

CITY OF WARWICK, RHODE ISLAND
Notes to Financial Statements
June 30, 2007

The financial statements of the City of Warwick, Rhode Island, have been prepared in conformity with accounting 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 governmental accounting 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.

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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.

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.

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Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally sixty days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the City, 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.

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 sewer assessments related to the construction of the City’s sewer system which are payable over 20 years.

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

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 allowances for uncollectible accounts. The allowances are calculated based on the age of the individual receivables.

Property taxes, which were levied on June 21, 2006 for the current year and other delinquent balances, are recorded as receivables.

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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 capital assets are capitalized at historical or estimated historical cost. Donated capital 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.

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. BOND PREMIUMS AND ISSUANCE COSTS

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

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In the Government-Wide Statements, bond premiums and issuance costs are deferred and amortized over the term of the bonds. Bond premiums are presented as an addition to the face amount of the bonds 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 that will be collected and included in revenues of future fiscal years. In the General Fund, deferred 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 98.1 percent of the total 2006 levy.

The City's fiscal 2007 property taxes were levied on June 21, 2006 (also the lien date) on the assessed valuation as of December 31, 2005. 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, 2003. A revaluation of all real property must be done every nine years. A revaluation was done during fiscal year 2004 and was effective for the fiscal 2005 property tax levy.

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, 2007.

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 amounts are expected to be paid using expendable available financial resources (i.e. upon an employee's resignation or retirement). The balance of the liability not paid with expendable available financial resources is not recorded in the Governmental Fund Financial Statements.

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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, 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.

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NOTE 2 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2007 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental Activities				
Nondepreciable assets:				
Land	\$ 13,600,138	\$ 680,000	\$ -	\$ 14,280,138
Construction in progress	3,163,093	3,588,862	1,492,874	5,259,081
	<u>16,763,231</u>	<u>4,268,862</u>	<u>1,492,874</u>	<u>19,539,219</u>
Depreciable assets:				
Land improvements	9,867,410	119,073	-	9,986,483
Buildings	96,768,091	1,543,341	-	98,311,432
Infrastructure	192,402,248	1,772,318	-	194,174,566
Machinery & equipment	17,818,471	287,749	-	18,106,220
Vehicles	23,337,530	1,451,956	23,017	24,766,469
Total Capital Assets	<u>356,956,981</u>	<u>9,443,299</u>	<u>1,515,891</u>	<u>364,884,389</u>
Less accumulated depreciation for:				
Land improvements	5,867,444	391,289	-	6,258,733
Buildings	41,437,055	2,027,154	-	43,464,209
Infrastructure	141,661,732	5,351,775	-	147,013,507
Machinery & equipment	12,694,417	855,786	-	13,550,203
Vehicles	15,813,045	1,640,905	4,314	17,449,636
Total Accumulated Depreciation	<u>217,473,693</u>	<u>10,266,909</u>	<u>4,314</u>	<u>227,736,288</u>
Governmental Activities Capital Assets, Net	<u>\$139,483,288</u>	<u>\$ (823,610)</u>	<u>\$ 1,511,577</u>	<u>\$137,148,101</u>
Business-Type activities:				
Non-depreciable assets:				
Construction in progress	\$ 17,518,078	\$ 8,176,368	\$ 10,000,246	\$ 15,694,200
	<u>17,518,078</u>	<u>8,176,368</u>	<u>10,000,246</u>	<u>15,694,200</u>
Depreciable assets:				
Buildings	3,602,174	-	-	3,602,174
Machinery & equipment	2,813,382	552,512	98,265	3,267,629
Water distribution system & wastewater collection system	222,936,662	10,933,048	154,129	233,715,581
Total Capital Assets	<u>246,870,296</u>	<u>19,661,928</u>	<u>10,252,640</u>	<u>256,279,584</u>
Less accumulated depreciation for:				
Buildings	875,164	51,527	-	926,691
Machinery & equipment	2,044,494	196,018	98,265	2,142,247
Water distribution system & wastewater collection system	54,400,141	4,998,228	53,953	59,344,416
Total Accumulated Depreciation	<u>57,319,799</u>	<u>5,245,773</u>	<u>152,218</u>	<u>62,413,354</u>
Business-Type Activities Capital Assets, Net	<u>\$189,550,497</u>	<u>\$ 14,416,155</u>	<u>\$ 10,100,422</u>	<u>\$193,866,230</u>

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Depreciation expense was charged to the functions/programs in the Statement of Activities as follows:

Depreciation expense was charged to functions as follows:

Governmental activities

Executive and administration	\$ 36,905	\$ -
Public safety	1,076,486	-
Recreation	478,181	-
Public libraries	207,795	-
Social services	77,717	-
Planning and economic development	21,349	-
Public works	6,530,161	-
Education	1,838,315	-

Business-Type activities

Sewer	-	4,598,036
Water	-	647,737
Total Depreciation Expense	<u>\$ 10,266,909</u>	<u>\$ 5,245,773</u>

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 \$282,556,453. As of June 30, 2007, the City's debt applicable to the debt limitation is under the debt limit by \$217,240,041.

B. DEFICIT FUND BALANCES – The following funds had deficit fund balances as of June 30, 2007:

School Unrestricted Fund \$(672,947)

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 Statement of Net Assets as "Cash and Cash Equivalents."

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	<i>Carrying Amount</i>
Total Deposits	\$19,261,910
Add: Petty Cash	5,161
Add: Investments classified as cash equivalents	17,890,047
<i>Total Cash and Cash Equivalents Reported in the Financial Statements</i>	\$37,157,118

CUSTODIAL CREDIT RISK – Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the City will not be able to recover 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 State Laws as described below. As of June 30, 2007, \$21,642,143 of the City’s bank balance of \$23,137,861 was exposed to custodial credit risk as follows:

	<i>Bank Balance</i>
Insured (Federal depository insurance funds)	\$1,495,718
Collateralized with securities held by pledging financial institution or its agent, in the City’s name	17,653,153
Uninsured and uncollateralized	3,988,990
<i>Total</i>	\$23,137,861

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, 2007, the City’s uncollateralized deposits with depository institutions were \$3,988,990.

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 City Finance Director shall have authority to purchase and invest prudently in the following investments for funds other than pension funds:

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- 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' acceptances 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:

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>
MBIA RI Investment Pool	\$16,361,522	N/A
Treasury Obligation Funds	3,102,509	Not rated
Money Market Funds	466,123	Not rated
Prime Obligation Fund	591,599	Not rated
Immediate Participation Guarantee Contracts	7,707,186	N/A
Mutual Fund – Stable Value	7,059,617	AA+
Mutual Funds – Equity	150,590,777	N/A
Mutual Funds – Fixed Income	1,353,546	AAA
Mutual Funds – Fixed Income	379,667	AA
Mutual Funds – Fixed Income	487,604	A
Mutual Funds – Fixed Income	563,514	B-BB
Mutual Funds – Fixed Income	615,473	B
Mutual of Omaha	2,794	Not rated
State Street Short-Term Investment Fund	6,723,973	Not rated
Corporate Equities	75,803,170	N/A
Bond and Notes	98,047,189	See Note 5 B
Pooled Bonds and Notes – Interest Receivable	1,056,381	N/A
Total Investments	<u>\$370,912,644</u>	
Less: Investments Classified as Cash Equivalents	<u>17,890,047</u>	
Total Investments Reported in the Financial Statements	<u>\$353,022,597</u>	

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Interest Rate Risk – The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – As described above, the City has a formal investment policy that limits the types of investments authorized for funds other than pension funds. 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 the possession of an outside party. The City's investment in corporate equities of \$211,288,220 and bonds and notes of \$98,047,189 are held by the investment's counterparty in the City's name.

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B. The City's investment in bonds and notes had the following credit ratings and maturities as of June 30, 2007.

