

**THE CITY OF
WARWICK, RHODE ISLAND**

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

**FOR THE YEAR ENDED
JUNE 30, 2012**

Prepared By:

Finance Department

CITY OF WARWICK

COMPREHENSIVE ANNUAL FINANCIAL REPORT

*FOR THE FISCAL YEAR ENDED
JUNE 30, 2012*

**Scott Avedisian
Mayor**

**Ernest M. Zmyslinski
Finance Director**

**Anthony Ferrucci
Chief Budget Officer**

Prepared By: Finance Department

WARWICK, RHODE ISLAND

CITY OF WARWICK, RHODE ISLAND

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THE CITY OF WARWICK, RHODE ISLAND

INTRODUCTORY SECTION



Ernest M. Zmyslinski
Finance Director

Scott Avedisian
Mayor

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

January 31, 2013

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

We hereby submit the Comprehensive Annual Financial Report for the City of Warwick, for the fiscal year ended June 30, 2012. The report has been prepared in accordance with generally accepted accounting principles (GAAP), adhering to the format promulgated through the Governmental Accounting Board's Statement 34. Responsibility for the accuracy of the data presented, as well the fairness of the representations contained within the report, rests with the City's management. To provide a reasonable basis for making these representations, the City of Warwick has established a comprehensive internal control framework that is designed to protect the government's assets from theft, loss or misuse, and to promote the compilation of reliable financial information for reporting and forecasting purposes. Since the cost of the internal control system should not outweigh its benefits, the City's internal control system has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatements. As management, we assert that, to the best of our knowledge, and in all material respects, this report is fair, complete, and summarizes the City's financial position in a comprehensive manner.

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

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

GOVERNMENT PROFILE

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

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

PUBLIC EDUCATION

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

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

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

There is presently a professional staff of 1,385 in the school system, 1,000 of who are teachers. In the graduating class of 2012 approximately 78.4% of all high school graduates continued their education by attending two and four year colleges, technical institutes, or other forms of post secondary education.

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

<u>Schedule of Enrollment</u>	
2000	12,375
2001	12,382
2002	12,205
2003	12,078

2004	12,003
2005	11,709
2006	11,385
2007	10,944
2008	10,818
2009	10,525
2010	10,507
2011	10,277
2012	9,977

During fiscal 2012, the City appropriated \$157,256,566 to the School Department. Final expenditures totaled \$153,400,393. Their fiscal 2013 expense appropriation is \$156,240,638. The total fiscal 2013 State Aid for school operations has been budgeted at \$34,556,006.

MUNICIPAL SERVICES

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

Executive and Administration

The Mayor with the assistance of the Finance, Personnel and Legal Departments exercises general oversight of the City. The City Clerk's Office is responsible for all record maintenance and supervision of the municipal and probate courts. During fiscal 2012, the Executive and Administrative Divisions expended \$12.1 million, of which \$7.5 million represented debt service. The fiscal 2013 budget has been set at \$12.3 million.

Public Safety

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

Police: The City Police Department has 239 authorized positions consisting of 164 sworn officers, 23 school crossing guards and 52 civilian personnel. The police station, built in 1975, provides facilities for public safety issues. During fiscal 2012, the Police Department expended \$16.8 million. For fiscal 2013, \$17.3 million has been designated for operations.

Fire and Rescue: The City Fire Department and Rescue Service has 220 authorized positions consisting of 209 uniformed fire and rescue personnel and 11 civilian personnel, staffing eight stations throughout the City. In addition, the East Greenwich Fire District provides service to the southeastern section of the City. Fire and Rescue expended \$21.4 million during fiscal 2012 and \$21.0 million was budgeted for fiscal 2013.

Animal Shelter: The Animal Shelter consists of 4 employees and is responsible for administering care to the animal population. The fiscal 2012 expenditures totaled \$177,791 with \$193,548 budgeted for fiscal 2013.

Building Inspector: The City Building Inspection Department consists of 15 authorized positions responsible for insuring compliance with local and state building code ordinances and laws. The fiscal 2012 expenditures totaled \$744,243; \$763,634 was budgeted for fiscal 2013.

Social Services

Parks and Recreation: A staff of 16 maintains two indoor skating rinks, an indoor swimming pool with an adjacent therapeutic pool, 7 beaches, 60 athletic fields, 32 basketball courts, 39 tennis courts and 6 parks. They are assisted by the Public Works Field Maintenance Division. The Department is also responsible for regulating the City's three major harbors in Narragansett Bay. During fiscal 2012 the Department expended \$1.5 million. The fiscal 2013 budget has allotted \$1.7 million for recreation.

Warwick Public Library: The City library consists of a main library and three branches. The main facility contains over 225,000 items and provides research services to the City's residents and business community. Total library related expenditures for fiscal 2012 totaled \$2.5 million. These funds supported the acquisition of books and materials as well as an authorized staff of 51. The central library facility serves over 400,000 visitors a year. The fiscal 2013 budget amounts to \$2.6 million.

Human Services: This Department provides social and transportation services to the City's seniors at three neighborhood senior centers. It also provides contributive and in-kind support to non-profit organizations in the City. Fiscal 2012 expenditures totaled \$1.2 million, and the fiscal 2013 budget has been set at \$1.3 million.

Physical Resources

Planning and Community Development: A staff of 13 provides professional guidance on the physical and social development of the City and administers the Federal Community Development Block Grant Program and the Lead Hazard Reduction Program. Fiscal 2012 expenditures for these programs totaled \$736,367, with \$709,095 allocated for fiscal 2013.

Tourism, Culture, and Development: This Department, working closely with the Mayor's Office, assists the private sector in finding suitable facilities in the City. Also, the Department promotes the City and its lodging facilities through general circulation and trade advertising. Fiscal 2012 expenditures totaled \$515,350 and \$647,113 has been set aside for fiscal 2013 operations.

Public Works: An authorized staff of 131 maintains the City's 480 miles of roads, monitors the disposal operations of 30,000 tons of trash per year, maintains the City's fleet of vehicles, maintains approximately 40 buildings, and designs new infrastructure projects. During fiscal 2012 the Department expended \$11.0 million and has been allocated \$12.7 million through the fiscal 2013 budget.

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

ECONOMIC CONDITIONS AND OUTLOOK

POPULATION

The table below shows the City's population trends:

<u>Year</u>	<u>City</u>
2010	82,672
2009	84,760
2005	87,365
2003	87,039
2000	85,808
1990	85,427
1980	87,123
1970	83,694
1960	68,504
1950	43,028
1940	28,757
1930	23,196
1920	13,481

INCOME LEVELS

According to the US Census Bureau, 2006-2010 American Community Survey (5 Year Estimates), the median family income of the City of Warwick was \$73,504. Median family income in the City increased 30.7% from 2000.

HOUSING

According to the US Census Bureau, 2010 Demographic Profile Data, there were 37,730 dwelling units in the City compared to 37,085 dwelling units in 2000.

ECONOMIC DEVELOPMENT

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

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

MAJOR INITIATIVES

The City of Warwick maintains a bond rating of Aa3, as determined by Moody's Investors Service and AA- from Standard & Poor's. These ratings are the result of firm and steady financial planning. They reflect Warwick's strong tax base, consistent financial performance, and manageable levels of bonded debt.

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

Open Space/Recreation:

The City remains especially committed to preserving recreational and open space areas. In 2007, the City purchased 40.9 acres at the site of the former Rocky Point Amusement Park in the Warwick Neck area. Through the efforts of many dedicated parties, the park is now enjoyed by residents for walking, clamming, fishing, bird watching, biking and other activities. While some small projects continue on site, the final significant portion of this project was completed earlier this year, when the City addressed outstanding issues, including additional landscaping, benches, bicycle racks, sign installation and other miscellaneous improvements. A new walking/biking path along a former trolley line opened in October, expanding pedestrian access to Rocky Point from Warwick Neck Avenue.

In 2010, Rhode Island voters overwhelmingly approved a bond issue that would allow the state Department of Environmental Management to purchase the remaining 80+/- acres of the property. The state has reached a purchase agreement with the U.S. Small Business Administration, which is the court-appointed receiver of the property. Approval of that sale is pending in Federal District Court. The City continues to work closely with DEM and other stakeholders as this process moves forward and looks forward to collaborating on the restoration of the remaining acreage for passive recreation and as open space.

The City is presently seeking grant funding to develop a trails system at historic Barton Farm. The farm, which dates back to the Revolutionary War, consists of 64 acres, is owned by the City and has been preserved as open space. A non-profit agency presently uses several acres to grow fresh produce, which is distributed to clients through its food pantry and also sold at Farmers' Markets to support their programs.

T.F. Green Airport and Intermodal Facility:

The City continues to receive additional revenue from airport-related activities. Taxes on airport parking and rental cars generated approximately \$2.4 million in revenue during fiscal 2012. The City also received airport-related funding from the Economic Development Commission. This revenue totaled \$788,234. The state's meal tax also generated approximately \$2.32 million for the City.

The Warwick Intermodal Train Station, known as the InterLink, is operational. A combination of federal and state funds financed approximately \$267 million in construction costs. The facility gives Warwick one of, if not the, closest air-rail links in the country and provides MBTA commuter train service among Warwick, Providence and Boston, with service to Wickford Junction as well. It includes a bus hub, a six-level parking garage for rail commuters and car-rental companies, and a 1200-foot, enclosed, elevated walkway with moving sidewalks over Post Road that connects T.F. Green Airport to the Station.

In January, the City Council approved the administration's *Warwick Station Development District: A Transit Oriented Development* master plan and companion zoning amendments. The plan, which will guide re-use and

re-development of 95 acres surrounding the airport, calls for the creation of a new state growth center and a sustainable, mixed-use, pedestrian-oriented community that takes advantage of the tremendous multi-modal benefits in Warwick and provides live/work options and economic development opportunities within a quarter-mile of the rail station.

The City, working cooperatively with the State, is presently developing a design manual as well as a marketing/placemaking strategy for the District. Infrastructure improvements are also underway in the area. More than \$1 million in grants has been received for these three components of the revitalization and redevelopment of the area.

The Rhode Island Airport Corporation is moving forward with runway expansion and safety improvement plans, after reaching agreement with the City Council on several outstanding issues in February.

Apponaug Bypass:

The initial phases of the estimated \$32 million Apponaug Bypass have been completed. This innovative transportation project, which includes reconstructing the Apponaug circulator and opening it to two-way traffic, will greatly enhance ongoing efforts to make the area more pedestrian friendly and allow easier access to local businesses. The project is under the jurisdiction of the Rhode Island Department of Transportation (RIDOT).

Comprehensive Plan:

The City is presently developing a new Comprehensive Plan, which will guide development and initiatives in Warwick for the next 20 years. The Plan, called *21st Century Warwick: City of Livable Neighborhoods*, will be based on a public participation process that brings people together to shape the city's future. The plan will be organized into a series of "elements," or topic areas, including Natural Resources, Historic and Cultural Resources, Open Space and Recreation, Housing and Neighborhoods, Economic Development, Transportation and Circulation, Services and Facilities, and Land Use. A new element, Resilience, will focus on adaptation to increased hazards from flooding and other potential impacts of climate change. The plan, slated for completion in Fall 2013, will include an Implementation section that will identify actions and resources needed to implement the plan's recommendations.

