.

C. COMMITMENTS

The City has the following contract commitments as of June 30, 2009:

Sewer Fund	<u>\$ 4,391,828</u>
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NOTE 16 – RISK MANAGEMENT

The City of Warwick 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. Settled claims resulting from these risks have not exceeded the Trust coverage in any of the past three fiscal years.

On July 1, 1980 the City of Warwick implemented a workers' compensation self-insurance program. Prior to this, the City had purchased commercial insurance for its workers' compensation risks. The workers' compensation self-insurance program was reported as part of the City's General Fund through June 30, 1996. In fiscal 1997 an Internal Service Fund was established.

CITY OF WARWICK, RHODE ISLAND
Notes to the Financial Statements
June 30, 2009

NOTE 16 – RISK MANAGEMENT (continued)

The City oversees the workers' compensation self-insurance program and claims payment services are provided by Claim Strategies, the third-party administrator. In order to avoid catastrophic losses, the City has purchased excess insurance for losses greater than \$300,000 per occurrence.

The claims liability of \$248,925 reported in the Internal Service Fund at June 30, 2009 is based on the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

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

	<i>Current Year</i>	<i>Balance</i>
	<i>Beginning Fiscal Year Liability</i>	<i>Fiscal Year End</i>
	<i>Claims & Changes In Estimate</i>	<i>Claims Payments</i>
2002-2003	\$139,303	\$170,663
2003-2004	170,663	388,253
2004-2005	388,253	106,555
2005-2006	106,555	112,824
2006-2007	112,824	182,341
2007-2008	182,341	110,047
2008-2009	110,047	248,925

NOTE 17 – SUBSEQUENT EVENT

In October 2009, the City entered into a loan agreement with Rhode Island Clean Water Financing Agency. The loan is a combination SRF loan and stimulus grant. The total loan proceeds were \$1,347,627. The stimulus portion (titled "principal forgiveness") amounted to \$178,601, and the City must repay the remainder of \$1,169,026.

CITY OF WARWICK, RHODE ISLAND
Notes to the Financial Statements
June 30, 2009

NOTE 18 – PENSION PLANS

A. CITY EMPLOYEES' PENSION PLAN:

Plan Description

The City of Warwick City Employees Pension Plan covers all City employees not covered by other plans. Non-elected employees are eligible to participate after 6 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 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, 2007 employee membership data related to the pension plan was as follows:

Active members	435
Retirees and beneficiaries	319
Terminated vested investments	23
Non-vested terminated members	<u>24</u>
	<u>777</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 2.50% of 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 total 80 or more. Effective September 1, 1994, an elected official is eligible upon attainment of age 55 with at least 6 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 for months 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 non-elected 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 in a lump sum payment of his or her accumulated contributions with interest at any time prior to commencement of retirement benefits.

CITY OF WARWICK, RHODE ISLAND
Notes to the Financial Statements
June 30, 2009

NOTE 18 – PENSION PLANS (continued)

A non-elected 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.

A non-elected 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 non-elected member with 10 years of creditable service or any married elected member with 6 year 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 before retirement benefit equal to one lump sum pay 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).

Funding Policy – Non-elected plan members contribute 7% of their annual base compensation and longevity compensation and elected plan members contribute 7% of their annual base compensation plus \$20 per month. The City is required to contribute an actuarially determined amount each year. Administrative costs are included in the actuarial valuation as part of the normal cost and financed through contributions.

Summary of Significant Accounting Policies

Basis of Accounting – The City Employees Pension Trust Fund I's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and 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.

Method Used to Value Investments – Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates.

CITY OF WARWICK, RHODE ISLAND
Notes to the Financial Statements
June 30, 2009

NOTE 18 – PENSION PLANS (continued)

Annual Pension Cost and Net Pension Obligation

The City's annual pension cost and net pension obligation to the City Employees Pension Plan for the current year are as follows:

Annual Required Contribution	3,340,223
Annual Pension Cost	3,340,223
Contributions Made	(3,340,223)
Increase (Decrease) in net pension obligation	-
Net pension obligation, beginning of year	-
Net pension obligation, end of year	-

Payment of this item is in transit at year-end and therefore accrued in the entity wide financial statements.