<u>Investment Type/Rating</u>	<u>Fair Value</u>	<u>Less Than 1</u>	<u>Investment Maturities (in Years)</u>							<u>More Than 30</u>		
			<u>1-5</u>	<u>6-10</u>	<u>11-15</u>	<u>16-20</u>	<u>21-25</u>	<u>25-30</u>				
U.S. Treasury Notes and Bonds:												
AAA	\$ 25,773,851	\$ -	\$ 3,723,830	\$ 16,512,453	\$ 1,270,854	\$ 2,998,839	\$ -	\$ 1,267,875	\$ -			
Federal Home Loan Bank Bonds and Notes:												
AAA	14,324,596	3,489,087	7,956,697	1,461,311	-	-	-	-	1,417,501			
FNMA Bonds and Notes:												
AAA	4,736,666	-	1,250,169	2,374,129	-	-	-	-	1,112,368			
Federal Farm Credit Bank Bonds and Notes:												
AAA	999,204	-	999,204	-	-	-	-	-	-			
Corporate Bonds:												
AAA	13,996,429	1,399,207	2,420,401	1,968,096	1,892,542	-	-	3,553,550	2,211,032	551,601		
AA+	1,488,059	482,476	1,005,583	-	-	-	-	-	-	-		
AA	5,148,001	1,005,807	3,218,896	923,298	-	-	-	-	-	-		
AA-	7,760,027	-	3,002,663	2,058,426	-	1,730,048	-	-	968,890	-		
A+	5,849,803	-	3,095,365	434,985	-	1,388,642	-	692,521	-	238,290		
A	3,239,964	998,851	1,386,555	-	-	-	-	-	503,732	350,826		
A-	2,944,404	1,007,108	1,521,025	416,271	-	-	-	-	-	-		
BBB+	3,225,215	-	1,285,716	750,810	-	503,464	-	685,225	-	-		
BBB	1,364,015	-	-	-	-	244,265	-	-	325,762	793,988		
BBB-	1,465,610	1,003,110	-	-	-	462,500	-	-	-	-		
BB+	999,860	999,860	-	-	-	-	-	-	-	-		
B	976,950	-	976,950	-	-	-	-	-	-	-		
Not Rated	3,754,535	-	262,191	-	-	-	-	2,645,736	846,608	-		
	<u>\$ 98,047,189</u>		<u>\$ 32,105,245</u>	<u>\$ 26,899,779</u>	<u>\$ 3,163,396</u>	<u>\$ 7,327,758</u>	<u>\$ 7,577,032</u>	<u>\$ 8,653,768</u>	<u>\$ 1,934,705</u>			

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NOTE 6 - LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2007 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities					
Bonds and capital leases payable:					
General obligation bonds	\$ 70,174,747	\$ -	\$ 4,858,335	\$ 65,316,412	\$ 4,603,436
Capital lease payable	3,634,725	6,203,000	1,175,000	8,662,725	2,355,907
Plus amortized premium on bonds	427,885	-	26,113	401,772	-
Less deferred amount on refundings	(254,898)	-	(39,215)	(215,683)	-
Total bonds and capital leases payable	<u>73,982,459</u>	<u>6,203,000</u>	<u>6,020,233</u>	<u>74,165,226</u>	<u>6,959,343</u>
Other liabilities:					
Compensated absences	9,577,529	1,189,568	617,528	10,149,569	465,686
Net pension obligation	378,705	7,901,345	-	8,280,050	-
Accrued retroactive payroll	8,132,819	-	724,812	7,408,007	2,407,740
Total Other Liabilities	<u>18,089,053</u>	<u>9,090,913</u>	<u>1,342,340</u>	<u>25,837,626</u>	<u>2,873,426</u>
Governmental Activities Long-Term Liabilities	<u>\$ 92,071,512</u>	<u>\$ 15,293,913</u>	<u>\$ 7,362,573</u>	<u>\$ 100,002,852</u>	<u>\$ 9,832,769</u>
Business-Type Activities					
Bonds and loans payable:					
Water	\$ 3,419,723	\$ -	\$ 221,308	\$ 3,198,415	\$ 206,828
Sewer	144,860,737	9,500,000	7,930,601	146,430,136	7,636,231
Plus amortized premium on bonds	207,530	-	11,567	195,963	-
Less deferred amount on refundings	(88,344)	-	(14,700)	(73,644)	-
Total bonds and loans payable	<u>148,399,646</u>	<u>9,500,000</u>	<u>8,148,776</u>	<u>149,750,870</u>	<u>7,843,059</u>
Compensated absences	<u>294,941</u>	<u>10,916</u>	<u>-</u>	<u>305,857</u>	<u>-</u>
Business-Type Activities Long-Term Liabilities	<u>\$ 148,694,587</u>	<u>\$ 9,510,916</u>	<u>\$ 8,148,776</u>	<u>\$ 150,056,727</u>	<u>7,843,059</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 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 Financial Statements
June 30, 2007

B. GENERAL OBLIGATION BONDS DEBT SERVICE REQUIREMENTS

The debt service requirements at June 30, 2007 were as follows:

<i>Fiscal Year</i> <i>Ending June 30,</i>	<i>Governmental Activities</i> <i>General Obligation</i>		<i>Business-Type Activities</i> <i>Water and Sewer</i>	
	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>
2008	\$ 4,603,436	\$ 2,845,844	\$ 1,306,564	\$ 1,111,631
2009	4,674,312	2,659,499	1,345,688	1,059,351
2010	4,763,372	2,467,495	1,381,628	1,006,179
2011	4,902,290	2,260,059	1,432,710	949,234
2012	4,449,640	2,058,069	1,435,360	890,775
2013-2017	22,060,329	7,355,888	7,594,671	3,540,680
2018-2022	15,907,433	2,782,506	7,197,567	1,906,590
2023-2026	3,955,600	293,776	4,544,400	473,339
	<u>\$65,316,412</u>	<u>\$22,723,136</u>	<u>\$26,238,588</u>	<u>\$10,937,779</u>

C. CAPITAL LEASE COMMITMENTS

The City of Warwick's capital leases consist of three 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, 2007, were as follows:

<i>Fiscal Year</i> <i>Ended June 30,</i>	<i>Total</i>
2008	\$2,626,193
2009	2,447,224
2010	2,153,336
2011	1,060,949
2012	1,025,410
Total minimum lease payments	9,313,112
Less: Amount representing interest cost	(650,387)
Present value of minimum lease payments	<u>\$8,662,725</u>

CITY OF WARWICK, RHODE ISLAND
Notes to Financial Statements
June 30, 2007

D. LOANS PAYABLE

The City of Warwick has entered into thirteen 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 30, 2004	20,000,000	1.40%	September 1, 2006-2025
December 15, 2005	5,000,000	1.41%	September 1, 2007-2026
December 21, 2006	9,500,000	1.27%	September 1, 2008-2027

* City also pays an additional 0.5% finance fee on all loans.

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, 2007, loans payable of \$123,389,963 are reflected in the Sewer Fund. A due from the Rhode Island Clean Water Protection Finance Agency of \$7,710,694 is shown for that portion of the December 21, 2006 loan, which has not been advanced as of June 30, 2007. The City is responsible to draw down and to repay the full amount of the loans.

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

<u>Fiscal Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 6,536,495	\$ 2,710,042
2009	7,138,962	2,630,724
2010	7,271,222	2,460,665
2011	7,408,604	2,284,530
2012	7,551,190	2,103,171
2013-2017	39,335,918	7,652,583
2018-2022	33,837,718	3,100,498
2023-2027	13,834,854	539,678
2028	475,000	4,394
	<u>\$123,389,963</u>	<u>\$23,486,285</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, 2007. 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 and December 21, 2006, 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 Financial Statements
June 30, 2007