Public Works:

Warwick continues to lead the state in recycling. The City's automated trash and recycling system has resulted in less waste being sent to the state landfill. The first full fiscal year of City-wide automation was 2007. This year, the City received \$200,000 from the Rhode Island Resource Recovery Corporation as part of a profit-sharing program based on its recycling rates.

Warwick Sewer Authority:

In September, the Warwick Sewer Authority (WSA), which was severely damaged by the historic 2010 Flood, completed the last of repairs and upgrades to the facility. The \$14-million investment included new energy-efficient equipment and other innovations to help the treatment plant run more effectively. A \$980,000 grant from the Rhode Island Office of Energy Resources helped to offset reconstruction costs. In addition, \$10

million was reimbursed by the WSA's insurance company and the WSA has submitted reimbursement from FEMA (90 cents on the dollar) for the remainder.

The WSA is also presently in the preliminary design phase of a project that will elevate the facility's levee and flood protection to the 500-year level. The current levee elevation was based on a 100-year-flood projection. This project is estimated at \$4 million. The WSA has almost completed engineering design plans for \$14-million in treatment facility upgrades in order to meet new nutrient limits.

A \$721,360 grant from the U.S. Department of Commerce, Economic Development Administration will pay for construction of a new pumping station to help protect businesses in the Pawtuxet Industrial Park and surrounding areas from disruption in sewer service during future flooding events. Work consists of construction of a new pumping station at the existing site, with all electrical and mechanical components elevated above the 100-year flood levels. New equipment will include energy-efficient motors, pumps, and a permanent back-up power generator which the existing station lacks. Construction is presently underway.

Miscellaneous:

Other items of note in our city include the opening of new businesses and the expansion of existing companies. The Warwick Mall celebrated the addition of H&M, PinkBerry and Nordstrom's Rack and in November Winstanley Enterprises, LLC. of Concord, Massachusetts, and Surrey Equities, LLC. of New York, New York, announced the acquisition of the Rhode Island Mall for \$38 million. The arrival of Ocean State Theatre Company and a new Salve Regina University campus in Warwick were also celebrated. JetBlue began service from T.F. Green in November, and earlier this year the City celebrated the opening of additional affordable housing units. The Fire Department has received numerous federal grants, which have provided for additional personnel, a new aerial ladder truck and radio system upgrades.

FINANCIAL INFORMATION

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

BUDGETARY CONTROL

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

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

CASH MANAGEMENT

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

RISK MANAGEMENT

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

DEBT ADMINISTRATION

The ratios of net bonded debt to total assessed (property) valuation and net bonded debt per capita provide useful information when evaluating the City's financial position. These indicators were as follows on June 30, 2012:

<u>Net Direct Bonded Debt</u>	<u>Ratio of Debt to Assessed Value</u>	<u>Debt Per Capita</u>
\$ 49,597,156. (Please See Statistical Tables For Additional Information)	.50%	\$ 599.93

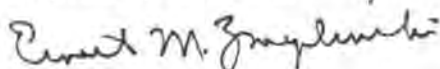
INDEPENDENT AUDIT

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

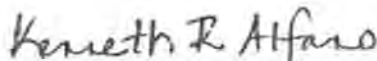
ACKNOWLEDGEMENT

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

Respectfully submitted,

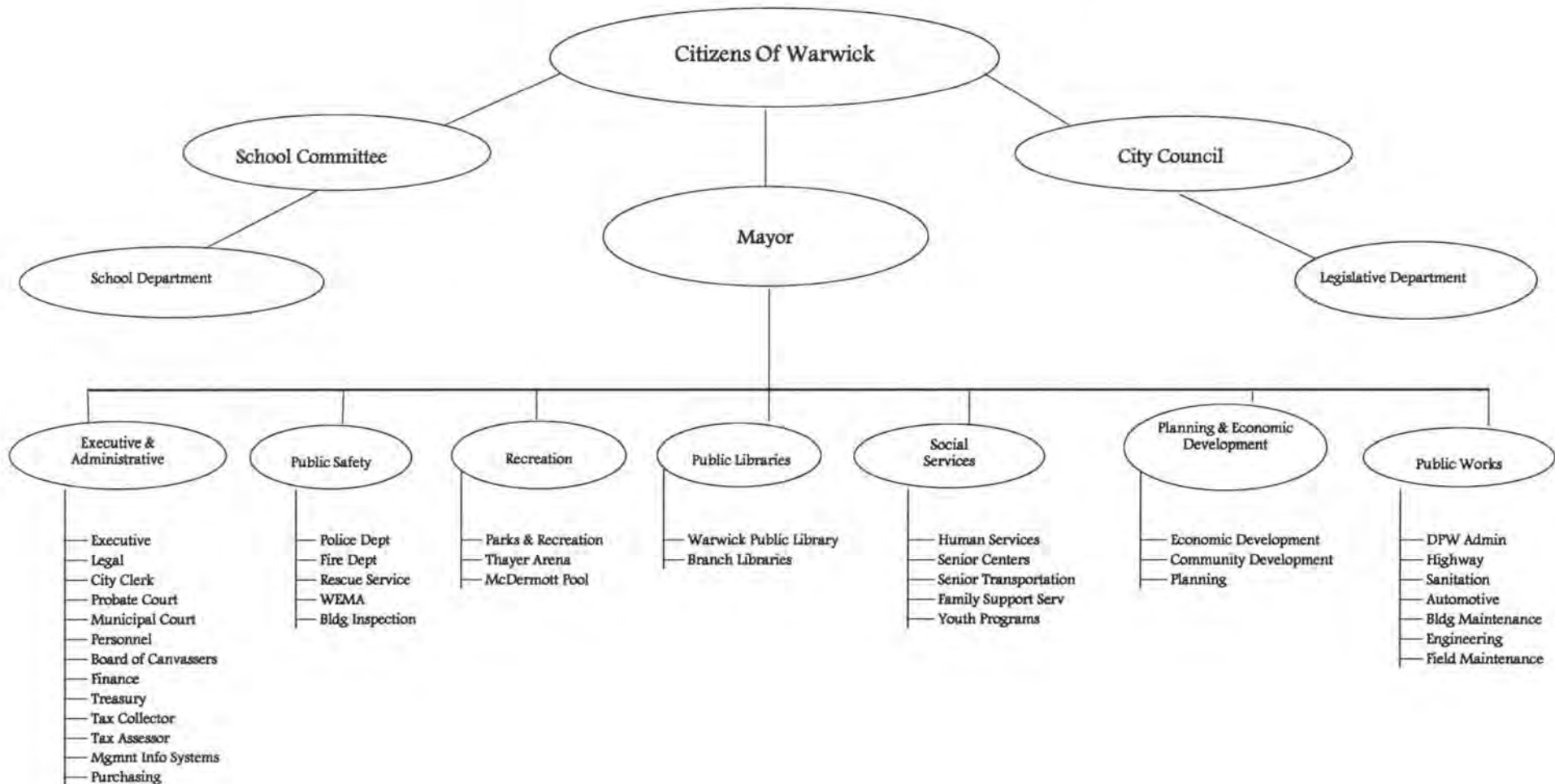


Ernest M. Zmyslinksi
Finance Director



Kenneth R. Alfano
Controller

THE CITY OF WARWICK, RHODE ISLAND GOVERNMENT ORGANIZATIONAL CHART





CITY OF WARWICK, RHODE ISLAND

MAYOR

Scott Avedisian

CITY COUNCIL

Bruce Place, Council President

Steven Colantuono

John DelGiudice

Charles J. Donovan, Jr.

Raymond E. Gallucci

Steve Merolla

Joseph J. Solomon

Donna M. Travis

Camille Vella-Wilkinson

SCHOOL COMMITTEE

Bethany A. Furtado, Chairperson

Christopher E. Friel

Patrick E. Maloney Jr.

M. Terri Medeiros

Eugene A. Nadeau

FINANCE DEPARTMENT

Ernest M. Zmyslinski, Finance Director

David C. Olsen, City Treasurer

Kenneth R. Alfano, City Controller

SCHOOL ADMINISTRATION

Peter P. Horoschak, Superintendent

Anthony Ferrucci, Chief Budget Officer

Cheryl Bongivengo, School Controller

THE CITY OF WARWICK, RHODE ISLAND

FINANCIAL SECTION

REPORT OF INDEPENDENT AUDITORS

To the Honorable City Council
Warwick, Rhode Island

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Warwick, Rhode Island, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Warwick, Rhode Island's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Warwick, Rhode Island, as of June 30, 2012, and the respective changes in financial position, and cash flows,, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2013 on our consideration of the City of Warwick Rhode Island's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison and Schedule of Funding Progress for Pension Plans and OPEB information on pages 3 through 17 and 88 through 95 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Warwick, Rhode Island's basic financial statements as a whole. The combining and individual nonmajor fund financial statements and other exhibits are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements, other exhibits, and the schedule of Expenditures of federal awards and are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Bram P.C.

Providence, Rhode Island
January 31, 2013

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

As management of the City of Warwick, we offer readers of the City of Warwick's financial statements this overview and analysis of the financial activities of the City of Warwick for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the additional information that is furnished in the letter of transmittal, which can be found preceding this narrative, and with the City's financial statements which follow.

Included within our discussion will be a series of comparative tables, serving to more clearly illustrate changes in the City's financial position. These tables will reflect governmental activities, business-type activities, and total activities for the 2011 and 2012 fiscal years.

FINANCIAL HIGHLIGHTS

The assets of the City of Warwick exceeded its liabilities at the close of the fiscal year by \$53,280,887 (*net assets*).

The City's total net assets decreased by \$8,163,184 during fiscal 2012, due primarily to an increase in the City's liabilities following the accrual of \$14.0 million in post-retirement healthcare benefits in accordance with GASB45. This liability represents the annual required contribution necessary to fund the total post-retirement liability over a thirty year period. Likewise, in accordance with GASB27, the City also accrued an additional \$6.8 million net pension obligation which relates to the Police I and Fire funding plan mechanism used by the City. These additional liabilities were offset by \$11.0 million in net debt principal retirement.

At the close of the current fiscal year, the City's governmental funds reported *combined* ending fund balances of \$18,960,063, an increase of \$1,613,745 from those of the prior year. This was primarily due to a budgetary surplus in the General Fund.

Fiscal 2012 operating results for the general fund reflected an increase in total fund balance of \$3,193,474, resulting in an ending fund balance of 11,793,835. The fund's ending unassigned fund balance increased by \$2,272,260 to a total of \$8,253,978 or 2.99% of the total 2012 final budgeted expenditures.