The City's annual contribution to the plan was determined as part of the July 1, 2007 actuarial valuation using the Entry Age Normal Actuarial Cost method and is based upon a funding policy which provides for the payment of the normal cost with interest plus an amount which will amortize the February 1, 1988 unfunded actuarial accrued liability as a level percentage of pay over the period ending June 30, 2007. Any subsequent increases or decreases in the actuarial accrued liability attributable to plan changes, changes in assumptions or methods, or experience gains or losses will be amortized as a level percentage of pay over a 20 year period from the date they are determined. The amortization period remaining on the unfunded actuarial accrued liability at July 1, 2006 was 10.5 years on a closed basis. The actuarial assumptions included a) 8% investment rate of return (net of investment expenses), and b) projected salary increases of 5.25% per year, which includes a 0.75% annual merit increase and a 0.5% longevity increase. The assumptions did not include post retirement health insurance benefit increases, which are funded by the City on a pay-as-you-go basis. Assets used for valuation purposes are equal to the market value less half the excess of the market value over the "asset value before adjustment," as defined by the City's pension ordinances. The asset value before adjustment is a component of the annual determination of the cost-of-living increase payable to retirees. The asset value before adjustment for a given valuation date is developed as follows. First, the previous year's asset value before adjustment is increased by 200% of the prior-year actuarial present value of the cost-of-living adjustment provided to retirees as of the current July 1. Next, this value is brought forward to the current July 1 by adding contributions made to the plan, and subtracting benefits and administrative expenses paid by the plan during the plan year. Finally, this amount is credited with interest for the year at a rate equal to the negotiated pay increases for active employees during the year plus 3% to arrive at the current July 1 asset value before adjustment.

<u>FISCAL</u> <u>YEAR</u> <u>ENDING</u>	<u>ANNUAL</u> <u>PENSION</u> <u>COST (APC)</u>	<u>PERCENTAGE</u> <u>OF (APC)</u> <u>CONTRIBUTED</u>	<u>NET</u> <u>PENSION</u> <u>OBLIGATION</u>
6/30/07	\$3,165,215	100.0%	\$ -
6/30/08	3,211,753	100.0%	-
6/30/09	3,340,223	100.0%	-

CITY OF WARWICK, RHODE ISLAND
Notes to the Financial Statements
June 30, 2009

NOTE 18 – PENSION PLANS (continued)

Funded Status and Funding Progress

As of July 1, 2008, the most recent actuarial valuation date, the plan was 79.2% funded. The actuarial accrued liability for benefits was \$103,090,691 and the actuarial value of assets was \$81,654,940, resulting in an unfunded actuarial accrued liability (UAAL) of \$21,435,751. The covered payroll (annual payroll of active employees covered by the plan) was \$20,447,173, and the ratio of the UAAL to covered payroll was 104.8%.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

B. POLICE PENSION II PLAN:

Plan Description

The City of Warwick's Police Pension II 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. However, the City Employees Pension Plan has been audited as part of the City's Pension Trust Funds reported in the City's financial statements.

As of July 1, 2007, employees' membership data related to the pension plan was as follows:

Active members	178
Retirees and beneficiaries	108
Non-vested terminated members	<u>1</u>
	<u>287</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 percent of annual salary at retirement plus incremental increases of 2 percent per year between the 20th and 25th years, and annual increases of 3 percent between the 26th and 30th years. For pension purposes, annual salary includes regular, longevity, and holiday pay.

A member who is unable to perform active duty as a result of a 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 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 non-service 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 terminations after the completion of ten years of service but prior to eligibility for retirement, the employee is eligible for a deferred benefit equal to 2-1/2 percent of annual salary at termination, multiplied by the number of full years of service, payable on the 20th anniversary of employment.

CITY OF WARWICK, RHODE ISLAND
Notes to the Financial Statements
June 30, 2009

NOTE 18 – PENSION PLANS (continued)

The plan provides death benefits to a participant's spouse and dependents that dies while actively employed. For a service related death, the annual benefit is 50% of the deceased member's highest annual salary, payable to the surviving spouse until death or earlier remarriage. For a 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 earlier 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 deaths 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.

Funding Policy – Plan members contribute a percentage of their covered earnings (regular, holiday, and longevity) equal to one third of the actuarially determined contribution rate. The City is required to contribute two thirds of the actuarially determined contribution rate. Administrative costs are net against investment return in the actuarial valuation.

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. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and 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.

Method Used to Value Investments – Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates.