E. Schedule of Bonds and Loans Payable

<u>Purpose</u>	<u>Year of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Outstanding July 1, 2006</u>	<u>New Issues</u>	<u>Refunding/Maturities During Year</u>	<u>Outstanding June 30, 2007</u>
Governmental Funds							
Bonds payable:							
School	1993	3.60/6.50	11/01/13	\$ 1,747,600	\$ -	\$ 218,450	\$ 1,529,150
School	1996	4.50/5.70	08/01/16	2,090,000	-	190,000	1,900,000
School	1997	4.50/7.00	02/15/17	3,025,000	-	275,000	2,750,000
School	1998	4.30/6.75	03/01/18	4,780,338	-	314,298	4,466,040
School	2001	4.25/6.00	01/15/21	6,683,951	-	306,173	6,377,778
School	2002	3.50/5.25	07/15/21	5,334,432	-	235,052	5,099,380
School	2003	2.50/5.00	06/15/23	4,500,000	-	182,000	4,318,000
School	2004	3.00/4.75	08/15/24	4,850,000	-	156,000	4,694,000
School	2006	3.75/5.00	01/15/26	2,500,000	-	80,000	2,420,000
Drainage	1998	4.30/6.75	03/01/18	784,832	-	51,601	733,231
Drainage	2003	2.50/5.00	06/15/23	900,000	-	36,400	863,600
Drainage	2004	3.00/4.75	08/15/24	970,000	-	31,200	938,800
Fire	1997	4.50/7.00	02/15/17	137,500	-	12,500	125,000
Fire	1998	4.30/6.75	03/01/18	356,742	-	23,455	333,287
Open Space	1997	4.50/7.00	02/15/17	206,250	-	18,750	187,500
Open Space	1998	4.30/6.75	03/01/18	802,667	-	52,774	749,893
Open Space	2001	4.25/6.00	01/15/21	1,107,030	-	50,710	1,056,320
Open Space	2002	3.50/5.25	07/15/21	1,778,143	-	78,351	1,699,792
City Buildings	2001	4.25/6.00	01/15/21	313,310	-	14,351	298,959
City Buildings	2002	3.50/5.25	07/15/21	1,444,743	-	63,659	1,381,084
Library	1997	4.50/7.00	02/15/17	825,000	-	75,000	750,000
Library	1998	4.30/6.75	03/01/18	2,140,450	-	140,730	1,999,720
Recreation	1997	4.50/7.00	02/15/17	206,250	-	18,750	187,500
Recreation	1998	4.30/6.75	03/01/18	802,667	-	52,774	749,893
Recreation	2001	4.25/6.00	01/15/21	2,506,481	-	114,815	2,391,666
Recreation	2003	2.50/5.00	06/15/23	2,700,000	-	109,200	2,590,800
Public Safety	2003	2.50/5.00	06/15/23	1,645,000	-	131,400	1,513,600
Public Safety	2004	3.00/4.75	08/15/24	5,335,000	-	171,600	5,163,400
Transportation	1997	4.50/7.00	02/15/17	275,000	-	25,000	250,000
Transportation	1998	4.30/6.75	03/01/18	891,854	-	58,638	833,216
Animal Shelter	2001	4.25/6.00	01/15/21	835,493	-	38,272	797,221
Refunding bond	1992	4.50/6.60	11/15/06	323,813	-	323,813	-
Refunding bond	1997	4.40/4.90	11/15/10	3,183,180	-	660,660	2,522,520
Refunding bond	2002	3.00/5.00	10/15/14	4,192,021	-	546,959	3,645,062
Total governmental funds bonds payable				70,174,747	-	4,858,335	65,316,412

(Continued)

CITY OF WARWICK, RHODE ISLAND
Notes to Financial Statements
June 30, 2007

<u>Purpose</u>	<u>Year of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Outstanding July 1, 2006</u>	<u>New Issues</u>	<u>Refunding/ Maturities During Year</u>	<u>Outstanding June 30, 2007</u>
Enterprise Funds							
Bonds payable:							
Water	1996	3.75/5.25	08/01/16	55,000	-	5,000	50,000
Water	2002	3.50/5.25	07/15/21	1,333,609	-	58,763	1,274,846
Water	2003	2.50/5.00	06/15/23	1,350,000	-	54,600	1,295,400
Water refunding	1992	4.50/6.60	11/15/06	16,188	-	16,188	-
Water refunding	2002	3.00/5.00	10/15/14	664,926	-	86,757	578,169
Sewer	1993	3.60/6.50	11/01/13	252,400	-	31,550	220,850
Sewer	1996	4.50/5.70	08/01/16	935,000	-	85,000	850,000
Sewer	1997	4.50/7.00	02/15/17	275,000	-	25,000	250,000
Sewer	1998	4.30/6.75	03/01/18	2,140,450	-	140,730	1,999,720
Sewer	2001	4.25/6.00	01/15/21	2,088,735	-	95,679	1,993,056
Sewer	2002	3.50/5.25	07/15/21	889,073	-	39,175	849,898
Sewer	2003	2.50/5.00	06/15/23	900,000	-	36,400	863,600
Sewer	2004	3.00/4.75	08/15/24	970,000	-	31,200	938,800
Sewer	2006	3.75/5.00	01/15/26	15,000,000	-	475,000	14,525,000
Sewer refunding	1992	4.50/6.60	11/15/06	700,000	-	700,000	-
Sewer refunding	1997	4.40/4.90	11/15/10	261,820	-	54,340	207,480
Sewer refunding	2002	3.00/5.00	10/15/14	393,053	-	51,284	341,769
Total enterprise funds bonds payable				28,225,254	-	1,986,666	26,238,588
Loans payable:							
Sewer	1992	3.16	09/01/13	1,400,000	-	175,000	1,225,000
Sewer	1993	3.11	09/01/15	1,823,500	-	154,500	1,669,000
Sewer	1995	2.82	09/01/16	2,197,800	-	199,800	1,998,000
Sewer	1997	2.97	09/01/16	5,789,473	-	526,315	5,263,158
Sewer	1998	2.57	09/01/19	7,486,890	-	435,789	7,051,101
Sewer	1999	2.84	09/01/19	12,081,832	-	714,997	11,366,835
Sewer	2000	2.90	09/01/20	16,202,477	-	877,462	15,325,015
Sewer	2002	1.25	09/01/22	10,618,625	-	488,283	10,130,342
Sewer	2002	1.00	09/01/22	18,309,609	-	877,097	17,432,512
Sewer	2003	1.34	09/01/24	19,145,000	-	863,000	18,282,000
Sewer	2004	1.40	09/01/25	20,000,000	-	853,000	19,147,000
Sewer	2005	1.41	09/01/26	5,000,000	-	-	5,000,000
Sewer	2006	1.27	09/01/27	-	9,500,000	-	9,500,000
Total enterprise funds loans payable				120,055,206	9,500,000	6,165,243	123,389,963
Total bonds and loans payable				\$ 218,455,207	\$ 9,500,000	\$ 13,010,244	\$214,944,963

CITY OF WARWICK, RHODE ISLAND
Notes to Financial Statements
June 30, 2007

NOTE 7 - OPERATING LEASES

The City has entered into operating leases for equipment. As of June 30, 2007, future minimum rental commitments under operating leases are as follows:

<i>Fiscal Year Ended June 30,</i>	
2008	\$124,140
2009	124,139
2010	24,591
2011	4,680
2012	1,952
Future minimum rental commitments	\$279,502

Rental expenditures related to operating leases were approximately \$103,992 in fiscal year 2007.

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, laws and regulations or contracts.

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

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, 2007, 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.

CITY OF WARWICK, RHODE ISLAND
Notes to Financial Statements
June 30, 2007

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

Designated for Subsequent Year Budget – to designate that portion of fund balance budgeted for use in fiscal year 2008.

CITY OF WARWICK, RHODE ISLAND
Notes to Financial Statements
 June 30, 2007

NOTE 9 - INTERFUND BALANCES

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

	<i>Due From</i>						<i>Total</i>	
	<i>General Fund</i>	<i>School Unrestricted Fund</i>	<i>Nonmajor Governmental Funds</i>	<i>Sewer Fund</i>	<i>Water Fund</i>	<i>Nonmajor Enterprise Funds</i>		<i>Trust and Agency Funds</i>
<i>Due To</i>								
General Fund	\$ (5,714,792)	\$ 3,971,031	\$ 3,898,115	\$ 6,031,922	\$ 1,138,651	\$ 73,184	\$ 146,460	\$ 9,544,571
School Unrestricted Fund	14,917,768	-	-	-	-	-	-	14,917,768
Nonmajor Governmental Funds	1,398,616	94,737	41,890	-	-	-	108,190	1,643,433
Sewer Fund	-	-	-	-	-	16,030	18,776	34,806
Sewer Assessment Fund	81	-	-	-	-	-	-	81
Nonmajor Enterprise Funds	45,889	-	-	1,780,077	2,400,000	12,845	-	4,238,811
Internal Service Fund	9,500	-	-	-	-	-	-	9,500
Trust and Agency Funds	5,793	-	-	-	-	-	-	5,793
<i>Total</i>	<u>\$ 10,662,855</u>	<u>\$ 4,065,768</u>	<u>\$ 3,940,005</u>	<u>\$ 7,811,999</u>	<u>\$ 3,538,651</u>	<u>\$ 102,059</u>	<u>\$ 273,426</u>	<u>\$ 30,394,763</u>

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 \$672,947 is also reflected in the Governmental Fund Statements.

NOTE 10 - INTERFUND TRANSFERS

	<i>Transfer From</i>						<i>Total</i>	
	<i>General Fund</i>	<i>School Unrestricted Fund</i>	<i>Nonmajor Governmental Funds</i>	<i>Sewer Fund</i>	<i>Sewer Assessment Fund</i>	<i>Water Fund</i>		<i>Nonmajor Enterprise Funds</i>
<i>Transfer To</i>								
General Fund	\$ -	\$ -	\$ 2,082,262	\$ -	\$ -	\$ -	\$ 2,082,262	
School Unrestricted Fund	113,125,355	-	-	-	-	-	113,125,355	
Nonmajor Governmental Funds	9,503,169	94,737	539,726	-	-	-	10,287,632	
Sewer Fund	-	-	-	-	5,500,000	-	5,833,363	
Water Fund	-	-	-	-	-	343,917	343,917	
Nonmajor Enterprise Funds	-	-	-	150,000	-	7,845	357,845	
Internal Service Fund	380,759	-	-	-	-	-	380,759	
<i>Total</i>	<u>\$123,009,283</u>	<u>\$ 94,737</u>	<u>\$ 2,621,988</u>	<u>\$ 150,000</u>	<u>\$ 5,500,000</u>	<u>\$ 200,000</u>	<u>\$ 835,125</u>	<u>\$132,411,133</u>

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 \$113,125,355 is the School appropriation that is budgeted in the General Fund as a revenue source to be transferred to the School Unrestricted Fund and expended.