The City's overall investment in capital assets (net of accumulated depreciation) decreased by \$3.8 million during this year. Annual depreciation expenditures exceeded additions. Key additions this year included phase two of the reconstructed wastewater treatment facility, fire code improvements at various schools, and a new roof for Toll Gate High School.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Warwick's basic financial statements. The City's basic financial statements consist of three components: (1) government-wide financial statements, (2) fund financial statements, (3) notes to the financial

statements. This report also contains other supplementary information including combining statements for non-major governmental funds, enterprise funds, and other fiduciary funds. Figure 1 below graphically depicts the required elements of the financial report:

Required Components of the Annual Financial Report

Figure A-1

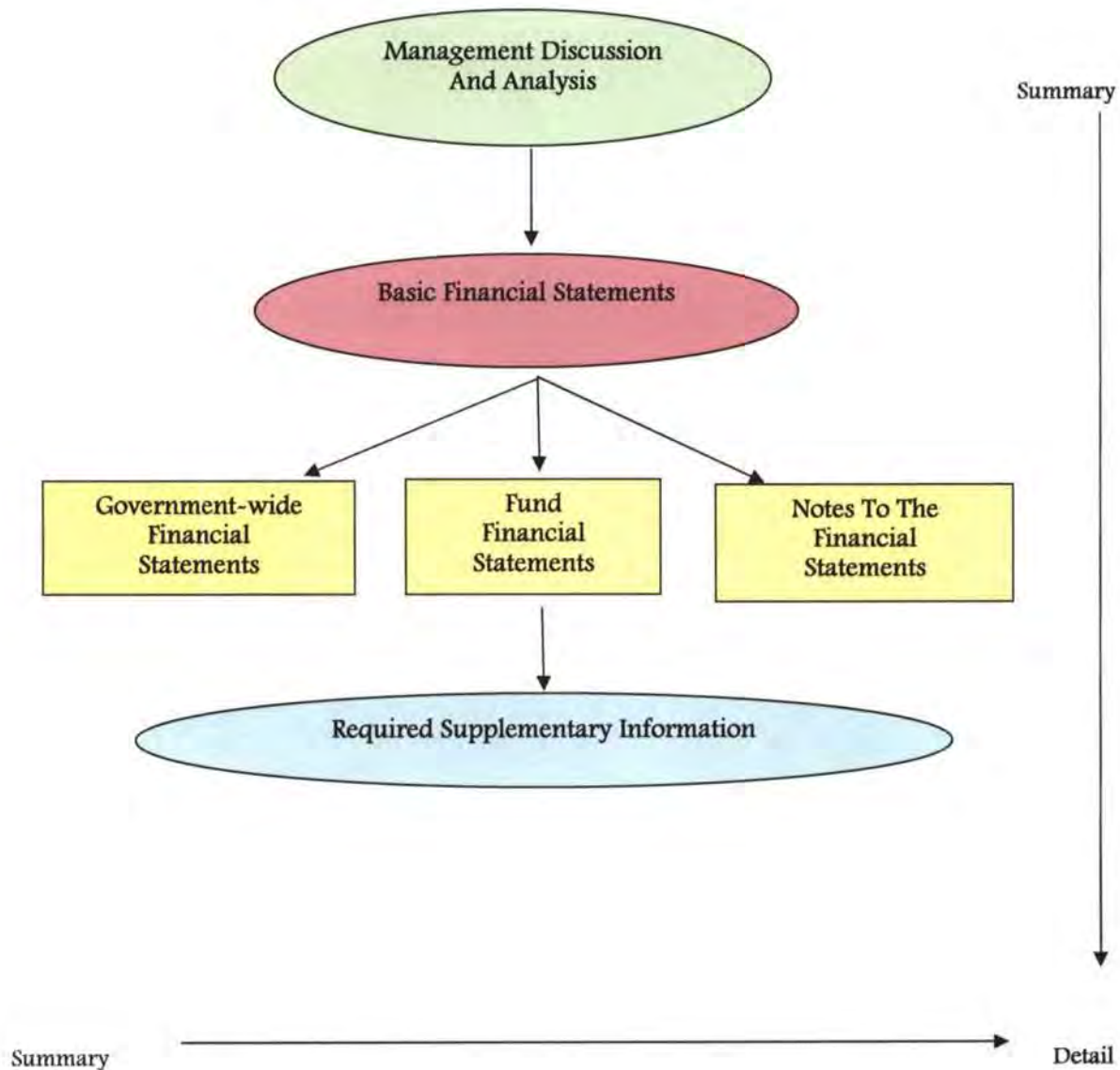


Figure A-1 shows how the required parts of this annual report are arranged and relate to one another.

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

Figure A- 2

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

	Government- Wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire City government (except fiduciary funds)	The activities of the City that are not proprietary or fiduciary, such as police, fire and DPW.	Activities the City oper- ate similar to private businesses such as the sewer system.	Instances in which the City is the trustee or agent for someone else's resources.
Required financial Statements	Statement of Net Assets Statement of Activities	Balance Sheet Statement of Revenues, Expenditures and Changes in Fund Balance	Statement of Net Assets Statement of Revenues, Expenses, and Changes in Net Assets. Statement of Cash Flows	Statement of Fiduciary Net Assets Statement of Changes in Fiduciary Net Assets
Accounting Basis And Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Assets/ Liability Information	All assets and liabilities both financial and capi- tal, and short-term and long-term	Only assets expected to be used up and liabili- ties that come due dur- ing the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capi- tal, and short-term and long-term	All assets and liabilities, both short-term and long-term; the City's funds do not currently contain capital assets, although they can
Type of inflow/ Outflow inform- ation	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and ded- uctions during year, regardless of when cash is received or paid

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

Government-wide Statements

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

The two government-wide statements report the City's *net assets* and how they have changed. Net assets – the difference between the City's assets and liabilities – is one way to measure the City's financial health, or position.

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

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

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

Fund Financial Statements

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

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

Governmental Funds – Most of the basic services provided by the City are reported in governmental funds, which focus on (1) how money flows into and out of those funds and (2) the balances remaining at year end that are available for spending during the next year. These funds are reported using an accounting method called the modified accrual basis of accounting, which measures cash

and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations that helps the reader to determine whether or not there are more or fewer financial resources that can be spent in the near future to finance City programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. To facilitate this comparison, a reconciliation between the governmental funds statements and the government-wide statements has been provided.

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

The basic governmental fund financial statements can be found on Pages 20-23 of this report.

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

The basic proprietary fund financial statements can be found on Pages 24-27 of this report.

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

The basic fiduciary funds financial statements can be found on Pages 28-29 of this report.

Notes to the financial statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes (Pages 30-87) to the financial statements follow the basic financial statements.

Other information – In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* (Pages 88-95). This section includes budgetary comparison schedules, as well as information concerning the City's progress in funding its obligation to provide pension and OPEB benefits to employees. Required supplementary information follows the notes to the financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The City's combined net assets (government and business-type activities) totaled \$53,280,887 at the close of the most recent fiscal year.

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

City of Warwick's Net Assets June 30, 2012

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Current Assets	\$65,650,644	\$66,113,115	\$19,801,048	\$19,994,649	\$85,451,692	\$86,107,764
Capital Assets	110,536,567	114,122,928	192,687,635	192,879,921	303,224,202	307,002,849
Other Noncurrent Assets	782,343	1,342,276	41,023,634	42,539,809	41,805,977	43,882,085
Total Assets:	\$176,969,554	\$181,578,319	\$253,512,317	\$255,414,379	\$430,481,871	\$436,992,698
Current Liabilities	\$37,418,018	\$41,462,960	\$14,715,900	\$15,954,021	\$52,133,918	\$57,416,981
Long-term Liabilities	173,167,463	158,248,222	151,899,603	159,883,424	325,067,066	318,131,646
Total Liabilities:	\$210,585,481	\$199,711,182	\$166,615,503	\$175,837,445	\$377,200,984	\$375,548,627
Net Assets:						
Invested in capital assets net of related debt	\$61,079,076	\$62,802,492	\$79,287,133	\$72,213,574	\$140,366,209	\$135,016,066
Restricted	2,159,153	1,331,626	3,194,281	3,094,452	5,353,434	4,426,078
Unrestricted	(96,854,156)	(82,266,981)	4,415,400	4,268,908	(92,438,756)	(77,998,073)
Total Net Assets	(\$33,615,927)	(\$18,132,863)	\$86,896,814	\$79,576,934	\$53,280,887	\$61,444,071

An additional portion of the City's net assets represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets may be used to meet the City's ongoing obligations to citizens and creditors. Internally imposed designations of resources are not presented as restricted net assets. At the end of the current fiscal year, the City's unrestricted net asset total was negative, due to the cumulative accrual of the other post-employment benefit liability per GASB45 and the accrual of a net pension obligation per GASB27.

Changes in Net Assets

During fiscal 2012, the government's total net assets decreased by \$8,163,184, as indicated below:

City of Warwick's Changes in Net Assets

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program Revenue:						
Charges for Services	\$ 14,656,642	\$ 16,606,431	\$ 29,053,750	\$ 29,734,962	\$ 43,710,392	\$ 46,341,393
Operating Grants and Contributions	53,699,759	51,863,051	-	-	53,699,759	51,863,051
Capital Grants and Contributions	152,292	1,066,557	3,073,848	2,694,761	3,226,140	3,761,318
General Revenue:						
Property Taxes	213,334,334	205,826,048			213,334,334	205,826,048
Interest on Property Tax	1,737,961	1,571,198			1,737,961	1,571,198
State Aid/In Lieu of Tax	6,896,729	6,817,475			6,896,729	6,817,475
Investment Earnings	(21,741)	2,319	8,917	20,424	(12,824)	22,743
Tax Titles	78,373	97,308			78,373	97,308
Insurance	39,914	496,997	24,707	6,104,379	64,621	6,601,376
Miscellaneous	5,479,807	5,016,367			5,479,807	5,016,367
Total Revenues:	296,054,070	289,363,751	32,161,222	38,554,526	328,215,292	327,918,277
Expenses:						
Executive & Admin	7,189,863	8,068,528			7,189,863	8,068,528
Public Safety	96,094,909	94,727,477			96,094,909	94,727,477
Recreation	3,627,775	3,593,994			3,627,775	3,593,994
Public Libraries	4,958,759	4,906,998			4,958,759	4,906,998
Social Services	2,254,293	2,290,428			2,254,293	2,290,428
Planning & E/D	2,777,531	2,790,778			2,777,531	2,790,778
Public Works	22,147,778	20,766,889			22,147,778	20,766,889
Education	170,207,856	175,633,555			170,207,856	175,633,555
Debt Interest	2,296,097	1,906,529			2,296,097	1,906,529
Sewer			14,704,964	24,390,931	14,704,964	24,390,931
Water			10,118,651	10,522,632	10,118,651	10,522,632
Total Expenses:	311,554,861	314,685,176	24,823,615	34,913,563	336,378,476	349,598,739
Change in Net Assets Before Transfers	(15,500,791)	(25,321,425)	7,337,607	3,640,963	(8,163,184)	(21,680,462)
Transfers	17,727		(17,727)	-		
Change in Net Assets	(15,483,064)	(25,321,425)	7,319,880	3,640,963	(8,163,184)	(21,680,462)
Adjustment to Prior Yr		3,875,448			-	3,875,448
Net Assets Beginning:	(18,132,863)	7,188,562	79,576,934	75,935,971	61,444,071	83,124,533
Net Assets - End of Yr:	\$ (33,615,927)	\$ (18,132,863)	\$ 86,896,814	\$ 79,576,934	\$ 53,280,887	\$ 61,444,071

Governmental activities. Governmental activities decreased the City's net assets by \$15,483,064. Key elements of this decrease are as follows:

1. Total Governmental Funds reported a combined increase in fund balance of \$1.6 million.
2. The City's net assets decreased by \$14 million following the accrual of the fiscal 2012 annual required contribution relating to GASB45-Other Post Employment Benefits.
3. The City accrued an additional net pension obligation in the amount of \$6.8 million in accordance with GASB27. The City is funding the Police I and Fire Pension liability over a 40 year period, while GASB27 states that 30 years should be the maximum funding period.
4. Capital asset additions totaled \$4.5 million (net of disposals) while fiscal 2012 depreciation expense amounted to \$8.1 million. This resulted in a net asset decrease of \$3.6 million.
5. Net assets increased due to bond principal repayments totaling \$6.95 million.