Annual Pension Cost and Net Pension Obligation

The City's annual pension cost and net pension obligation to the Police II Pension Plan for the current year are as follows:

Annual Required Contribution	2,369,750
Annual Pension Cost	2,369,750
Contributions Made	(2,369,750)
Increase (Decrease) in net pension obligation	-
Net pension obligation, beginning of year	-
Net pension obligation, end of year	-

CITY OF WARWICK, RHODE ISLAND
Notes to the Financial Statements
June 30, 2009

NOTE 18 – PENSION PLANS (continued)

The City's annual contribution to the plan was determined as part of the July 1, 2007 actuarial valuation using the Entry Age Normal Actuarial Cost method and is based upon a funding policy which provides for the payment of the normal cost with interest plus a 20-year amortization of the unfunded actuarial accrued liability as of July 1, 1989 as a level percentage of pay plus 25-year amortizations of changes in the unfunded actuarial accrued liability attributable to plan amendments, changes in actuarial methods or assumptions, and actuarial experience gains and losses as a level percentage of pay. The amortization period remaining on the unfunded actuarial accrued liability at July 1, 2005 was 4.8 years on a closed basis. The actuarial assumptions included a) 8% investment rate of return (net of investment and administrative expenses), and b) projected salary increases of 5.25% per year, which includes a 0.75% promotional increase and a 0.5% longevity increase; and c) cost-of-living increases of 3% annually. The assumptions did not include post retirement health insurance benefit increases, which are funded by the City on a pay-as-you-go basis. Assets used for the purpose of determining the contribution level are equal to the fair market value of assets adjusted to recognize the difference between actual investment return and expected return over a five-year period at 20% per year.

<u>FISCAL YEAR ENDING</u>	<u>ANNUAL PENSION COST (APC)</u>	<u>PERCENTAGE OF (APC) CONTRIBUTED</u>	<u>NET PENSION OBLIGATION</u>
6/30/07	\$2,359,189	100.0%	\$ -
6/30/08	2,285,974	100.0%	-
6/30/09	2,369,750	100.0%	-

Funded Status and Funding Progress

As of July 1, 2007, the most recent actuarial valuation date, the plan was 104.9% funded. The actuarial accrued liability for benefits was \$119,787,659, and the actuarial value of assets was \$125,715,755, resulting in an unfunded actuarial accrued liability (UAAL) of \$(5,928,096). The covered payroll (annual payroll of active employees covered by the plan) was \$11,676,883, and the ratio of the UAAL/(funding excess) to covered payroll was 50.8%.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

C. POLICE PENSION I AND FIRE PENSION PLAN

Plan Description

The City of Warwick's Police Pension I and Fire Pension Plan cover all City police officers who 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. 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 Employee's Pension Plan.

CITY OF WARWICK, RHODE ISLAND
Notes to the Financial Statements
June 30, 2009

NOTE 18 – PENSION PLANS (continued)

As of July 1, 2007, employees' membership data related to the pension plan was as follows:

	Police	Fire
Active members	1	99
Retirees and beneficiaries	<u>116</u>	<u>254</u>
	<u>117</u>	<u>353</u>

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

Benefit Provisions – Firefighters – Participating firefighters in the plan who have completed twenty years of service are eligible for retirement. The normal retirement benefit for fire department participants is 50 percent of highest annual salary plus 1% of salary for each year of service in excess of 20 years (maximum 10). 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 3% 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 incapacitated, is eligible for disability retirement. The service related disability benefit for disabilities involving heart, lung, cancer or other Social Security disabilities is 66-2/3 percent of 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 salary. The other service related and non-service related disability benefit is equal to 50% of highest annual salary.

A member is eligible for a return of contributions without interest for terminations prior to the completion of ten years of service. For terminations after completion of ten years of service but prior to eligibility for retirement, the employee is eligible for a deferred benefit equal to 2-1/2 percent of highest annual salary, 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 that dies while actively employed. The service related death benefit is 50% of the deceased member's highest annual salary, payable to the surviving spouse until death or earlier remarriage. The non-service related death benefit is 30% of the deceased member's highest annual salary, payable to the surviving spouse until death or earlier remarriage. 10% of the deceased member's highest annual salary is payable to each surviving child until the age of 18 (or for life if such child is permanently disabled prior to the member's death). The maximum family death benefit is 75% of the deceased's highest annual salary for service related deaths and 50% of highest annual salary for non-service related deaths. 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.

CITY OF WARWICK, RHODE ISLAND
Notes to the Financial Statements
June 30, 2009

NOTE 18 – PENSION PLANS (continued)

Benefit Provisions – Police Officers – Benefits provided to remaining active police officers 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). The City is required to contribute an actuarially determined amount each year calculated in accordance with its pension ordinances. The statutory contribution level is not determined in accordance with GASB 27 requirements as it includes a 40-year amortization of the unfunded actuarial liability as a level percentage of payroll. Administrative costs are net against investment return in the actuarial valuation.