CITY OF WARWICK, RHODE ISLAND
Notes to Financial Statements
 June 30, 2007

NOTE 11 - DIFFERENCES BETWEEN GOVERNMENTAL FUND BALANCE SHEET AND STATEMENT OF NET ASSETS

"Total fund balances" of the City's governmental funds (\$20,078,166) differs from "net assets" of governmental activities (\$63,623,975) 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.

	<i>Balance Sheet/Statement of Net Assets</i>			
	<i>Total Governmental Funds</i>	<i>Long-Term Assets/ Liabilities (1)</i>	<i>Reclassifications and Eliminations (2)</i>	<i>Statement Net Assets Totals</i>
ASSETS				
Cash and cash equivalents	\$ 16,370,481	\$ -	\$ 441,177	\$ 16,811,658
Investments	4,906,465	-	-	4,906,465
Accounts receivable, net:				
Accrued interest receivable	-	2,378,999	-	2,378,999
Real estate & personal property taxes receivable	2,249,874	-	-	2,249,874
Due from federal and state governments	9,897,199	-	-	9,897,199
Other receivables	7,068,188	(752,965)	339,426	6,654,649
Due from other funds	26,105,772	-	(18,926,761)	7,179,011
Advance to other funds	672,947	-	(672,947)	-
Other assets, net	2,841,115	439,010	-	3,280,125
Land	-	14,280,138	-	14,280,138
Depreciable capital assets, net	-	117,608,882	-	117,608,882
Construction in progress	-	5,259,081	-	5,259,081
Total assets	\$ 70,112,041	\$ 139,213,145	\$ (18,819,105)	\$ 190,506,081
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued expenses	\$ 17,497,934	\$ -	\$ 188,134	\$ 17,686,068
Accrued interest payable	-	968,986	-	968,986
Due to federal and state governments	128,806	-	-	128,806
Due to other funds	18,668,628	-	(18,668,628)	-
Advance from other funds	672,947	-	(672,947)	-
Deferred revenue - taxes collected in advance	1,282,874	-	-	1,282,874
Deferred revenue - uncollected property taxes	1,087,782	(1,087,782)	-	-
Deferred revenue - other	7,636,015	(3,882,384)	-	3,753,631
Other liabilities	3,058,889	-	-	3,058,889
Long-term liabilities:				
Due within one year	-	9,832,769	-	9,832,769
Due in more than one year	-	90,170,083	-	90,170,083
Total liabilities	50,033,875	96,001,672	(19,153,441)	126,882,106
Total fund balances/net assets	20,078,166	43,211,473	334,336	63,623,975
Total liabilities and fund balances/net assets	\$ 70,112,041	\$ 139,213,145	\$ (18,819,105)	\$ 190,506,081

CITY OF WARWICK, RHODE ISLAND
Notes to Financial Statements
 June 30, 2007

(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	\$ 14,280,138
Construction in progress	5,259,081
Cost of capital assets	345,345,170
Accumulated depreciation	(227,736,288)
	<u>\$ 137,148,101</u>

Because of the focus of governmental funds is on short term financing, some of the 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

	<u>\$ (752,965)</u>
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Adjustment of deferred revenue

	<u>\$ 4,970,166</u>
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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 payable

	<u>\$ (968,986)</u>
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Accrued interest receivable on property taxes is 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

	<u>\$ 2,378,999</u>
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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 payable	\$ (65,316,412)
Capital leases	(8,662,725)
Amortized premium on bonds	(401,772)
Deferred amount on refunding	215,683
Net pension obligation	(8,280,050)
Accrued compensated absences	(10,149,569)
Accrued retroactive payroll	(7,408,007)
	<u>\$ (100,002,852)</u>

Bond issuance costs

	<u>\$ 439,010</u>
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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.

	<u>\$ 334,336</u>
	<u>\$ (19,335,782)</u>

The elimination of internal balances of governmental activities.

The reclassification of internal receivable balances of fiduciary funds.

	<u>\$ 273,426</u>
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The reclassification of internal payable balances of fiduciary funds.

	<u>\$ 5,793</u>
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CITY OF WARWICK, RHODE ISLAND
Notes to Financial Statements
 June 30, 2007

NOTE 12 - DIFFERENCES BETWEEN GOVERNMENTAL FUND OPERATING STATEMENT AND STATEMENT OF ACTIVITIES

The "net change in the fund balances" for governmental funds (-\$3,528,470) differs from the "change in net assets" for governmental activities (-\$12,218,058) 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.

Statement of Revenues, Expenditures and Changes in Fund Balances/Statement of Activities

	Total Governmental Funds	Long-Term Revenues/ Expenses & Reclassifications (1)	Capital- related Items (2)	Internal Service Fund (3)	Long-term Liability Transactions (4)	Statement of Activities Totals
Revenues and Other Sources						
Revenues:						
General property tax	\$ 177,052,585	\$ 310,187	\$ -	\$ -	\$ -	\$ 177,362,772
Interest on taxes	1,209,003	275,497	-	-	-	1,484,500
Intergovernmental revenue	72,167,517	5,848,558	-	-	-	78,016,075
State contribution to pension plan	5,848,558	(5,848,558)	-	-	-	-
Charges for services	15,798,638	228,998	-	-	-	16,027,636
Interest on investments	1,435,007	-	-	21,158	-	1,456,165
Contributions and private grants	532,283	-	-	-	-	532,283
Other revenues	9,228,876	(69,723)	-	9,500	-	9,168,653
Other sources:						
Proceeds from capital lease	6,203,000	-	-	-	(6,203,000)	-
Total revenues and other sources	<u>289,475,467</u>	<u>744,959</u>	<u>-</u>	<u>30,658</u>	<u>(6,203,000)</u>	<u>284,048,084</u>
Expenditures						
Current:						
Executive and administrative	6,185,376	2,157,878	(116,795)	450,277	26,693	8,703,429
Public safety	44,501,008	29,227,260	(3,527,373)	-	7,688,881	77,889,776
Recreation	2,598,519	1,035,218	(305,680)	-	10,182	3,338,239
Public libraries	2,764,806	1,157,938	158,393	-	14,152	4,095,289
Social services	2,059,600	713,564	(63,455)	-	10,218	2,719,927
Planning and economic development	2,940,637	444,197	(170,812)	-	7,341	3,221,363
Public works	12,708,971	3,761,779	5,223,959	-	62,811	21,757,520
Employee benefits, fixed costs and capital	39,097,834	(39,097,834)	-	-	(71,706)	-
Education	161,925,679	5,848,558	1,136,951	-	-	168,839,482
Cafeteria operations	2,841,531	-	-	-	-	2,841,531
State contribution to pension plan	5,848,558	(5,848,558)	-	-	-	-
Debt service	9,300,659	-	-	-	(6,291,073)	3,009,586
Total expenditures	<u>292,773,178</u>	<u>(600,000)</u>	<u>2,335,188</u>	<u>450,277</u>	<u>1,457,499</u>	<u>296,416,142</u>
Net transfers (to) from other funds	<u>(230,759)</u>	<u>-</u>	<u>-</u>	<u>380,759</u>	<u>-</u>	<u>150,000</u>
Net change in fund balances/net assets	<u>\$ (3,528,470)</u>	<u>\$ 1,344,959</u>	<u>\$ (2,335,188)</u>	<u>\$ (38,860)</u>	<u>\$ (7,660,499)</u>	<u>\$ (12,218,058)</u>

CITY OF WARWICK, RHODE ISLAND
Notes to Financial Statements
 June 30, 2007

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

Deferred revenue - property taxes
 Deferred revenue - special revenue funds

	\$	310,187
		159,275
	\$	469,462

Settlements payable are recorded in the statement of activities but not in the governmental funds, rather it is recognized as an expenditure in the governmental funds when due.

Adjustment to reflect payment of settlement payable

	\$	600,000
		-

Interest revenue in the statement of activities differs from the amount reported in governmental funds. Accrued interest receivable was calculated for property taxes not paid as of year end. This represents the change from the prior year.