Business-type activities. Business-type activities increased the City's net assets by \$7,319,880. The key elements for this increase are as follows:

1. The Sewer Department reflected an increase in net assets which totaled \$8.5 million. This includes the difference between a non cash depreciation expense totaling \$5.6 million and a debt principal expense of \$9.2 million which was charged directly to the bonds payable liability account. Sewer also received contributed capital in the amount of \$1.4 million relating to the acquisition of infrastructure funded by the Spring Green Association.
2. The Water Department reflected an operating deficit of \$291,042, indicating the need for a rate adjustment.
3. The Enterprise Emergency Fund decreased net assets by \$463,600 million. Most of the funds previously held as construction in progress were transferred out of the fund and capitalized as fixed assets on the Sewer Fund. This year, assets totaling \$2.2 million were capitalized – this represented Phase II of the wastewater treatment facility reconstruction

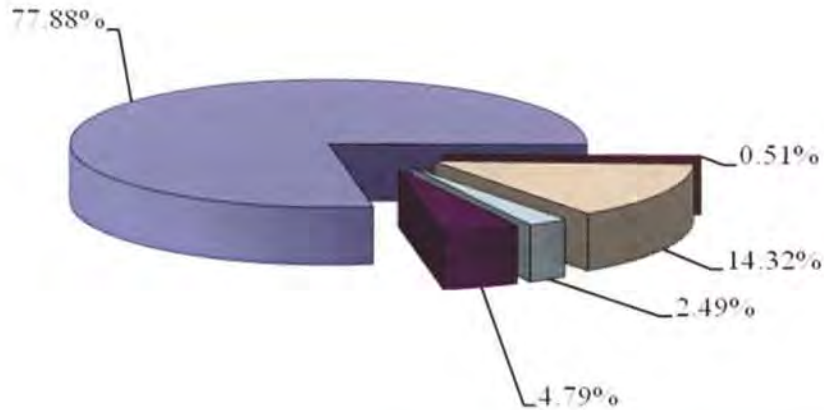
Financial Analysis of the Government's Funds

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

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

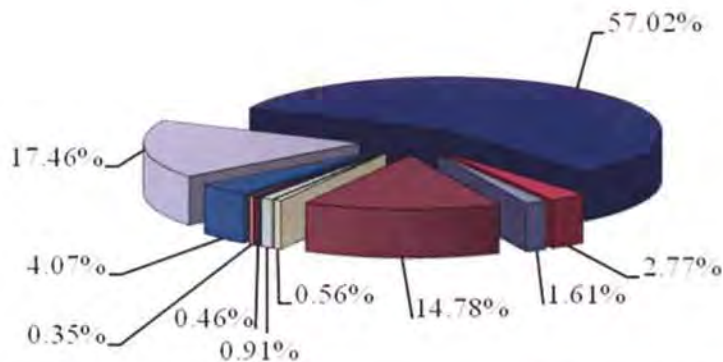
As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$18,960,063, an increase of \$1,613,745 in comparison with the prior year balances. This can be attributed an overall operating surplus in the City's general fund, less increases in year-end reserves and decreases in remaining capital project bond proceeds. \$7,625,501 or 40.2% of this the total fund balance represents unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is reported as committed, non-spendable, restricted or assigned to indicate that it is not available for new spending.

General Fund Revenues Fiscal 2012



■ General Property Taxes 212,007,763	■ Interest on Taxes 1,392,844
□ Intergovernmental Revenue 38,985,406	□ Charges For Services 6,790,242
■ Other Revenue 13,043,239	

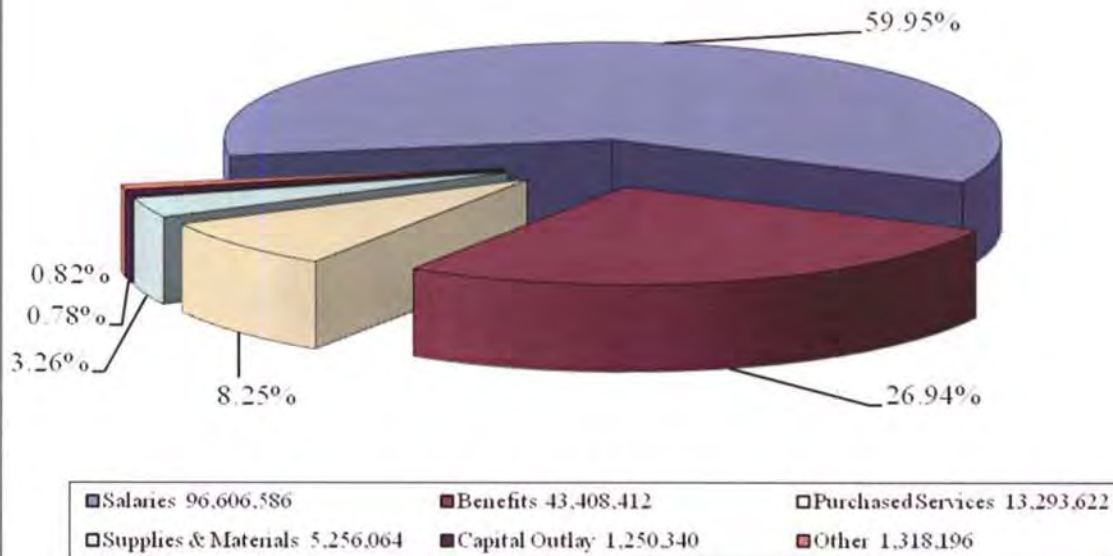
General Fund Expenditures Fiscal 2012



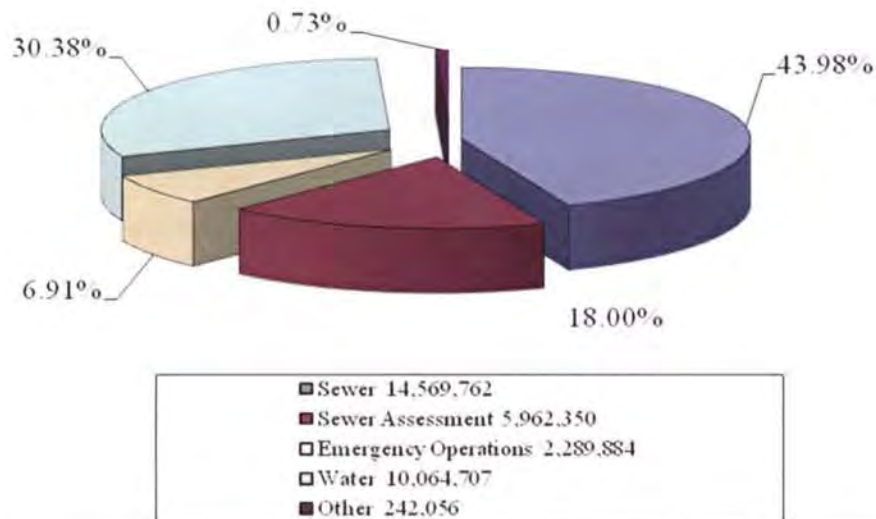
■ Exec & Admin 4,339,614	■ Public Safety 39,752,220
□ Recreation 1,512,971	□ Public Libraries 2,458,403
■ Social Services 1,233,356	■ Planning & E/D 950,645
■ Public Works 10,954,139	□ Benefits/Fixed Costs 46,962,310
■ School 153,400,393	■ Debt 7,461,969

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

Warwick Public Schools Fiscal 2012 Expenditures



Business-type Activities Fiscal 2012 Expenses



The general fund is the chief operating fund of the City. At the end of the current fiscal year, the unassigned fund balance of the general fund was \$8,253,978. Total fund balance was \$11,793,835. As a measure of the general fund liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 2.99% of total general fund budgeted expenditures. During fiscal 2012, the unassigned fund balance of the City's general fund increased by \$2,272,260. This is a 38.0% increase from the prior year unassigned fund balance.

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

Total net assets for the Sewer Department amounted to \$67,776,139. The funds invested in capital assets totals \$66,830,950, restricted funds total \$3,194,281, and unrestricted net assets total (\$2,249,093). This negative unrestricted total is representative of the fact that Sewer's cash reserves must increase in order to support the constantly increasing burden of debt principal and interest costs. The Department is in the middle of a massive capital improvement program to sewer a majority of the City. Upon completion of each phase of the program, the department will assess users a "sewer construction charge" to be paid over a twenty year period. This assessment will be applied to debt financing costs. The project has reached an interim phase where debt costs have been incurred, but the corresponding assessment fees have not all been realized.

Net assets for the Water Department totaled \$10,852,729. Of this, \$12,449,683 represents the investment in capital assets while the unrestricted portion totaled (\$1,596,954). Currently all assets are invested in capital. During fiscal 2012 net assets decreased by \$291,042 – this indicates the need for a rate adjustment. The Department also cut back on fiscal 2012 funding for the infrastructure replacement program.

Unrestricted net assets in the workers compensation internal service fund amounted to \$716,114. Net assets increased by \$24,185 due primarily to a decrease in the claim reserve.

Net assets for the City's medical healthcare internal service fund totaled \$529,210. This was primarily composed of \$582,400 in escrow cash reserves held by the health insurers plus \$746,064 in surplus funds (excess of premiums paid vs. claims paid) held by WB Community Health, less outstanding INBR claims totaling \$799,254.

The Warwick School Department's medical healthcare internal service fund reflected a net asset balance totaling \$3,885,428. This balance represented a combination of \$1,434,300 in escrow cash reserves held by the insurers, plus \$3,350,107 in surplus funds (excess of premiums paid vs. claims paid) held by WB Community Health, less outstanding IBNR claims totaling \$898,979.

General Fund Budgetary Highlights

During fiscal 2012, the City's original budget of \$273,892,150 was increased by \$2.17 million to \$276,061,251. The following budgetary adjustments were made during the year:

- A budget transfer in the amount of \$2,071,422 represented the re-appropriation of the fiscal 2011 school surplus to the School Department. The prior year education commitment funded this transfer.
- Unanticipated grant revenue totaling \$262,679 was the basis for increases to the corresponding revenue and expenditure budgets.
- Budgeted amounts pertaining to the property tax revaluation project were decreased by \$165,000 in accordance with the status of the project.

Capital Assets and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2012, amounted to \$303,224,202 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery & equipment, roads and construction in progress. During this year, the City's overall investment in capital assets (net of accumulated depreciation) decreased by approximately \$3.8 million.