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. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and 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.

Method Used to Value Investments – Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates.

The City's annual pension cost and net pension obligation to the Police I and Fire Pension Plan for the current year are as follows:

Annual Required Contribution	19,551,645
Interest on ARC	1,155,006
Adjustments to ARC	(1,234,041)
Annual Pension Cost	19,472,610
Contributions Made	(12,620,739)
Increase (Decrease) in net pension obligation	6,851,871
Net pension obligation, beginning of year	14,437,574
Net pension obligation, end of year	21,289,445

The City's annual contribution to the plan was determined as part of the July 1, 2005 actuarial valuation using the Entry Age Normal Actuarial Cost method and is based upon a funding policy which provides for the payment of the normal cost plus an amount which will amortize the July 1, 1995 unfunded actuarial accrued liability as a level percentage of payroll over a 40 year period ending June 30, 2035 plus 20-year amortization of experience gains or losses, method changes, assumption changes or plan changes since July 1, 1995 as a level percentage of payroll. This funding policy is based on the City's pension ordinances. The funding policy does not comply with GASB Statement No. 27 that requires the annual required contribution be determined using an amortization period not in excess of 30 years. GASB Statement No. 27 also required amortization payments in a closed plan, such as this one, either be based on a level-payment approach or reflect the expected

CITY OF WARWICK, RHODE ISLAND
Notes to the Financial Statements
June 30, 2009

NOTE 18 – PENSION PLANS (continued)

decrease in future payroll for the closed active group. The above annual required contribution was computed using a 30-year level payment amount as required by GASB. The amortization period remaining on the unfunded actuarial accrued liability at July 1, 2005 was 30 years on a closed basis. The actuarial assumptions included a) 8% investment rate of return (net of investment and administrative expenses), and b) projected salary increases of 5.25% per year, which includes a 0.75% promotional increase and a 0.50% longevity increase; and c) cost-of-living increases indexed in accordance with the base salary increases provided to active employees. The assumptions did not include post retirement health insurance benefit increases, which are funded by the City on a pay-as-you-go basis. Assets used for the purposes of determining the contribution level are equal to the fair market value of assets, adjusted to recognize the difference between actual investment return and expected return over a five-year period at 20% per year.

<u>FISCAL YEAR ENDING</u>	<u>ANNUAL PENSION COST (APC)</u>	<u>PERCENTAGE OF (APC) CONTRIBUTED</u>	<u>NET PENSION OBLIGATION</u>
6/30/07	\$19,719,971	62.3%	\$ 7,436,556
6/30/08	19,775,769	64.6%	14,437,574
6/30/09	19,551,645	64.5%	21,289,445

Funded Status and Funding Progress

As of July 1, 2007, the most recent actuarial valuation date, the plan was 27.2% funded. The actuarial accrued liability for benefits was \$279,252,361, and the actuarial value of assets was \$75,998,043, resulting in an unfunded actuarial accrued liability (UAAL) of \$203,254,318. The covered payroll (annual payroll of active employees covered by the plan) was \$7,594,897, and the ratio of the UAAL/(funding excess) to covered payroll was 2676.2%.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

D. FIRE PENSION II PLAN:

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 financial report that includes financial statements and required supplementary information (RSI) for the Fire II Pension Plan.

CITY OF WARWICK, RHODE ISLAND
Notes to the Financial Statements
June 30, 2009

NOTE 18 – PENSION PLANS (continued)

As of July 1, 2007 employees' membership data related to the pension plan was as follows

Active members	115
Retired members and beneficiaries	<u>1</u>
Total	<u>116</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 average salary for each year of service in excess of 20 up to 25, plus 3% for each year of service from 25 to 30. For pension purposes, annual salary includes regular, holiday and longevity pay.

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 disabilities 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 non-service related disabilities is 50% of the member's average salary.

The plan provides death benefits to a member's spouse and dependents for those members who die while actively employed. The service related death benefit is 50% of the deceased member's average salary, payable to the surviving spouse until death or earlier remarriage. The non-service related death benefit is 30% of the deceased member's average salary, payable to the surviving spouse until death or earlier remarriage. 10% of the deceased member's average salary is payable to each surviving child until the age of 18 (or for life if such child is permanently disabled prior to the member's death). The maximum family death benefit is 75% of the deceased's average salary for service related deaths and 50% of average salary for non-service related deaths. 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 completion of 10 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 net against investment return in the actuarial valuation. For fiscal year 2008-2009, employees were required to contribute 9.28% and the City was required to contribute 18.57% of covered earnings.