Accrued interest revenue adjustment

	\$	275,497
		-

Employee benefits, fixed costs and capital expenditures and state contribution to the pension plan were reclassified to the appropriate program.

(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 assets additions
 Depreciation expense
 Loss on disposal of capital assets

	\$	7,971,346
		(10,266,909)
		(39,625)
	\$	(2,335,188)

(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 the internal service fund "close" the fund by charging additional amounts or reducing expenditures to the governmental funds thus eliminating any surplus or deficit on the internal service fund.

	\$	(38,860)
		-

(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.

Adjustment to remove lease proceeds
 Adjustment to remove principal payments on bonds and leases
 Adjustment to record amortization of bond premium and deferred refunding expense
 Adjustment to record change in long-term compensated absences
 Adjustment to record change in net pension obligation
 Adjustment to record change in accrued retroactive payroll
 Adjustment to remove bond premium to be amortized over the life of the bond

	\$	(6,203,000)
		6,033,335
		(39,215)
		(572,040)
		(7,901,345)
		724,812
		26,113
	\$	(7,931,340)

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

Accrued interest expenditure adjustment

	\$	301,545
		-

Bond issuance costs are reported as expenditures in the governmental funds financial statements. The costs and related amortization is reflected as an other asset on the government-wide statement.

Current year amortization of bond issuance costs

	\$	(30,704)
		-

CITY OF WARWICK, RHODE ISLAND
Notes to Financial Statements
June 30, 2007

NOTE 13 – DISAGGREGATION OF RECEIVABLE AND PAYABLE BALANCES

A. ACCOUNTS RECEIVABLE

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

Other receivables included the following items at June 30, 2007:

	<i>Fund Statements Other Receivables</i>	<i>Allowance for Uncollectible Accounts</i>	<i>Government Wide Statements Other Receivables, Net</i>
General Fund -			
Miscellaneous receivables	\$ 924,212	\$ -	\$ 924,212
School Unrestricted Fund -			
Tuition, use of building, Medicaid and miscellaneous receivables	812,099	-	812,099
Community Development Fund -			
Home improvement loans receivable	1,950,138	(180,694)	1,769,444
Special Detail Fund -			
Detail fees receivable	194,183	-	194,183
Rescue Service Fund -			
Rescue service fees receivable	2,042,827	(572,271)	1,470,556
Lead Reduction Program -			
Lead reduction loans receivable	901,070	-	901,070
1996 Transportation Bond Fund-			
Receivable from City of Cranston	196,175	-	196,175
Other Nonmajor Governmental Funds -			
Miscellaneous receivables	47,484	-	47,484
On Site Revolving Loan Fund -			
Loans receivable	72,660	-	72,660
Sewer Fund -			
Septage and miscellaneous receivables	40,245	-	40,245
Internal Service Fund -			
Deposit receivable	66,000	-	66,000
Amounts due from fiduciary funds reclassified on the government-wide statements	273,426	-	273,426
Total	<u>\$ 7,520,519</u>	<u>\$ (752,965)</u>	<u>\$ 6,767,554</u>

CITY OF WARWICK, RHODE ISLAND
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The following accounts receivable were also net of an allowance for uncollectible accounts at June 30, 2007:

<u>Fund/Description</u>	<u>Allowance for Uncollectible Accounts</u>
General Fund – Real estate and personal property taxes	\$15,282,412
Sewer Fund – Sewer use fees	\$ 341,560
Industrial Pretreatment Fund – Sewer use fees	\$ 41,795

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

- 1) Sewer assessments receivable – are payable over twenty years.
- 2) Community development and lead reduction 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, 2007 were as follows:

	<u>Vendors</u>	<u>Salaries & Benefits</u>	<u>Other</u>	<u>Total</u>
Governmental activities:				
General Fund	\$2,109,876	\$ 615,956	\$ -	\$ 2,725,832
School Unrestricted Fund	2,630,633	10,676,498	-	13,307,131
Other Governmental Funds	945,752	518,876	343	1,464,971
Internal Service Fund	-	182,341	-	182,341
Reconciliation of balances in fund financial statements to government wide statements	-	-	5,793	5,793
	<u>\$5,686,261</u>	<u>\$11,993,671</u>	<u>\$ 6,136</u>	<u>\$ 17,686,068</u>
Business-Type activities:				
Sewer Fund	\$1,370,460	\$ 28,459	\$ -	\$ 1,398,919
Water Fund	739,639	29,449	65,229	834,317
Other Enterprise Funds	16,932	3,931	-	20,863
	<u>\$2,127,031</u>	<u>\$ 61,839</u>	<u>\$ 65,229</u>	<u>\$ 2,254,099</u>

CITY OF WARWICK, RHODE ISLAND
Notes to Financial Statements
June 30, 2007

NOTE 14 - POST EMPLOYMENT BENEFITS

Upon receiving retirement benefits, the City of Warwick pays medical insurance benefits for vested municipal, police and fire employees. Medical coverage, individual or family, is provided for police and fire employees up to age sixty-five. Municipal employees receive medical coverage until age sixty-five and receive a Medicare supplement after age sixty-five. The City provides dental coverage for municipal and police retirees until age sixty-five.

The Warwick Public Schools pays fifty percent or one hundred percent, dependent upon years of service, of the cost of medical insurance benefits for all eligible certified employees until the employee reaches the age of 65. Warwick Public Schools also pays 100 percent of the cost of medical insurance benefits for all other eligible non-certified employees for a maximum of three years or until age sixty-five.

The City of Warwick funds post retirement benefits on a pay as you go basis. Expenditures for post retirement benefits for the year ending June 30, 2007 were approximately \$8,409,256. These benefits are provided in accordance with the terms of union contracts.

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 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, 2007 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 will not be material to the financial position of the City.

CITY OF WARWICK, RHODE ISLAND
Notes to Financial Statements
June 30, 2007

C. COMMITMENTS

The City has the following contract commitments as of June 30, 2007:

Sewer Fund:	\$5,356,031
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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 that 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.

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 \$182,341 reported in the Internal Service Fund at June 30, 2007 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.

CITY OF WARWICK, RHODE ISLAND
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Changes in the workers' compensation claims liability are as follows:

	<i>Beginning Fiscal Year Liability</i>	<i>Current Year Claims and Changes In Estimate</i>	<i>Claims Payments</i>	<i>Balance Fiscal Year End</i>
2001-2002	\$261,762	\$226,388	\$348,847	\$139,303
2002-2003	139,303	409,848	378,488	170,663
2003-2004	170,663	857,380	639,790	388,253
2004-2005	388,253	83,033	364,731	106,555
2005-2006	106,555	377,258	370,989	112,824
2006-2007	112,824	450,276	380,759	182,341

NOTE 17 – SUBSEQUENT EVENTS

A. The City issued \$6,942,000 in Rhode Island Clean Water Finance Agency revenue loans on December 12, 2007. The loans bear interest of 1.185 – 1.645% and mature on September 1, 2009 – September 1, 2028.

NOTE 18 – CHANGE IN ACCOUNTING PRINCIPLES/RECLASSIFICATIONS AND CORRECTIONS OF ERRORS

Adjustments resulting from a change in accounting principle are treated as adjustments to prior periods. Accordingly, the City reports these changes as restatements of beginning fund balance, fund equity, or net assets as appropriate. Certain reclassification and corrections of errors have also been reported as adjustments of beginning fund balance, fund equity, or net assets as appropriate.

The following prior period adjustments were made in the Government-Wide Financial Statements:

	<u><i>Governmental Activities</i></u>
Net Assets, June 30, 2006	\$75,664,142
To correct capital assets	192,190
To correct prior year interfund receivable	(20,159)
To record Commercial Food fund	3,591
To correct Champlin grant	2,269
<i>Net assets, June 30, 2006, as restated</i>	<u>\$75,842,033</u>

CITY OF WARWICK, RHODE ISLAND
Notes to Financial Statements
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The following prior period adjustments were made in the Governmental Fund Financial Statements:

	<i>School Unrestricted Fund</i>	<i>Other Governmental Funds</i>
Fund balances, June 30, 2006	\$ 20,159	\$5,321,612
To correct prior year interfund receivable	(20,159)	-
To record Commercial Food fund	-	3,591
To correct Champlin grant	-	2,269
<i>Fund Balances, June 30, 2006, as restated</i>	\$ -	\$5,327,472

NOTE 19 - PENSION PLANS

A. CITY EMPLOYEES PENSION PLAN:

Plan Description

All City employees not covered by other plans are covered by the City of Warwick City Employees Pension Plan. 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.