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

1. School Fire Code Improvements - \$582,352
2. New Roof for Toll Gate High School - \$608,232
3. Reconstructed Wastewater Facility (Phase II) - \$2.16 million

City of Warwick's Capital Assets

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Land	\$18,680,138	\$18,680,138	-	-	\$18,680,138	\$18,680,138
Land Improvements	10,771,636	10,733,480			10,771,636	10,733,480
Buildings	108,121,453	106,858,806	2,900,797	2,900,797	111,022,250	109,759,603
Infrastructure	195,092,560	194,883,258	268,350,207	257,139,960	463,442,767	452,023,218
Equipment	19,033,532	18,754,950	3,695,928	3,564,983	22,729,460	22,319,933
Licensed Vehicles	28,167,639	27,822,759			28,167,639	27,822,759
Construction in Progress	2,284,210	470,564	5,177,627	10,845,749	7,461,837	11,316,313
Subtotal:	382,151,168	378,203,955	280,124,559	274,451,489	662,275,727	652,655,444
Less Accumulated Depreciation:	(271,614,601)	(264,081,027)	(87,436,924)	(81,571,568)	(359,051,525)	(345,652,595)
Total:	\$110,536,567	\$114,122,928	\$192,687,635	\$192,879,921	\$303,224,202	\$307,002,849

Additional information on the City's capital assets can be found in Note 6 of the notes to the financial statements of this report.

Long-term debt. At the end of the fiscal year, the City had total bonds and loans outstanding of \$170,097,275. It is broken down as follows:

▪ General Fund Bonds Payable	\$ 50,934,288.
▪ Water Bonds Payable	\$ 1,504,251.
▪ Sewer Bonds Payable	\$ 17,356,461.
▪ Sewer SRF Loans Payable	\$100,302,275.

General obligation bonds are backed by the full faith and credit of the City, including the City's power to levy additional taxes to ensure repayment of the debt. Accordingly, all general obligation debt currently outstanding was approved by a vote of the citizens.

During fiscal 2012, the City of Warwick's general fund general obligation debt reflects a net decrease of \$3,976,436, due entirely to principal repayments. No new general fund debt was issued during fiscal 2012. Sewer debt decreased by \$6,827,795, and water debt decreased by \$222,079.

The City's bond ratings are as follows:

Moody's	Aa3
Standard & Poors.....	AA-

State statute limits the amount of bonds a governmental entity can issue to 3% of its total assessed valuation. The current debt limitation for the City is \$299,020,173. As of June 30, 2012 the City's current outstanding general fund debt falls under the debt limitation by \$248,085,885.

Additional information on the City's long-term debt can be found in Note 7 of the notes to the financial statements and in the statistical tables.

Economic Factors and Next Year's Budgets and Rates

- Warwick's average unemployment rate is 10.12%.
- Median family income in Warwick was \$73,504.
- Warwick ranks second in population among Rhode Island's 39 cities and towns.

The following factors were considered in preparing the City's budget for the 2012-13 fiscal year.

- The School Department budget will increase by \$1.9 million to \$156.2 million.
- The City's health care coverage will now be administered by the RI Interlocal Risk Management Trust.
- No funds were drawn from the City's fund balance when preparing the fiscal 2013 budget.

Currently, the unreserved undesignated fund balance in the general fund totals \$8,253,978. While the City has maintained its commitment toward ensuring a steady growth for the City surplus, it has sometimes been necessary to utilize part of this surplus to ease the burden on its taxpayers. The City's fiscal 2013 tax rate for residential property increased from \$17.69 to \$18.14, or 2.5%. The commercial and industrial tax rate also increased 2.5% from \$26.53 to \$27.21. The tangible personal property rate increased from \$35.38 to \$36.28, or 2.5%. Per Rhode Island law, the inventory tax was phased out and the motor vehicle tax remained constant at \$34.60.

Requests for Information

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

CITY OF WARWICK, RHODE ISLAND

STATEMENT OF NET ASSETS

June 30, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
<i>Current Assets:</i>			
Cash and cash equivalents	\$ 22,142,371	\$ 6,770,793	\$ 28,913,164
Restricted cash and cash equivalents	507,500	3,194,267	3,701,767
Accounts receivable:			
Interest receivable	1,178,861	14	1,178,875
Real estate and personal property taxes receivable, net	5,619,056	-	5,619,056
Due from federal and state government	9,541,587	5,325,992	14,867,579
Water and sewer assessments and user fees receivable, net	-	13,818,916	13,818,916
Other receivables, net	6,753,715	78,159	6,831,874
Internal balances	9,424,675	(9,424,675)	-
Inventories	-	37,582	37,582
Other assets	4,370,008	-	4,370,008
Deposits with agent	6,112,871	-	6,112,871
<i>Total Current Assets</i>	<u>65,650,644</u>	<u>19,801,048</u>	<u>85,451,692</u>
<i>Noncurrent Assets:</i>			
Capital assets:			
Land	18,680,138	-	18,680,138
Depreciable buildings, equipment, infrastructure, net	89,572,219	187,510,008	277,082,227
Construction in progress	2,284,210	5,177,627	7,461,837
Capital assets, net	<u>110,536,567</u>	<u>192,687,635</u>	<u>303,224,202</u>
Deferred Charges	782,343	1,588,412	2,370,755
Sewer assessment receivable	-	39,435,222	39,435,222
<i>Total Noncurrent Assets</i>	<u>111,318,910</u>	<u>233,711,269</u>	<u>345,030,179</u>
Total assets	<u>176,969,554</u>	<u>253,512,317</u>	<u>430,481,871</u>
Liabilities			
<i>Current Liabilities:</i>			
Accounts payable and accrued liabilities	22,712,329	1,734,539	24,446,868
Accrued interest payable	573,562	1,094,354	1,667,916
Accrued compensated absences	1,239,233	37,229	1,276,462
Due to federal and state government	142,533	-	142,533
Deferred Revenue:			
Taxes collected in advance	58,038	2,050,249	2,108,287
Other	3,840,204	160,842	4,001,046
Other liabilities	4,255,039	-	4,255,039
Long-term debt due within one year	4,597,080	9,638,687	14,235,767
<i>Total Current Liabilities</i>	<u>37,418,018</u>	<u>14,715,900</u>	<u>52,133,918</u>
<i>Noncurrent Liabilities:</i>			
Unearned revenue	-	39,435,222	39,435,222
Long-term debt and Retroactive Payroll- due in more than one year	50,238,009	109,792,632	160,030,641
Accrued compensated absences	9,934,946	304,576	10,239,522
Net other post-employment benefits obligation	72,181,273	2,367,173	74,548,446
Net pension obligation	40,813,235	-	40,813,235
<i>Total Noncurrent Liabilities</i>	<u>173,167,463</u>	<u>151,899,603</u>	<u>325,067,066</u>
Total Liabilities	<u>210,585,481</u>	<u>166,615,503</u>	<u>377,200,984</u>
Net Assets			
Invested in capital assets, net of related debt	61,079,076	79,287,133	140,366,209
Restricted for:			
Debt service payments	507,500	3,194,281	3,701,781
Education programs	121,048	-	121,048
Community development loans	525,741	-	525,741
City clerk records preservation	821,321	-	821,321
Public safety programs	183,543	-	183,543
Unrestricted	(96,854,156)	4,415,400	(92,438,756)
TOTAL NET ASSETS	<u>\$ (33,615,927)</u>	<u>\$ 86,896,814</u>	<u>\$ 53,280,887</u>

See notes to the basic financial statements

CITY OF WARWICK, RHODE ISLAND**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<i>Governmental Activities:</i>							
Executive and administration	\$ 7,189,863	\$ 2,110,147	\$ 3,000	\$ -	\$ (5,076,716)	\$ -	\$ (5,076,716)
Public safety	96,094,909	7,122,121	1,078,536	-	(87,894,252)	-	(87,894,252)
Recreation	3,627,775	962,086	63,378	-	(2,602,311)	-	(2,602,311)
Public libraries	4,958,759	33,369	755,658	-	(4,169,732)	-	(4,169,732)
Social services	2,254,293	137,727	117,808	-	(1,998,758)	-	(1,998,758)
Planning and economic development	2,777,531	1,995,266	1,273,108	-	490,843	-	490,843
Public works	22,147,778	325,721	1,151,705	152,292	(20,518,060)	-	(20,518,060)
Education	170,207,856	1,970,205	49,256,566	-	(118,981,085)	-	(118,981,085)
Interest on long-term debt	2,296,097	-	-	-	(2,296,097)	-	(2,296,097)
<i>Total governmental activities</i>	<i>311,554,861</i>	<i>14,656,642</i>	<i>53,699,759</i>	<i>152,292</i>	<i>(243,046,168)</i>	<i>-</i>	<i>(243,046,168)</i>
<i>Business-type Activity:</i>							
Sewer	14,704,964	19,282,573	-	3,073,848	-	7,651,457	7,651,457
Water	10,118,651	9,771,177	-	-	-	(347,474)	(347,474)
<i>Total business-type activity</i>	<i>24,823,615</i>	<i>29,053,750</i>	<i>-</i>	<i>3,073,848</i>	<i>-</i>	<i>7,303,983</i>	<i>7,303,983</i>
<i>Total primary government</i>	<i>\$ 336,378,476</i>	<i>\$ 43,710,392</i>	<i>\$ 53,699,759</i>	<i>\$ 3,226,140</i>	<i>(243,046,168)</i>	<i>7,303,983</i>	<i>(235,742,185)</i>
General revenues:							
Property taxes					213,334,334	-	213,334,334
Interest on property taxes					1,737,961	-	1,737,961
General state aid and in lieu of taxes					6,896,729	-	6,896,729
Investment earnings					(21,741)	8,917	(12,824)
Tax titles					78,373	-	78,373
Insurance proceeds					39,914	24,707	64,621
Miscellaneous					5,479,807	-	5,479,807
Transfer (To) From					17,727	(17,727)	-
<i>Total general revenues</i>					<i>227,563,104</i>	<i>15,897</i>	<i>227,579,001</i>
<i>Change in Net Assets</i>					<i>(15,483,064)</i>	<i>7,319,880</i>	<i>(8,163,184)</i>
<i>Net Assets - beginning of year</i>					<i>(18,132,863)</i>	<i>79,576,934</i>	<i>61,444,071</i>
<i>Net Assets - ending of year</i>					<i>\$ (33,615,927)</i>	<i>\$ 86,896,814</i>	<i>\$ 53,280,887</i>

See notes to the basic financial statements

CITY OF WARWICK, RHODE ISLAND

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012**

	General Fund	School Unrestricted Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 14,514,178	\$ 543,139	\$ 6,383,519	\$ 21,440,836
Restricted Cash	-	-	507,500	507,500
Accounts Receivable:				
Real estate and personal property taxes receivable (net)	5,619,056	-	-	5,619,056
Due from federal and state governments	3,026,006	648,832	5,866,749	9,541,587
Other receivables	3,603,346	892,429	3,456,242	7,952,017
Due from other funds	10,461,307	14,323,433	1,870,024	26,654,764
Other assets	4,323,685	-	46,323	4,370,008
Total assets	\$ 41,547,578	\$ 16,407,833	\$ 18,130,357	\$ 76,085,768
Liabilities and Fund Balances				
Liabilities:				
Accounts payable and accrued expenditures	\$ 3,288,914	\$ 16,125,114	\$ 1,548,647	\$ 20,962,675
Due to federal and state governments	142,426	-	107	142,533
Due to other funds	14,351,828	-	2,878,261	17,230,089
Deferred revenue:				
Taxes collected in advance	58,038	-	-	58,038
Uncollected property taxes	4,530,157	-	-	4,530,157
Other	3,102,481	-	6,819,833	9,922,314
Other liabilities	4,279,899	-	-	4,279,899
Total liabilities	29,753,743	16,125,114	11,246,848	57,125,705
Fund Balances (Deficits)				
Non-Spendable	217,244	-	-	217,244
Restricted	-	242,063	7,511,986	7,754,049
Committed for education	2,872,057	-	-	2,872,057
Committed other	450,556	-	-	450,556
Assigned	-	40,856	-	40,856
Unassigned	8,253,978	-	(628,477)	7,625,501
Total fund balances (deficits)	11,793,835	282,719	6,883,509	18,960,063
Total liabilities and fund balances (deficits)	\$ 41,547,578	\$ 16,407,833	\$ 18,130,357	\$ 76,085,768