CITY OF WARWICK, RHODE ISLAND
Notes to the Financial Statements
June 30, 2009

NOTE 18 – PENSION PLANS (continued)

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. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and 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.

Method Used to Value Investments – Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates.

Annual Pension Cost and Net Pension Obligation

The City's annual pension cost and net pension obligation to the Fire II Pension Plan for the current year are as follows:

Annual Required Contribution	1,535,840
Annual Pension Cost	1,535,840
Contributions Made	(1,535,840)
Increase (Decrease) in net pension obligation	-
Net pension obligation, beginning of year	-
Net pension obligation, end of year	-

The City's annual contribution to the plan was determined as part of the July 1, 2007 actuarial valuation using the Entry Age Normal Actuarial Cost method and is equal to the sum of the following a) normal cost with interest and b) the sum of the 20-year amortizations of any changes in the unfunded actuarial accrued liability after May 29, 1992 attributable to plan amendments, actuarial method or assumption changes or experience gains or losses as a level percentage of pay. These amounts are amortized with annual percentage increases equal to the base pay increase assumption. The amortization period remaining on the unfunded actuarial accrued liability at July 1, 2007 was 26.5 years on a closed basis. The actuarial assumptions included a) 8% investment rate of return (net of investment and administrative expenses), and b) projected salary increases of 5.25%, which includes a 0.75% promotional increase and a 0.5% longevity increase; and c) cost-of-living increases of 3% annually. The assumptions did not include post retirement health insurance benefit increases, which are funded by the City on a pay-as-you-go basis. Assets used for the purposes of determining the contribution level are equal to the fair market value of assets, adjusted to recognize the difference between actual investment return and expected return over a five-year period at 20% per year.

<u>FISCAL YEAR ENDING</u>	<u>ANNUAL PENSION COST (APC)</u>	<u>PERCENTAGE OF (APC) CONTRIBUTED</u>	<u>NET PENSION OBLIGATION</u>
6/30/07	\$ 1,334,416	100.0%	\$ -
6/30/08	1,432,908	100.0%	-
6/30/09	1,535,840	100.0%	-

CITY OF WARWICK, RHODE ISLAND
Notes to the Financial Statements
June 30, 2009

NOTE 18 – PENSION PLANS (continued)

E. EMPLOYEES' RETIREMENT SYSTEM OF THE STATE OF RHODE ISLAND

All Warwick Public Schools certified school personnel participate in the Employees' Retirement System of the State of Rhode Island ("System"), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Rhode Island. The System issues a publicly available financial report that includes financial statements and required supplementary information for the City. The financial report may be obtained by writing to Employees Retirement System of Rhode Island, 40 Fountain Street, Providence, Rhode Island, 02903-1854 or by calling (401) 222-2203.

Plan Description

State Statute establishes the following eligibility and benefit provisions. All City certified school personnel are eligible to participate in the System if the Board of Regents certifies them they are engaged in teaching as principal occupation and are regularly employed on at least a half time basis. Employees who retire at or after age 60 with 10 years of credited service, or after 28 years of credited service regardless of age are entitled to a retirement benefit. The retirement benefit is equal to 1.7% of their final-average salary for each year of credited service up to 10 years, plus 1.9% of their final average salary in excess of 10 years through 20 years, plus 3% of their final average salary in excess of 20 years up to the 34th years of service, plus 2% of their final average salary for the 35th year, up to a maximum benefit of 80% of their final average salary. Final average salary is the three highest consecutive years of earned salary exclusive of overtime, bonuses, or severance pay. Employees are vested in their retirement benefits on completion of 10 years of service. Retirees' benefits are adjusted annually by 3% compounded, to allow for increases in cost of living. Cost of living adjustments begin on the January 1st following the third anniversary of an employee's retirement. There were no changes in the method and assumptions in the June 30, 2006 actuarial valuation to determine plan cost. The system also provides death and disability benefits. The System also provides pre-retirement benefits at a minimum of 17% of salary for non-occupational disabilities after 5 years of service and at 67% of salary for occupational disabilities regardless of service. Surviving spouses are also eligible for both pre and post-retirement benefits with minimum amounts established under varying circumstances.