For the year ended June 30, 2007, the City's total payroll for all employees was \$151,865,161 and the City's total covered payroll amounted to \$19,587,358. Covered payroll refers to all compensation paid by the City to active employees covered by City Employees Pension Plan on which contributions to the pension plan are based.

As of July 1, 2006, employee membership data related to the pension plan was as follows:

Active members	423
Retirees and beneficiaries	305
Terminated vested members	24
Non-vested terminated members	18
	770

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

CITY OF WARWICK, RHODE ISLAND
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Benefit Provisions - Non-elected members in the plan who have attained age 65 and have reached their fifth anniversary of participation may retire. Elected members who have attained age 60 and have reached their sixth 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 \$1500 plus \$200 multiplied by years of creditable service; the sum not to exceed \$5,500. A non-elected member is eligible for early retirement after age 55 with at least 10 years of creditable service or any non-elected member whose age plus service total 80 or more. An elected official is eligible upon attainment of age 55 with at least 6 years of service. The early retirement benefit amount 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 normal retirement age, plus 1/3% per month thereafter. 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.

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

CITY OF WARWICK, RHODE ISLAND
Notes to Financial Statements
June 30, 2007

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 a lump sum payment of the member's accumulated contributions with interest.

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

Contributions - 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'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 a 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 City Employees Pension Plan for the current year are as follows:

Annual required contribution	\$ 3,165,215
Annual pension cost	3,165,215
Contributions made	(3,165,215)
Decrease in net pension obligation	-
Net pension obligation, beginning of year	-
Net pension obligation, end of year	<u>\$ -</u>

CITY OF WARWICK, RHODE ISLAND
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The City's annual contribution to the plan was determined as part of the July 1, 2004 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, 2004 was 12.92 years on a closed basis. The actuarial assumptions included a) 8 percent investment rate of return (net of investment expenses); b) projected salary increases of 5.25 percent per year, which includes a 0.75 percent annual merit increase and a 0.5 percent longevity increase; and c) no assumed cost-of-living increases. The plan provides cost-of-living increases contingent on the adequacy of a "bank" determined by fund performance. 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 percent 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 percent to arrive at the current July 1 asset value before adjustment.

Three-Year Trend Information

<u>Fiscal Year</u>	<u>Annual Pension Cost</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/05	\$2,401,183	100%	\$1,592
6/30/06	3,043,476	100%	-
6/30/07	3,165,215	100%	-

The City has an unfunded actuarial accrued liability, which is disclosed in the schedule of funding progress in the required supplementary information section.

CITY OF WARWICK, RHODE ISLAND
Notes to Financial Statements
June 30, 2007

B. POLICE PENSION II PLAN:

Plan Description

All City police officers who were appointed on or after February 1, 1971 are covered by the City of Warwick's Police Pension II Plan. The Police II Pension Plan is a single-employer defined benefit pension plan that was established in 1971. The pension plan is reported as a Pension Trust Fund in the City's financial statements.

For the year ended June 30, 2007, the City's total payroll for all employees was \$151,865,161 and the City's total covered payroll amounted to \$11,676,883. Covered payroll refers to all compensation paid by the City to active employees covered by the Police II Pension Plan on which contributions to the pension plan are based.

As of July 1, 2005, employees' membership data related to the pension plan was as follows:

Active members	179
Retirees and beneficiaries	92
	<u>271</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 service may retire. The normal annual retirement benefit is equal to 50% of annual salary at retirement, plus 2% of annual salary for each year of service between 20 and 25, plus 3% of annual salary for each year of service between 25 and 30. 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. Upon termination of employment after 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
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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.

Contributions - 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 a 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	\$2,359,189
Annual pension cost	2,359,189
Contributions made	<u>(2,359,189)</u>
Increase in net pension obligation	-
Net pension obligation, beginning of year	-
Net pension obligation, end of year	<u>\$ -</u>

CITY OF WARWICK, RHODE ISLAND

Notes to Financial Statements

June 30, 2007

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 with interest plus a 20-year amortization of the unfunded actuarial accrued liability as of July 1, 1989 plus 30-year amortizations (25 years for valuations prior to July 1, 2003) 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); 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.

Three-Year Trend Information

<i>Fiscal Year</i>	<i>Annual Pension Cost</i>	<i>Percentage of APC Contributed</i>	<i>Net Pension Obligation</i>
6/30/05	\$1,729,765	100%	\$ -
6/30/06	1,917,484	100%	-
6/30/07	2,359,189	100%	-

The City has an unfunded actuarial accrued liability which is disclosed in the schedule of funding progress in the required supplementary information section.

C. POLICE PENSION I AND FIRE PENSION PLAN:

Plan Description

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 are covered by the City of Warwick's Police Pension I and Fire Pension Plan. 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.

CITY OF WARWICK, RHODE ISLAND
Notes to Financial Statements
June 30, 2007

For the year ended June 30, 2007, the City's total payroll for all employees was \$151,865,161 and the City's total covered payroll amounted to \$7,594,897 for participating firefighters and police officers. Covered payroll refers to all compensation paid by the City to active employees covered by the Police I and Fire Pension Plan on which contributions to the pension plan are based.

As of July 1, 2005, employees' membership data related to the pension plan was as follows:

	<u>Fire</u>	<u>Police</u>
Active members	118	1
Retirees and beneficiaries	237	122
	<u>355</u>	<u>123</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 percent of salary for each year of service in excess of 20 years (maximum 10). For pension purposes, annual salary includes regular, longevity and holiday pay.

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

A participant who is unable to perform active duty as a firefighter as a result of a disability which the Board of Public Safety finds to be permanently incapacitating 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. Upon termination of employment after 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.

CITY OF WARWICK, RHODE ISLAND

Notes to Financial Statements

June 30, 2007

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.

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

Contributions - 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. 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 a 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 I and Fire Pension Plan for the current year are as follows:

Annual required contribution	\$19,719,971
Annual pension cost	19,719,971
Contributions made	(12,283,415)
Decrease in net pension obligation	7,436,556
Net pension obligation, beginning of year	-
Net pension obligation, end of year	<u>\$7,436,556</u>

CITY OF WARWICK, RHODE ISLAND

Notes to Financial Statements

June 30, 2007

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 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 requires amortization payments in a closed plan, such as this one, either be based on a level-payment approach or reflect the expected 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); 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.

Three-Year Trend Information

<i>Fiscal Year</i>	<i>Annual Pension Cost</i>	<i>Percentage of APC Contributed</i>	<i>Net Pension Obligation</i>
6/30/05	\$10,112,932	100%	\$ 25,021
6/30/06	10,517,450	100%	-
6/30/07	19,719,971	62%	7,436,556

The City has an unfunded actuarial accrued liability which is disclosed in the schedule of funding progress in the required supplementary information section.

D. FIRE PENSION II PLAN:

Plan Description

All City firefighters who were appointed on or after May 29, 1992 are covered by the City of Warwick's Fire Pension II Plan. 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.

CITY OF WARWICK, RHODE ISLAND
Notes to Financial Statements
June 30, 2007

For the year ended June 30, 2007, the City's total payroll for all employees was \$151,865,161 and the City's total covered payroll amounted to \$6,843,161. Covered payroll refers to all compensation paid by the City to active employees on which contributions to the pension plan are based.

As of July 1, 2005, employees' membership data related to the pension plan was as follows:

Active members	101
Retired members and beneficiaries	<u>2</u>
	<u>103</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% for each year of service from 20 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.

CITY OF WARWICK, RHODE ISLAND
Notes to Financial Statements
June 30, 2007

Contributions - 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.

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 a 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	\$ 1,334,416
Annual pension cost	1,334,416
Contributions made	<u>(1,334,416)</u>
Increase in net pension obligation	-
Net pension obligation beginning of year	-
Net pension obligation end of year	<u>\$ -</u>

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 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, 2005 was 26.5 years on a closed basis. The actuarial assumptions included a) 8% investment rate of return (net of investment and administrative expenses); 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.

CITY OF WARWICK, RHODE ISLAND

Notes to Financial Statements

June 30, 2007

Three Year Trend Information

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/05	\$ 866,234	100%	\$ -
6/30/06	1,081,926	100%	-
6/30/07	1,334,416	100%	-

The City has an unfunded actuarial accrued liability which is disclosed in the schedule of funding progress in the required supplementary information section.

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

All Warwick Public School certified school personnel participate in the Employees' Retirement System of the State of Rhode Island ("System"), a cost-sharing multiple-employer defined benefit plan administered by the State of Rhode Island. The payroll for employees covered by the System for the year ended June 30, 2007 was \$74,618,214 which consisted of \$1,693,557 for employees charged to federal programs and \$72,924,657 for all other employees.