CITY OF WARWICK, RHODE ISLAND**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012**

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

Total Fund Balances (B-1)	\$ 18,960,063
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	110,536,567
Deferred financing costs are reported as expenditures in the fund statements but capitalized and amortized in the statement of net assets.	782,343
Interest receivable on delinquent taxes recorded in the statement of net assets not considered available and therefore not reported in the fund statements.	1,178,861
Long-term liabilities and related items are not due and payable in the current period and therefore are not reported in the funds.	(65,984,408)
Deferred revenues (net of an allowance for uncollectible) are recorded in the funds, but are not deferred under the measurement focus employed in the Statement of Net Assets.	9,347,965
Internal Service funds are recorded as proprietary funds in the fund financial statements but are recorded as governmental activities on the government-wide financial statements.	5,130,752
Accrual for OPEB liabilities (net)	(72,181,273)
Accrual for pension obligation	(40,813,235)
Accrued interest payable is recorded in government activities, but is not recorded in the funds.	(573,562)
Total Net Assets (A-1)	<u>\$ (33,615,927)</u>

(Concluded)

See notes to the basic financial statements

CITY OF WARWICK, RHODE ISLAND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

	General Fund	School Unrestricted Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues				
General property taxes	\$ 212,007,763	\$ -	\$ -	\$ 212,007,763
Interest on taxes	1,392,844	-	-	1,392,844
Intergovernmental revenue	6,380,036	33,871,766	10,236,701	50,488,503
Medicaid	-	1,548,739	-	1,548,739
State contribution to pension plan	-	6,251,800	-	6,251,800
Charges for service	7,941,856	992,803	2,671,736	11,606,395
Investment income	232	-	1,242	1,474
Contributions and private grants	-	-	164,652	164,652
Other revenues	9,092,785	488,872	727,727	10,309,384
Total revenues	<u>236,815,516</u>	<u>43,153,980</u>	<u>13,802,058</u>	<u>293,771,554</u>
Expenditures				
Current:				
Executive and administrative	4,339,614	-	180,106	4,519,720
Public Safety	40,884,438	-	2,178,431	43,062,869
Recreation	1,512,971	-	63,378	1,576,349
Public libraries	2,458,403	-	122,281	2,580,684
Social services	1,233,356	-	28,879	1,262,235
Planning and economic development	950,645	-	1,219,236	2,169,881
Public Works	10,954,141	-	1,469,678	12,423,819
Employee benefits, fixed costs and capital	46,057,032	-	-	46,057,032
Education	-	159,932,429	11,636,049	171,568,478
Debt service				
Principal	-	-	5,226,115	5,226,115
Interest and other costs	-	-	1,728,354	1,728,354
Total expenditures	<u>108,390,600</u>	<u>159,932,429</u>	<u>23,852,507</u>	<u>292,175,536</u>
Excess of revenues over (under) expenditures before other financing sources (uses)	<u>128,424,916</u>	<u>(116,778,449)</u>	<u>(10,050,449)</u>	<u>1,596,018</u>
Other financing sources (uses)				
Transfers in	429,606	117,843,996	9,409,358	127,682,960
Transfers out	(125,661,048)	(1,200,761)	(803,424)	(127,665,233)
Net other financing sources (uses)	<u>(125,231,442)</u>	<u>116,643,235</u>	<u>8,605,934</u>	<u>17,727</u>
Net change in fund balance	3,193,474	(135,214)	(1,444,515)	1,613,745
Fund balance, at beginning of year	<u>8,600,361</u>	<u>417,933</u>	<u>8,328,024</u>	<u>17,346,318</u>
Fund balance, at end of year	\$ <u>11,793,835</u>	\$ <u>282,719</u>	\$ <u>6,883,509</u>	\$ <u>18,960,063</u>

See notes to the basic financial statements

CITY OF WARWICK, RHODE ISLAND

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
OF GOVERNMENTAL FUNDS (B-2) TO THE STATEMENT OF ACTIVITIES (A-2)
YEAR ENDED JUNE 30, 2012**

Net Change in Fund Balance - Total Governmental Funds (B-2)	\$ 1,613,745
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	(3,570,884)
Governmental funds do not recognize gains or losses on the sale or disposal of capital assets. The statement of activities includes losses on the disposal of fixed assets during 2012	(15,477)
Increase in interest receivable from fiscal 2011	345,117
To record net increase in interest expense resulting from amortization of bond issuance costs, bond refunding costs, bond premium, and additional net interest	(487,935)
Increase in accrued interest expense from fiscal 2011	(79,808)
Increase in liability for compensated absences from fiscal 2011	(95,586)
Decrease in accrued retroactive payroll from fiscal 2011	78,625
Deferred revenues (net of an allowance for uncollectible) are recorded in the funds, but are not deferred under the measurement focus employed in the Statement of Net Assets.	1,548,411
Decrease in net assets of the internal service fund which is not reported in the governmental funds	(420,297)
Principal payments made on long-term debt	5,226,115
Increase in accrual for OPEB liabilities (net)	(13,991,825)
Increase in accrual for net pension liability	<u>(5,633,265)</u>
Change in Net Assets of Governmental Activities in the Statement of Activities (A-2)	<u>\$ (15,483,064)</u>

CITY OF WARWICK, RHODE ISLAND

 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 JUNE 30, 2012

	Business-type Activities - Enterprise Funds					Governmental Activities	
	Sewer Fund	Sewer Assessment Fund	Water Fund	Emergency Operations Enterprise Fund	Other Non Major Enterprise Funds	Total	Internal Service Fund
Assets							
Current Assets							
Cash and cash equivalents	\$ 3,260,061	\$ 268,785	\$ 1,580,415	\$ -	\$ 1,661,532	\$ 6,770,793	\$ 701,535
Restricted Cash and cash equivalents	3,194,267					3,194,267	
Accounts receivable, net:							
Water and sewer use fees	5,981,269		4,195,186			10,176,455	
Sewer assessments		3,642,461				3,642,461	
Accrued interest	14					14	
Due from federal & state government	2,145,185			3,180,807		5,325,992	
Other receivables	65,080				13,079	78,159	66,000
Due from other funds	372,548				5,018,121	5,390,669	
Inventory	-		37,582	-	-	37,582	-
Total current assets	15,018,424	3,911,246	5,813,183	3,180,807	6,692,732	34,616,392	767,535
Noncurrent assets:							
Sewer assessments receivable		39,435,222				39,435,222	-
Construction in progress	5,177,627					5,177,627	-
Depreciable capital assets, net	174,854,320		12,655,688			187,510,008	-
Other assets, net	1,559,552		28,860			1,588,412	-
Deposits with agent	-	-	-	-	-	-	6,112,871
Total Noncurrent assets	181,591,499	39,435,222	12,684,548	-	-	233,711,269	6,112,871
Total assets	196,609,923	43,346,468	18,497,731	3,180,807	6,692,732	268,327,661	6,880,406
Liabilities							
Current Liabilities							
Accounts payable and accrued expenses	634,560		997,423	89,169	13,387	1,734,539	51,421
Accrued interest payable	1,084,606		9,748		-	1,094,354	-
Due to other funds	7,784,474	270,045	3,666,837	3,091,638	2,350	14,815,344	-
Accrued compensated absences	15,842		21,387		-	37,229	-
Advanced collections		2,050,249			-	2,050,249	-
Deferred revenue	160,842				-	160,842	-
Accrued claims - IBNR					-	-	1,698,233
Current portion of long term debt	9,487,383		151,304		-	9,638,687	-
Total current liabilities	19,167,707	2,320,294	4,846,699	3,180,807	15,737	29,531,244	1,749,654
Non-current liabilities:							
Accrued compensated absences	129,609		174,967		-	304,576	-
Unearned revenue		39,435,222			-	39,435,222	-
Bonds and loans payable	108,413,065		1,379,567		-	109,792,632	-
Net other post-employment benefits obligation	1,123,404		1,243,769		-	2,367,173	-
Total Noncurrent liabilities	109,666,078	39,435,222	2,798,303	-	-	151,899,603	-
Total liabilities	128,833,785	41,755,516	7,645,002	3,180,807	15,737	181,430,847	1,749,654
Net Assets							
Invested in Capital Assets, net of related debt	66,830,950	-	12,449,683	-	-	79,280,633	-
Restricted for debt service payments	3,194,281	-	-	-	-	3,194,281	-
Unrestricted	(2,249,093)	1,590,952	(1,596,954)	-	6,676,995	4,421,900	5,130,752
Total net assets	\$ 67,776,138	\$ 1,590,952	\$ 10,852,729	\$ -	\$ 6,676,995	\$ 86,896,814	\$ 5,130,752

See notes to the basic financial statements

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR YEAR ENDED JUNE 30, 2012

	Business-type Activities - Enterprise Funds						Governmental Activities
	Sewer Fund	Sewer Assessment Fund	Water Fund	Emergency Operations Enterprise Fund	Other Non Major Enterprise Funds	Total	Internal Service Fund
Operating Revenues:							
Assessments and user fees	\$ 13,007,222	\$ 2,989,864	\$ 9,670,576	\$ -	\$ -	\$ 25,667,662	\$ -
Other revenues	579,557	2,711,201	100,601	24,707	(5,271)	3,410,795	39,096,383
Intergovernmental revenues				1,671,140	-	1,671,140	-
<i>Total Operating Revenues</i>	<i>13,586,779</i>	<i>5,701,065</i>	<i>9,771,177</i>	<i>1,695,847</i>	<i>(5,271)</i>	<i>30,749,597</i>	<i>39,096,383</i>
Operating Expenses:							
Contract Services	183,360		143,172		-	326,532	38,830,427
Salaries and benefits	3,097,152		2,850,552		-	5,947,704	
Materials and supplies	537,792		22,992		142,483	703,267	
Depreciation and amortization	5,643,227		651,284		-	6,294,511	
Operations	1,910,853		6,325,941	68,719	-	8,305,513	
Worker's compensation claims					-	-	253,092
Miscellaneous					35,744	35,744	442,785
<i>Total Operating Expenses</i>	<i>11,372,384</i>	<i>-</i>	<i>9,993,941</i>	<i>68,719</i>	<i>178,227</i>	<i>21,613,271</i>	<i>39,526,304</i>
Operating Income (Loss)	2,214,395	5,701,065	(222,764)	1,627,128	(183,498)	9,136,326	(429,921)
Non-operating Revenues (Expenses):							
Interest income	4,242	408	2,488		1,779	8,917	9,624
Interest expense	(3,098,714)		(70,766)		-	(3,169,480)	-
Capital contributions	1,402,708				-	1,402,708	-
Loss on Disposal of assets	(40,864)				-	(40,864)	-
Net Non-operating Revenues (Expenses)	(1,732,628)	408	(68,278)	-	1,779	(1,798,719)	9,624
Income (Loss) before transfers	481,767	5,701,473	(291,042)	1,627,128	(181,719)	7,337,607	(420,297)
Transfers:							
Transfers in	8,134,980			130,437	22,000	8,287,417	-
Transfers out	(57,800)	(5,962,350)		(2,221,165)	(63,829)	(8,305,144)	-
<i>Total Transfers</i>	<i>8,077,180</i>	<i>(5,962,350)</i>	<i>-</i>	<i>(2,090,728)</i>	<i>(41,829)</i>	<i>(17,727)</i>	<i>-</i>
Change in net assets	8,558,947	(260,877)	(291,042)	(463,600)	(223,548)	7,319,880	(420,297)
Net Assets - Beginning of year	59,217,191	1,851,829	11,143,771	463,600	6,900,543	79,576,934	5,551,049
Net Assets - Ending of year	\$ 67,776,138	\$ 1,590,952	\$ 10,852,729	\$ -	\$ 6,676,995	\$ 86,896,814	\$ 5,130,752