Funding Policy

Rhode Island general laws set the contribution rates for participating State employees at 9.5% of salary. Annual contributions by both employers and the State on behalf of those employees are determined by actuaries and assessed as percentage of participants' payroll. The City was required to contribute 11.89%, 13.04%, and 11.62%, for all full-time employees for fiscal years 2009, 2008, and 2007, respectively. The 2009 contribution rates are based on the State of Rhode Island's FY 2009 Pension Reform Reconciliation. The required contributions include (a) normal costs; (b) payments to amortize the unfunded frozen actuarial accrued liability as of July 1, 1985 over 30 years; and (c) interest on the unfunded frozen actuarial liability. Normal cost is determined using the entry age normal cost method with frozen initial liability. Both employers and employees contribute 1% of the first \$9,600 of salary for survivor benefits. A variety of significant actuarial assumptions are used and these assumptions are summarized below:

- A. ***Mortality*** – 1994 Group Annuity Mortality Tables.
- B. ***Investment return*** – 8.25 percent, compounded annually.
- C. ***Salary increase*** - Salaries will increase at a rate of 4.5-13.25 percent, compounded annually.

CITY OF WARWICK, RHODE ISLAND
Notes to the Financial Statements
June 30, 2009

NOTE 18 – PENSION PLANS (continued)

D. *Retirement age* - Teachers are assumed to retire at the later of age 60 with 10 years of service credit or any age with at least 28 years service credit.

E. *Cost of living adjustments* – 3.0 percent compounded annually beginning on the January 1st following a participant’s third anniversary of retirement.

As prescribed by Rhode Island general law, the State pays the entire portion of the annual required contribution attributable to the costs of contributions deferred by the State in prior years plus 40% of contributions assessed to employers on payroll not reimbursable through Federal programs. This resulted in contribution rates paid by the State on behalf of the School Department of 10.17% of non-federally reimbursable payrolls totaling \$6,319,011 for the fiscal year ended June 30, 2009.

The School Department does not have any investments or related party investment with the State Plan.

Annual Pension Cost and Net Pension Obligation

The School Department's annual pension cost and net pension obligation to the School Employee Pension Plan for the current year are as follows:

Required Contributions:

<u>FISCAL YEAR ENDING</u>	<u>ANNUAL PENSION COST (APC)</u>	<u>PERCENTAGE OF (APC) CONTRIBUTED</u>	<u>NET PENSION OBLIGATION</u>
6/30/07	\$ 8,802,858	100%	\$ -
6/30/08	10,625,301	100%	-
6/30/09	9,658,194	100%	-

F. WARWICK PUBLIC SCHOOLS EMPLOYEE’S PENSION PLAN:

Plan Description

The School administers the Warwick Public Schools Employee Pension Plan, a single-employer defined benefit public employee pension plan. . There is no separate financial report issued for the pension plan. However, the City Employees Pension Plan has been audited as part of the City’s Pension Trust Funds reported in the City's financial statements.

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 considered eligible if they are a) employed 20 hours or more per week and covered under the collective bargaining unit agreement or b) employed 20 hours or more per week in a non-certified management position or c) an elected School Committee member.

CITY OF WARWICK, RHODE ISLAND
Notes to the Financial Statements
June 30, 2009

NOTE 18 – PENSION PLANS (continued)

As of July 1, 2009, employee membership data related to the pension plan is as follows:

Active members	433
Deferred vested	13
Retired membership	<u>106</u>
	<u>552</u>

Participants are eligible for normal retirement at the later of age 62 or 10 years of plan participation or at any age upon the 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 average monthly earning times years of participation greater than 20. 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 of the last 10 years.

The yearly amount of annuity 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.

Funding Policy

Plan members contribute 5% of earnings during the plan year. The School contributes based on an annual actuarial valuation. Administrative costs are included in the actuarial valuation as part of the normal cost and financed through contributions.

Summary of Significant Accounting Policies

Basis of Accounting – The School Employees Pension Trust Fund's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and 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.

Method Used to Value Investments - Investments is reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates.

CITY OF WARWICK, RHODE ISLAND
Notes to the Financial Statements
June 30, 2009

NOTE 18 – PENSION PLANS (continued)

Annual Pension Cost and Net Pension Obligation

The school's annual pension cost and net pension obligation to the Plan for the current year are as follows:

Annual Required Contribution	1,569,248
Interest on ARC	45,147
Adjustments to ARC	(102,202)
Annual Pension Cost	1,512,193
Contributions Made	(1,569,248)
Increase (Decrease) in net pension obligation	(57,055)
Net pension obligation, beginning of year	644,963
Net pension obligation, end of year	587,908

The school's annual contribution to the plan was determined as part of the July 1, 2009 actuarial valuation.