Plan Description

The following eligibility and benefit provisions are established by Rhode Island General Laws, Title 16, Chapter's 15-17 and were modified by the adoption of Article 7, Sub A. All Warwick Public School certified school personnel are eligible to participate in the System if they are certified by the Board of Regents, engaged in teaching as principal occupation and are regularly employed on at least a half time basis. Superintendents, principals, business agents and other administrators participate as teachers. Employees are vested in their retirement benefits on completion of 10 years of service.

The following benefit provisions apply to current retirees or members who had at least 10 years of contributory service as of June 30, 2005. Employees who retire on 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 final average salary for each year of credited service up to 10 years, plus 1.9% of final average salary in excess of 10 years through 20 years, plus 3.0% of final average salary in excess of 20 years up to the 34th year of service, plus 2.0% of final average salary for the 35th year, up to a maximum benefit of 80% of final average salary. Final average salary is the three highest consecutive years of earned salary exclusive of overtime, bonuses, or severance pay. Members receive a 3% compounded increase in their retirement benefit each year, beginning in January of the year in which the member reaches the third anniversary of retirement.

CITY OF WARWICK, RHODE ISLAND
Notes to Financial Statements
June 30, 2007

The following benefits provisions apply to members hired in the future and for current members who had less than 10 years of contributory service as of June 30, 2005. Employees who retire on or after age 65 with 10 years of credited service, or on or after age 59 with 29 years of credited service are entitled to a retirement benefit. In addition, a member may retire with a reduced benefit after attaining age 55 with at least 20 years of service credit. The reduced benefit is calculated in the same manner as the unreduced benefit, but is reduced on an actuarial basis for each year the member's age at retirement is less than 65. The normal retirement benefit is equal to 1.6% of final average salary for each year of credited service up to 10 years, plus 1.8% of final average salary in excess of 10 years through 20 years, plus 2.0% of final average salary in excess of 20 years through 25 years, plus 2.25% of final average salary in excess of 25 years through 30 years, plus 2.5% of final average salary in excess of 30 years through 37 years of service, plus 2.25% of final average salary for the 38th year, up to a maximum benefit of 75% of final average salary. Final average salary is the three highest consecutive years of earned salary exclusive of overtime, bonuses, or severance pay. Members receive a cost of living adjustment that depends on the change in the CPI for all Urban Consumers, as published by the Bureau of Labor Statistics. The increase is equal to the year-to-year change in the CPI - U as of the prior September. The increase is limited to 3.0% in any year. The first cost of living adjustment is delayed until the third anniversary of the member's retirement. The COLA increases are given throughout the year. Members who retire under the disability provisions are not affected by the cost of living changes regardless of their service or when they become a member.

Contributions Required and Contributions Made

Covered employees were required by State Statute to contribute 9.5 percent of their salary to the plan. The School Department is required to contribute an amount determined annually by the actuary and as provided by State Statute.

The contribution is payable in part by the State and in part by the School Department. The split between the State and the School Department is specified by State Statute. The contribution requirement for the year ended June 30, 2007 was 19.64%. The Teachers' Plan cost is paid 60% by the School Department and 40% by the State. However, the State will pay the total cost of the contribution deferrals which was .27% for the year ended June 30, 2007. This results in a contribution requirement for Schools of 11.62% and a contribution requirement for the State of 8.02%. The State contribution for the cut-off year ended June 30, 2007 was \$5,848,558 which represented 7.84% of covered payroll. The payments made by the State to the Employees' Retirement System are considered on-behalf payments and are reported as revenue and as an expenditure in the financial statements. The contribution requirement for the cut-off year ended June 30, 2007 was \$15,891,557, which consisted of \$8,802,858 from the School Department (\$332,614 for federal employees and \$8,470,244 for other employees), and \$7,088,699 from employees. These contributions represented 11.8% and 9.5% of covered payroll respectively. The annual required contribution was determined as part of the June 30, 2004 actuarial valuation.

CITY OF WARWICK, RHODE ISLAND
Notes to Financial Statements
June 30, 2007

The School Department does not have any investments or related party investments with the State Plan. The School Department's contribution represented 7.33% of total contributions required of all participating entities.

Trend Information

<i>Fiscal Year</i>	<i>Annual Required Contribution</i>	<i>Percentage Contributed</i>
6/30/05	\$5,813,375	100%
6/30/06	6,607,033	100%
6/30/07	8,802,858	100%

Trend information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented in the State of Rhode Island's Employee Retirement System's June 30, 2006 annual financial report, which may be obtained from the administrative offices of the State of Rhode Island Retirement Board, 40 Fountain Street, Providence, Rhode Island.

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. The plan is included in the City's financial statements as a Pension Trust Fund. The School's payroll for employees covered by this plan for the year ended June 30, 2007 was \$17,354,033, and the City's total payroll was \$151,865,161.

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.

As of July 1, 2007, employee membership data related to the pension plan is as follows:

Active	469
Terminated/Inactive	21
Retired	125
	615

Benefits Provisions

Participants are eligible for normal retirement at 62 or, if later, the 10th anniversary of plan entry, or 32 years of service with 10 years of plan participation.

CITY OF WARWICK, RHODE ISLAND
Notes to Financial Statements
June 30, 2007

The normal retirement benefit is 1.67% of average monthly earnings times years of participation, plus .33% times average monthly earnings 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.

Contributions

Plan members contribute 5 percent 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 are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchanges are valued at the last reported sales price at current exchange rates.

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 (ARC)	\$1,700,598
Interest on net pension obligation	26,509
Adjustments to ARC	<u>(62,318)</u>
Annual pension cost	1,664,789
Contributions made	<u>(1,200,000)</u>
Increase in net pension obligation	464,789
Net pension obligation, beginning of year	<u>378,705</u>
Net pension obligation, end of year	<u>\$ 843,494</u>

The School's annual contribution to the plan was determined as part of the July 1, 2006 actuarial valuation.

CITY OF WARWICK, RHODE ISLAND
Notes to Financial Statements
June 30, 2007

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 within 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%. 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.

Three Year Trend Information

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/05	\$1,547,231	97.0%	\$158,599
6/30/06	1,490,106	85.2%	378,705
6/30/07	1,664,789	72.1%	843,494

The School has an unfunded actuarial accrued liability, which is disclosed in the schedule of funding progress in the required supplementary information section.

CITY OF WARWICK, RHODE ISLAND
Notes to Financial Statements
 June 30, 2007

PENSION TRUST FUNDS
COMBINING STATEMENT OF FIDUCIARY NET ASSETS

	<i>Police Pension I and Fire Pension</i>	<i>Police Pension II</i>	<i>Fire Pension II</i>	<i>City Employees Pension</i>	<i>Other School Department Employees</i>	<i>Total</i>
ASSETS						
Cash and cash equivalents	\$ 631,296	\$ 171,677	\$ 728,397	\$ 1,379,118	\$ 465,449	\$ 3,375,937
Investments, at fair value:						
Equity pool	9,738,166	15,819,173	1,597,183	10,110,165	-	37,264,687
Equity small cap funds	9,503,613	18,262,919	1,404,652	10,413,373	-	39,584,557
Fixed income pool	28,411,199	41,208,788	4,514,786	27,736,207	-	101,870,980
Index funds	24,111,182	40,970,070	3,673,765	26,820,885	-	95,575,902
International equity funds	9,115,712	18,872,427	1,350,875	10,570,136	-	39,909,150
Immediate participation guarantee contracts	-	-	-	-	7,707,186	7,707,186
Mutual funds	-	-	-	-	25,567,942	25,567,942
Total investments	<u>80,879,872</u>	<u>135,133,377</u>	<u>12,541,261</u>	<u>85,650,766</u>	<u>33,275,128</u>	<u>347,480,404</u>
Interest receivable	3,807	983	2,559	6,621	-	13,970
Contributions receivable	-	-	-	-	700,000	700,000
Other receivables	-	-	-	-	154,351	154,351
Total assets	<u>81,514,975</u>	<u>135,306,037</u>	<u>13,272,217</u>	<u>87,036,505</u>	<u>34,594,928</u>	<u>351,724,662</u>
LIABILITIES						
Accounts payable and accrued expenses	79,207	125,756	12,231	98,565	-	315,759
Total liabilities	<u>79,207</u>	<u>125,756</u>	<u>12,231</u>	<u>98,565</u>	<u>-</u>	<u>315,759</u>
NET ASSETS						
Held in trust for pension benefits	\$ 81,435,768	\$ 135,180,281	\$ 13,259,986	\$ 86,937,940	\$ 34,594,928	\$ 351,408,903