See notes to the basic financial statements

CITY OF WARWICK, RHODE ISLAND

 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2012

	Business-type Activities - Enterprise Funds						Governmental Activities
	Sewer Fund	Sewer Assessment Fund	Water Fund	Emergency Operations Enterprise Fund	Other Non Major Enterprise Funds	Total	Internal Service Fund
Cash flows from operating activities:							
Cash received from customers	\$ 13,191,351	\$ 5,954,048	\$ 9,444,197	\$ 1,100,034	\$ 19,956	\$ 29,709,586	\$ -
Cash received from intergovernmental	-	-	-	-	-	-	-
Cash payments to suppliers for goods and services	(3,007,330)	-	(6,725,937)	(1,701,892)	(128,596)	(11,563,755)	-
Cash payments of federal grants	-	-	-	-	-	-	-
Cash payments to employees for services	(3,102,547)	-	(2,510,666)	-	-	(5,613,213)	-
Other operating revenues	500,426	-	100,601	-	88,630	689,657	39,647,727
Other operating payments	-	-	-	-	-	-	(39,656,613)
Net cash provided (used) by operating activities	7,581,900	5,954,048	308,195	(601,858)	(20,010)	13,222,275	(8,886)
Cash flows from non-capital financing activities:							
Decrease (Increase) in due to (from) other funds	(1,163,701)	265,601	(372,527)	2,228,986	(115,029)	843,330	-
Operating transfers from other funds	8,134,980	-	-	130,437	22,000	8,287,417	-
Operating transfer to other funds	(57,800)	(5,962,350)	-	(1,757,565)	(63,829)	(7,841,544)	-
Net cash provided (used) by non-capital financing activities	6,913,479	(5,696,749)	(372,527)	601,858	(156,858)	1,289,203	-
Cash flows from capital and related financing activities:							
Acquisition and construction of capital assets	(4,499,746)	-	(461,635)	-	-	(4,961,381)	-
Proceeds from loan payable	2,520,333	-	-	-	-	2,520,333	-
Bond issuance costs	(84,197)	-	-	-	-	(84,197)	-
Principal paid on bonds	(9,246,884)	-	(219,159)	-	-	(9,466,043)	-
Interest paid on bonds	(3,147,458)	-	(68,101)	-	-	(3,215,559)	-
Net cash used for capital and related financing activities	(14,457,952)	-	(748,895)	-	-	(15,206,847)	-
Cash flows from investing activities:							
Interest and dividends on investments	4,238	408	2,488	-	1,779	8,913	9,624
Net cash provided by investing activities	4,238	408	2,488	-	1,779	8,913	9,624
Net increase (decrease) in cash and cash equivalents (including restricted cash and equivalents)	41,665	257,707	(810,739)	-	(175,089)	(686,456)	738
Cash and cash equivalents at beginning of year (including restricted cash and equivalents)	6,412,663	11,078	2,391,154	-	1,836,621	10,651,516	700,797
Cash and cash equivalents at end of year (including restricted cash and equivalents)	\$ 6,454,328	\$ 268,785	\$ 1,580,415	\$ -	\$ 1,661,532	\$ 9,965,060	\$ 701,535

See notes to the basic financial statements

CITY OF WARWICK, RHODE ISLAND

 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2012

	Business-type Activities - Enterprise Funds						Governmental Activities
	Sewer Fund	Sewer Assessment Fund	Water Fund	Emergency Operations Enterprise Fund	Other Non Major Enterprise Funds	Total	Internal Service Fund
Reconciliation of operating income to net cash provided (used) by operating activities:							
Operating income(loss)	\$ 2,214,395	\$ 5,701,065	\$ (222,764)	\$ 1,627,128	(183,498)	\$ 9,136,326	\$ (429,921)
Adjustments to reconcile operating income to Net Cash provided by operating activities							
Depreciation and amortization	5,643,227	-	651,284	-	-	6,294,511	-
Changes in assets and liabilities:	-					-	
(Increase) decrease in accounts receivable net	193,009	465,500	(226,379)	(595,813)	-	(163,683)	-
(Increase) decrease in other receivable	(79,131)	-	-	-	56,201	(22,930)	551,344
(Increase) decrease in accrued interest receivable	-	-	-	-	93,900	93,900	-
(Increase) decrease in inventory	-	-	(6,029)	-	-	(6,029)	-
Increase(decrease) in accounts payable and accrued expense	(682,861)	-	(227,803)	(1,633,173)	13,387	(2,530,450)	(23,447)
Increase(decrease) in accrued interest payable	-	-	-	-	-	-	-
Increase(decrease) in advanced collections	-	1,152,806	-	-	-	1,152,806	-
Increase(decrease) in unearned revenue	(8,880)	(1,365,323)	-	-	-	(1,374,203)	-
Increase(decrease) in net other post-employment benefits	307,536	-	340,487	-	-	648,023	-
Increase(decrease) in compensated absences	(5,395)	-	(601)	-	-	(5,996)	-
Increase(decrease) in Accrued claims - IBNR	-	-	-	-	-	-	(106,862)
Total adjustments	5,367,505	252,983	530,959	(2,228,986)	163,488	4,085,949	421,035
Net cash provided (used) by operating activities	\$ 7,581,900	\$ 5,954,048	\$ 308,195	\$ (601,858)	\$ (20,010)	\$ 13,222,275	\$ (8,886)

See notes to the basic financial statements

CITY OF WARWICK, RHODE ISLAND

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2012

	Pension Trust Funds	Private-purpose Trust Funds	Agency Funds
Assets			
Cash and cash equivalents	\$ 4,621,684	\$ 125,472	\$ 1,324,246
Investments, at fair value:			
Equity Pool	35,142,871	-	-
Equity small cap funds	42,459,061	-	-
Fixed income pool	127,685,169	-	-
Index funds	62,584,929	-	-
Multi asset manager funds	46,963,322	-	-
International equity funds	10,863,016	-	-
Mutual funds	22,497,256	-	-
Total investments	348,195,624	-	-
Receivables:			
Accrued interest receivable	266	-	-
Contribution receivable	1,290,153	-	-
Other receivables		7,630	40,106
Total receivables	1,290,419	7,630	40,106
Total Assets	354,107,727	133,102	1,364,352
Liabilities			
Accounts payable and accrued expenditures	244,938	-	57,151
Due to federal and state governments	-	-	38,272
Deposits held in custody for others	-	-	1,268,929
Total liabilities	244,938	-	1,364,352
Net Assets			
Held in trust for pension benefits and other purposes	353,862,789	133,102	-
Total Net Assets	\$ 353,862,789	\$ 133,102	\$ -

See notes to the basic financial statements

CITY OF WARWICK, RHODE ISLAND

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2012

	Pension Trust Fund	Private Purpose Trust Funds
<i>Additions:</i>		
Contributions- Employer	\$ 25,812,277	\$ 13,527
Plan members	5,179,713	-
Total contributions	<u>30,991,990</u>	<u>-</u>
<i>Investment earnings:</i>		
Net appreciation in fair value of investments	1,946,002	-
Interest and dividends	625,010	324
Less Investment expense	(1,174,331)	-
Net investment earnings	<u>1,396,681</u>	<u>324</u>
Other Revenue	<u>-</u>	<u>19,343</u>
<i>Total additions</i>	<u>32,388,671</u>	<u>33,194</u>
<i>Deductions:</i>		
Benefits paid	40,180,076	-
Administrative and other expenses	120,620	37,442
Total deductions	<u>40,300,696</u>	<u>37,442</u>
Change in Net Assets	(7,912,025)	(4,248)
Net assets - Beginning of the year	361,774,814	137,350
Net assets - Ending of the year	<u>\$ 353,862,789</u>	<u>\$ 133,102</u>

See notes to the basic financial statements

CITY OF WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting methods and procedures adopted by the City of Warwick, Rhode Island conform to generally accepted accounting principles (GAAP) as applied to governmental entities. The following notes to the basic financial statements are an integral part of the City's Comprehensive Annual Financial Report.

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 Administration Services.

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

In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement No. 39. Under GASB Statement No. 39, the financial reporting entity includes both the primary government and all of its component units. Component units are legally separate entities that meet any one of the following three tests:

Test 1 - The primary government appoints the voting majority of the board of the potential component unit and

- * is able to impose its will on the potential component unit and/or
- * is in a relationship of financial benefit or burden with the potential component unit;

Test 2 - The potential component unit is fiscally dependent upon the primary government; or

Test 3 - The financial statements would be misleading if data from the potential component unit were not included.

The following entities were considered for classification as component units for fiscal year 2012:

- * Warwick School Department

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

(CONTINUED)

CITY OF WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation

Recently Issued Accounting Standards

- GASB Statement No. 64 – Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53, effective for the City's fiscal year ending June 30, 2012.

The City will adopt the following new accounting pronouncement in future years:

- GASB Statement No. 60 – Accounting and Financial Reporting for Service Concession Arrangement, effective for the City's fiscal year ending June 30, 2013.
- GASB Statement No. 61 – The Financial Reporting entity: Omnibus an amendment of GASB Statements No. 14 and No. 34, effective for the City's fiscal year ending June 30, 2013.
- GASB Statement No. 62 – Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, effective for the City's fiscal year ending June 30, 2013.
- GASB Statement No. 63 – Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, effective for the City's fiscal year ending June 30, 2013.
- GASB Statement No. 65 – Items Previously Reported as Assets and Liabilities, effective for the District's fiscal year ending June 30, 2014.
- GASB Statement No. 66 – Technical Corrections – an amendment of GASB Statements No. 10 and No. 62, effective for the District's fiscal year ending June 30, 2014.
- GASB Statement No. 67 – Financial Reporting of Pension Plans – an amendment of GASB Statement No. 25, effective for the District's fiscal year ending June 30, 2014.
- GASB Statement No. 68 – Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27, effective for the District's fiscal year ending June 30, 2015.

The effect of these pronouncements on the City's financial statements has not been determined.