The actuarially determined contribution was calculated using the frozen initial liability cost method. Under this method, the annual cost is equal to the normal cost, plus amortization of unfunded accrued liabilities over a fixed period of years, selected with the minimum (10 years) and maximum (5 to 30 years) periods. The actuarial assumptions included a) 7% investment rate of return and b) projected salary increases of 3.25% c) no assumed cost-of-living increases. The assumptions did not include post retirement health insurance benefit increases, which are funded by the Schools on a pay-as-you-go basis. Assets used for the purposes of determining the contribution are equal to the current book value of plan assets reported by Aetna, and market value of assets reported by USI Securities, Inc., plus accrued contributions.

<u>FISCAL</u> <u>YEAR</u> <u>ENDING</u>	<u>ANNUAL</u> <u>PENSION</u> <u>COST (APC)</u>	<u>PERCENTAGE</u> <u>OF (APC)</u> <u>CONTRIBUTED</u>	<u>NET</u> <u>PENSION</u> <u>OBLIGATION</u>
6/30/07	\$ 1,664,789	72.1%	\$843,494
6/30/08	1,322,553	115.0%	644,963
6/30/09	1,512,193	103.7%	587,908

The School has an unfunded actuarial accrued liability which is disclosed in the schedule of funding progress.

Funded Status and Funding Progress

As of July 1, 2008, the most recent actuarial valuation date, the plan was 84.6% funded. The actuarial accrued liability for benefits was \$39,704,426, and the actuarial value of assets was \$33,594,082, resulting in an unfunded actuarial accrued liability (UAAL) of \$6,110,344. The covered payroll (annual payroll of active employees covered by the plan) was \$14,832,271, and the ratio of the UAAL to covered payroll was 41.2%.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

CITY OF WARWICK, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 18 - PENSION PLANS (continued)

G: WARWICK STATEMENT OF FIDUCIARY NET ASSETS AND STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS FOR PENSION TRUST FUNDS

Shown below is the Statement of Fiduciary Net Assets and the Statement of Changes in Fiduciary Net Assets for each of the pension plans described above that was audited as part of the City's Pension Trust Funds present in the financial statements.

	Police Pension I and Fire Pension	Police Pension II	Fire Pension II	City Employees Pension	Other School Department Employees	Total
ASSETS						
Cash and cash equivalents	\$ 1,661,960	\$ 880,020	\$ 178,839	\$ 1,368,152	\$ 593,476	\$ 4,682,447
Investments, at fair value:						
Equity pool	7,010,652	11,534,615	1,472,129	7,524,176	-	27,541,572
Equity small cap funds	8,362,753	15,865,431	2,085,972	9,244,731	-	35,558,887
Fixed income pool	24,997,284	47,103,537	6,445,066	28,059,559	-	106,605,446
Index funds	13,447,870	26,295,545	3,532,940	16,246,162	-	59,522,517
International equity funds	2,489,856	4,212,272	652,910	2,842,762	-	10,197,800
Immediate participation guarantee contracts	-	-	-	-	7,044,870	7,044,870
Mutual funds	-	-	-	-	21,131,957	21,131,957
Total investments	56,308,415	105,011,400	14,189,017	63,917,390	28,176,827	267,603,049
Interest receivable	403	147	171	261	-	982
Other receivable	-	-	-	1,670,112	969,248	2,639,360
Total receivables	403	147	171	1,670,373	969,248	2,640,342
Total Assets	57,970,778	105,891,567	14,368,027	66,955,915	29,739,551	274,925,838
LIABILITIES						
Accounts payable and accrued expenses	55,957	90,108	12,014	90,241	-	248,320
Total liabilities	55,957	90,108	12,014	90,241	-	248,320
NET ASSETS						
Held in trust for pension benefits	\$ 57,914,821	\$ 105,801,459	\$ 14,356,013	\$ 66,865,674	\$ 29,739,551	\$ 274,677,518

CITY OF WARWICK, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 18 - PENSION PLANS (continued)