CITY OF WARWICK, RHODE ISLAND

Notes to Financial Statements

June 30, 2007

**PENSION TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**

	Police Pension I and Fire Pension	Police Pension II	Fire Pension II	City Employees Pension	Other School Department Employees	Total
Additions						
Contributions:						
Employer	\$ 12,283,415	\$ 2,359,189	\$ 1,334,416	\$ 3,165,215	\$ 1,200,000	\$ 20,342,235
Plan member	531,643	1,179,595	667,208	1,374,228	869,229	4,621,903
Total contributions	12,815,058	3,538,784	2,001,624	4,539,443	2,069,229	24,964,138
Investment income:						
Interest income	43,030	15,476	48,847	51,731	1,600,829	1,759,913
Net appreciation (depreciation) in fair value of investments	10,983,772	18,823,881	1,510,715	11,785,298	2,213,372	45,317,038
Less: investment expense	(308,234)	(504,841)	(46,614)	(325,393)	-	(1,185,082)
Net investment income	10,718,568	18,334,516	1,512,948	11,511,636	3,814,201	45,891,869
Other income	-	-	-	-	154,351	154,351
Total additions	23,533,626	21,873,300	3,514,572	16,051,079	6,037,781	71,010,358
Deductions						
Benefits	16,081,596	4,109,946	28,476	5,736,282	1,649,901	27,606,201
Administrative expense	17,166	5,282	846	40,273	82,870	146,437
Total deductions	16,098,762	4,115,228	29,322	5,776,555	1,732,771	27,752,638
Change in net assets	7,434,864	17,758,072	3,485,250	10,274,524	4,305,010	43,257,720
Net assets - beginning of year	74,000,904	117,422,209	9,774,736	76,663,416	30,289,918	308,151,183
Net assets - end of year	\$ 81,435,768	\$ 135,180,281	\$ 13,259,986	\$ 86,937,940	\$ 34,594,928	\$ 351,408,903

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WARWICK, RHODE ISLAND

General Fund

Schedule of Revenues - Budget and Actual

For the Fiscal Year ended June 30, 2007

	<u>Budgeted Amounts</u>		<i>Actual</i>	<i>Variance With</i>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u> <i>(Budgetary Basis)</i>	<u>Final Budget</u> <i>Positive (Negative)</i>
General property tax	<u>\$ 175,396,000</u>	<u>\$ 176,784,000</u>	<u>\$ 177,052,585</u>	<u>\$ 268,585</u>
Intergovernmental				
General revenue sharing	4,883,625	4,883,625	4,872,914	(10,711)
Telephone tax	998,165	847,803	835,302	(12,501)
Aid to school buildings	1,512,654	1,357,818	1,357,818	-
Connecticut tax	2,014,729	862,977	862,977	-
GPA reimbursements	92,500	92,500	91,269	(1,231)
Motor vehicle tax phase-out	13,027,933	14,083,144	14,083,144	-
Departmental grant income	1,943,864	2,483,257	2,387,417	(95,840)
Total intergovernmental	<u>24,473,470</u>	<u>24,611,124</u>	<u>24,490,841</u>	<u>(120,283)</u>
Licenses and fees				
Licenses - police/miscellaneous	379,900	413,900	425,541	11,641
Municipal fees	3,195,000	3,224,500	2,765,522	(458,978)
Building permits	853,000	853,000	993,096	140,096
Advertising and zoning fees	30,000	30,000	33,790	3,790
Recreational fees	716,000	743,750	722,147	(21,603)
Parking violations and fines	265,000	280,000	265,176	(14,824)
Department processing/program fees	774,800	807,800	685,736	(122,064)
Total licenses and fees	<u>6,213,700</u>	<u>6,352,950</u>	<u>5,891,008</u>	<u>(461,942)</u>
Other revenues				
Tax titles	50,025	10,625	7,838	(2,787)
Interest on taxes	1,000,000	1,050,000	1,209,003	159,003
Interest on investments	300,000	446,048	1,027,236	581,188
Interest on capital projects	150,000	225,000	209,503	(15,497)
Housing authority	100,000	100,000	100,625	625
Airport parking tax	500,000	500,000	500,000	-
Airport miscellaneous income	550,000	550,000	599,073	49,073
Airport surcharge	1,400,000	1,400,000	1,389,019	(10,981)
Airport - EDC	-	810,000	810,036	36
Reimbursement - RIAC	-	-	6,000	6,000
Municipal court	350,000	350,000	349,453	(547)
Municipal delinquent collections	25,000	25,000	677	(24,323)
Hotel tax	1,500,000	1,451,000	1,647,318	196,318
Meal tax	2,334,495	2,334,495	2,201,789	(132,706)
School backcharges - lease purchase/tipping fee	165,829	165,829	70,442	(95,387)
Enterprise fund backcharges	14,144,684	14,136,765	13,962,724	(174,041)
Other	635,903	907,403	1,169,569	262,166
Total other revenues	<u>23,205,936</u>	<u>24,462,165</u>	<u>25,260,305</u>	<u>798,140</u>
Total revenues	<u>229,289,106</u>	<u>232,210,239</u>	<u>232,694,739</u>	<u>484,500</u>
Other financing sources				
Transfers from other funds	41,642,056	41,958,735	42,210,749	252,014
Appropriation of fund balance	1,128,957	1,128,957	1,128,957	-
Appropriation of legal reserve	600,000	1,208,641	1,208,641	-
Appropriation of education reserve	-	2,471,492	2,471,492	-
Total other financing sources	<u>43,371,013</u>	<u>46,767,825</u>	<u>47,019,839</u>	<u>252,014</u>
Total revenues and other financing sources	<u>\$ 272,660,119</u>	<u>\$ 278,978,064</u>	<u>\$ 279,714,578</u>	<u>\$ 736,514</u>

The notes to the required supplementary information are an integral part of this schedule.

CITY OF WARWICK, RHODE ISLAND

General Fund

*Schedule of Expenditures - Budget and Actual
For the Fiscal Year Ended June 30, 2007*

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Executive and administration				
Executive and administration:				
Executive department	\$ 330,490	\$ 330,490	\$ 336,805	\$ (6,315)
Legal department	502,350	402,350	325,342	77,008
City clerk department	487,785	486,785	487,162	(377)
Municipal court	103,346	103,346	89,417	13,929
Probate court	87,258	94,258	88,809	5,449
Personnel department	280,020	280,020	260,132	19,888
	<u>1,791,249</u>	<u>1,697,249</u>	<u>1,587,667</u>	<u>109,582</u>
Legislative and citizen representation:				
Legislative department	189,644	189,644	190,305	(661)
Board of canvassers	427,551	372,751	346,194	26,557
	<u>617,195</u>	<u>562,395</u>	<u>536,499</u>	<u>25,896</u>
Financial management:				
Finance administration	437,205	437,205	408,875	28,330
Purchasing	217,819	217,819	205,921	11,898
Treasury	318,283	318,283	314,205	4,078
City collection	406,209	391,209	426,982	(35,773)
Management information services	1,054,514	1,054,514	1,058,548	(4,034)
City assessment	1,700,101	1,700,101	1,684,631	15,470
Board of assessment review	7,350	7,350	5,280	2,070
	<u>4,141,481</u>	<u>4,126,481</u>	<u>4,104,442</u>	<u>22,039</u>
Total executive and administration	<u>6,549,925</u>	<u>6,386,125</u>	<u>6,228,608</u>	<u>157,517</u>
Public safety				
Animal shelter	175,142	172,142	131,814	40,328
Police department	16,397,253	16,502,253	16,303,173	199,080
Fire department	18,248,401	18,755,223	19,037,059	(281,836)
Organized crime/drug enforcement task force	31,200	47,772	37,759	10,013
Building inspection and minimum housing	928,281	918,281	865,144	53,137
Emergency management	135,262	533,545	482,017	51,528
Alcohol and highway safety enforcement	48,350	50,300	46,802	3,498
Police grants	92,239	142,239	137,137	5,102
Board of public safety	47,074	47,074	41,519	5,555
	<u>36,103,202</u>	<u>37,168,829</u>	<u>37,082,424</u>	<u>86,405</u>
Social services				
Recreation department:				
Parks and recreation	601,092	556,592	501,377	55,215
William Thayer memorial ice rink	911,722	886,722	889,054	(2,332)
McDermott swimming pool	537,953	482,953	477,194	5,759
	<u>2,050,767</u>	<u>1,926,267</u>	<u>1,867,625</u>	<u>58,642</u>

(Continued)

The notes to the required supplementary information are an integral part of this schedule.