	Police Pension I and Fire Pension	Police Pension II	Fire Pension II	City Employees Pension	Other School Department Employees	Total
ADDITIONS						
Contributions						
Employer	\$ 12,620,739	\$ 2,369,750	\$ 1,535,840	\$ 3,340,223	\$ 1,569,248	\$ 21,435,800
Plan members	493,970	1,184,875	767,920	1,566,119	827,862	4,840,746
Total contributions	<u>13,114,709</u>	<u>3,554,625</u>	<u>2,303,760</u>	<u>4,906,342</u>	<u>2,397,110</u>	<u>26,276,546</u>
Investment income						
Interest and dividend income	8,144	4,045	7,636	7,983	926,659	954,467
Net appreciation (depreciation) in fair value of investments	(12,007,782)	(20,268,498)	(2,650,585)	(13,021,578)	(4,698,683)	(52,647,126)
Less: investment expense	(203,149)	(373,825)	(47,750)	(262,406)	(414)	(887,544)
Net investment income	<u>(12,202,787)</u>	<u>(20,638,278)</u>	<u>(2,690,699)</u>	<u>(13,276,001)</u>	<u>(3,772,438)</u>	<u>(52,580,203)</u>
Total additions	<u>911,922</u>	<u>(17,083,653)</u>	<u>(386,939)</u>	<u>(8,369,659)</u>	<u>(1,375,328)</u>	<u>(26,303,657)</u>
DEDUCTIONS						
Benefits paid	17,787,184	4,703,356	109,609	6,398,917	894,991	29,894,057
Administrative expense	29,293	11,781	6,634	20,690	79,899	148,297
Annuity purchases	-	-	-	-	1,588,661	1,588,661
Total deductions	<u>17,816,477</u>	<u>4,715,137</u>	<u>116,243</u>	<u>6,419,607</u>	<u>2,563,551</u>	<u>31,631,015</u>
Change in net assets	<u>(16,904,555)</u>	<u>(21,798,790)</u>	<u>(503,182)</u>	<u>(14,789,266)</u>	<u>(3,938,879)</u>	<u>(57,934,672)</u>
Net assets - beginning of year	74,819,376	127,600,249	14,859,195	81,654,940	33,678,430	332,612,190
Net assets - end of year	<u>\$ 57,914,821</u>	<u>\$ 105,801,459</u>	<u>\$ 14,356,013</u>	<u>\$ 66,865,674</u>	<u>\$ 29,739,551</u>	<u>\$ 274,677,518</u>

CITY OF WARWICK, RHODE ISLAND
Notes to the Financial Statements
June 30, 2009

NOTE 19 – PRIOR PERIOD ADJUSTMENT

A. OPEB OBLIGATION

The OPEB liability reported on the June 30, 2008 Financial Statements did not agree to the Actuarial report because on the Financial Statements, the actual contributions made were used while the Actuarial report used the expected contributions for the calculation of the OPEB liability. This resulted in the City's June 30, 2008 ending net OPEB obligation being overstated by \$99,955 while the School's net OPEB obligation was understated by \$732,053. In fiscal year 2009 the City and School made the expected contribution. The variance was changed with a prior period adjustment shown below for both the City and the School's OPEB obligation in the net amount of \$632,098. Below is the City and School's OPEB calculation restated as on 6/30/2008.

City of Warwick - Net OPEB Cost and Obligation Calculation

Annual Required Contribution	18,095,438
Interest on OPEB	-
Adjustment to ARC	-
Annual OPEB cost	<u>18,095,438</u>
Contributions made	<u>(6,330,647)</u>
Increase (Decrease) in OPEB obligation	11,764,791
Net OPEB obligation, beginning of year	-
Net OPEB obligation, end of year	<u>11,764,791</u>
Prior period adjustment	<u>(99,955)</u>
Net OPEB obligation, end of year - restated	<u><u>11,664,836</u></u>

Warwick School Dept. - Net OPEB Cost and Obligation Calculation

Annual Required Contribution	4,670,104
Interest on OPEB	-
Adjustment to ARC	-
Annual OPEB cost	<u>4,670,104</u>
Contributions made	<u>(1,390,944)</u>
Increase (Decrease) in OPEB obligation	3,279,160
Net OPEB obligation, beginning of year	-
Net OPEB obligation, end of year	<u>3,279,160</u>
Prior period adjustment	<u>732,053</u>
Net OPEB obligation, end of year - restated	<u><u>4,011,213</u></u>

CITY OF WARWICK, RHODE ISLAND
Notes to the Financial Statements
June 30, 2009

NOTE 19 – PRIOR PERIOD ADJUSTMENT (continued)

B. SCHOOL RESTRICTED FUNDS

On the June 30, 2008 financial statements the School's Literacy Set Aside Fund and the Commercial Food Fund were included in the Special Revenue non-major governmental funds with an ending fund balance of \$166,335 and \$2,822 respectively. These funds were included as part of the School Unrestricted Fund on the June 30, 2009 financial statements which resulted in an increase of fund balance in the School Unrestricted Fund and a decrease of fund balance in the Special Revenue non-major governmental funds of \$169,157.