Government-Wide Financial Statements

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

(CONTINUED)

CITY OF WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a) Total assets, liabilities, revenues, or expenditures/expenses of that individual, governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b) Total assets, liabilities, revenues, or expenditures/expenses of the individual, governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund is the primary operating fund of the City and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally or administratively restricted to expenditures for certain purposes.

Capital Project Funds

Capital Project Funds are used to account for resources restricted for the acquisition or construction of specific capital projects or items.

Permanent Funds

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

Proprietary Funds

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

(CONTINUED)

CITY OF WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Funds (Continued)

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest, other than those payable from Enterprise Funds.

Fiduciary Funds (Not included in government-wide statements)

Agency Funds

Agency funds account for assets held by the City in a purely custodial capacity. The reporting entity includes five agency funds. Since agency funds are custodial in nature (i.e. assets equal liabilities), they do not involve the 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

Private Purpose Trust Funds are used to account for resources legally held in trust for use by parties outside the City, and cannot be used at the City's discretion or to support the City's general operations.

Major and Non-Major Funds

The funds are further classified as major or non-major as follows:

Fund Brief Description

Major:

General Fund: See above for description

School Unrestricted Fund: This fund is used to report all financial transactions of the City of Warwick's School Department, which are not legally required to be accounted for separately. The set aside funds: Early Childhood, Literacy, Student Equity, Language Assistance, Professional Development, Technology, as well as, Building Use, Adult Continuing Education, Athletic Gate Receipts, Summer School and Commercial Foods are included in this fund.

Proprietary:

Sewer Fund: Accounts for sewer use fees and the expenses associated with providing sewer services to City residents.

Sewer Assessment Fund: Accounts for special assessments related to the construction of the City's sewer system which are payable over 20 years.

Water Fund: Accounts for water use fees and the expenses associated with water services to City residents.

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CITY OF WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary: (Continued)

Fund Brief Description

Emergency Operations Fund Accounts for the revenue and expenditures associated with the 2010 flood.

Non-Major:

Special Revenue: Special Detail, City Clerk, Emergency Operations City, Warwick Public Library Trustees, Open Space Land Dedication, Community Benefit, Sewer Connection Grants, Excess Hotel Tax, Mooring Fee Reserve, Senior Center Gift Shop, JAG Grant, Drug Seizure, State Asset Forfeiture, Local Law Enforcement, Warwick Health Initiative, Community Development Block Grant, Lead Reduction Program, Home Improvement Loan Escrow Account, Disaster Recovery Program, IDEA, ARRA IDEA, IDEA Pre-School, IDEA Pre-School targeted, Title I, Title I ARRA, Title II, E2T2 Training Consortium, E2T2 Training Consortium ARRA, Title III, Perkins Voc Even Year, Perkins Voc Odd Year, Fresh Fruit/Veg Program, Homeless Even Year, Homeless Odd Year, RI Emergency Management, Skills USA, Arts Integration, Big Yellow Bus, Arts Dalmation, Smart Arts, Scott Tech Donations, Esther Chester Donations, Mary Maini Memorial Fund, City/Town Contribution Sports, Injury Fund, Rhode Island Department of Labor and Training, Champlin Aldrich, Gorton, Champlin Comp, Feinstein, Rhode Island Foundation, Harris Foundation, Verizon Thinkfinity, Walmart, Dorothy Rich Association, Media Labs at Rhodes, RIPIN, Reading Excellence, Soc Skills for Life-Vets, Alt learn Program, City-Town Center, Cedar Hill Library Books, C.A.S.I.T Program, Emergency Repairs – Tech, PTO Donation, Race to the Top, James Manson Memorial, School Food Service and One Capital Project Generator fund.

Debt Service Fund: This fund is used to account for the payments of interest and principal on all general long-term debt other than that payable from the Enterprise Funds.

Capital Projects: 2000 Open Space Bond Fund, 2000 Recreation Bond Fund, 2006 School Bond Fund, 2002 Drainage Bond Fund, 2002 Public Safety Bond Fund, 2006 City Buildings Bond Fund, Capital Leases.

Permanent Funds: City of Warwick has no Permanent Funds

Private Purpose Trust Funds: Employee Benefit Trust Fund, Neighbors Helping Neighbors, Jeanette Cram Scholarship Fund.

Pension Trust Fund: Police and Fire Pension 1, Police II Pension, Fire Pension II, City Employees' Pension, and Other School Department Employees.

Agency Funds: Apponaug Sewer Easement, Treasures Agent, Funds in Registry of Probate Court, Sewer Line Agency, Realty Tax Fund, Winman Student Activity Fund, Career Center Student Activity, Pilgrim Student Activity, Gorton Student Activity, Toll Gate Student Activity, Aldrich Student Activity, and Warwick Veterans Student Activity fund.

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CITY OF WARWICK, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Non-Major: (Continued)

Fund Brief Description

Enterprise Funds: On-Site Revolving Loan, Sewer Infrastructure Replacement Fund, Sewer Renewal & Replacement Fund, Water Renewal & Replacement Fund, Water Restricted Emergency Fund, and Water Infrastructure Replacement Fund.

Internal Service Funds: Workers Compensation, City and School self-insurance Health Funds.

On the government-wide Statement of Net Assets and the Statement of Activities both governmental and business-like activities are presented using the economic resources measurement focus as defined in item (b) below in the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- (a) All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period. The City considers property taxes as available if they are collected within 60 days after year end.
- (b) All proprietary funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of net income, financial position and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.
- (c) Fiduciary funds include agency funds, private purpose trust funds, and pension trust funds. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them. Private purpose trust funds are not involved in the measurement of results of operations for the City as the activity for each fund is restricted solely to the purpose of the original trust fund specifications and not included in the City's financial position. Pension trust funds are not involved in the measurement of results of operations for the City as the fund is strictly utilized for the operation and payments into the Police, Fire & City and School Employees' pension trust fund.

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues, such as property taxes, are

(CONTINUED)

CITY OF WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days thereafter to pay current liabilities. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

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

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

Cash Equivalents

For purposes of the cash flow statement, the proprietary funds consider all investments with original maturities of three months or less when purchased to be cash equivalents.

Accounts Receivable

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include property taxes, other receivables and intergovernmental receivables. Business-type activities report service fees as its major receivables. In the fund financial statements, material receivables in governmental funds include revenue accruals such as property taxes and grants and other similar intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivables are based upon historical trends and the periodic aging of accounts receivable. The allowance for uncollectible accounts receivable amounted to \$14,100,541 for the general fund and \$756,173 for the business activities at June 30, 2012. Major receivable balances for the governmental activities include property taxes and intergovernmental receivables (71% of total governmental receivables). Business-type activities report service fees as its major receivables.

Property Taxes

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

(CONTINUED)

CITY OF WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Encumbrances

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

Investments

In accordance with GASB No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, investments are reported at fair value. Investments are disclosed in accordance with GASB No. 40, Deposits and Investment Risk Disclosures.

Compensated Absences

Under the terms of various contracts and policies, 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, 2011. The amount of earned but unpaid vacation and sick leave relating to governmental fund employees is recorded as long-term debt in the government-wide financial statements.

Judgments and Claims

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

Inventory

Proprietary fund inventory is stated at cost (first-in, first-out). Inventory consists primarily of materials and supplies. Inventory maintained in governmental funds is recorded as expenditures at the time of purchase.

Government-Wide Financial Statements

Property, Plant and Equipment

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

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

Capital assets are defined by the City, as assets with an individual cost of \$10,000 or more and an estimated useful life in excess of one year.

(CONTINUED)

CITY OF WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide Financial Statements (Continued)

Property, Plant and Equipment (Continued)

Depreciation of all exhaustible capital assets is recorded, as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

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

Fund Financial Statements

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

Bond Issuance Costs and discounts

Bond issuance costs are amortized on a straight-line basis over the life of the bond.

Deferred Amount on Bond Refunding

The deferred amount on refunding is reported as a component of long-term debt and is amortized on a straight-line basis over the lesser of the life of the refunding bond or the remaining life of the refunded bond.

Unearned Revenue

In the government-wide financial statements, unearned revenue represents funds received in advance of being earned/owed or receivables which will be collected and included in revenues of future fiscal years. In the General Fund, (of the financial statements), unearned revenue include property tax receivables which are assessed on June 15, 2011 and prior and are not collected within 60 days of June 30, 2012. Net unearned taxes included in the fund financial statements were \$4,530,157.

Taxes collected in Advance

Tax collections in advance pertains to property taxes related to taxes levied on June 15, 2012 (for fiscal year 2013) and paid prior to June 30, 2012. These advance payments could not be recognized as revenue in fiscal 2012 and instead were deferred.

(CONTINUED)

CITY OF WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements (Continued)

Interfund Transactions

Interfund activity within and among the funds of the City have been classified and reported as follows:

Reciprocal interfund activities:

- Interfund loans are reported as interfund receivables in the lending fund and interfund payables in borrower funds.
- Interfund services are reported as revenues in the seller fund and as expenditures on expenses in the purchasing fund.

Non-reciprocal interfund activities:

- Interfund transfers are reported in governmental funds as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers. In proprietary funds, transfers are reported after nonoperating revenues and expenses.
- Interfund reimbursements are repayments from the fund responsible for particular expenditures or expenses to other funds that initially paid for them. Reimbursements are not displayed separately within the financial statements.
- Interfund transactions are accounted for as expenditures/expenses when they constitute reimbursements from one fund to another. These transactions are recorded as expenditures/expenses in the reimbursing fund and are recorded as reductions of expenditures/expenses in the fund receiving the reimbursement. All other interfund transactions are reported as transfers.

Self-Insurance

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

Equity Classifications

Equity is classified as net assets and displayed in three components:

- (a) Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- (b) Restricted net assets - Consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- (c) Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

(CONTINUED)

CITY OF WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements (Continued)

Governmental fund equity is classified as fund balance in accordance with GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. Fund balance is classified as non-spendable, restricted, committed, assigned or unassigned as described below:

- Non-Spendable – the amount of fund balance that cannot be spent because it is either not in spendable form or there is a legal or contractual requirement for the funds to remain intact.
- Restricted – the amount of fund balance that can only be spent on specific expenses due to constraints on the spending because of legal restrictions, outside party creditors, and grantor/donor requirements. The City's restricted fund balance amounts are considered to have been spent when an expenditure has been incurred satisfying such restriction.
- Committed – the City Council, as the City's highest level of decision-making authority, may commit fund balance for specific purposes pursuant to constraints imposed by formal actions taken, such as an ordinance or resolution. These committed amounts cannot be used for any other purpose unless the City Council removes or changes the specific use through the same type of formal action taken to establish the commitment. This constraint must be imposed prior to the fiscal year end, but the specific amount may be determined at a later date.
- Assigned – the amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed, should be reported as assigned fund balance. The authority to "assign" fund balance is designated to the City Council, or their designee, normally the Finance Director, for the purpose of reporting these amounts in the annual financial statements.
- Unassigned – the amount of fund balance that remains from residual positive net resources of the General Fund in excess of what can properly be classified in one of the other four categories, not subject to any constraints or intended use, no external or self-imposed limitations, no set spending plan and are available for any purposes. Unassigned fund balance is commonly used for emergency expenditures not previously considered. In addition, the resources classified as unassigned can be used to cover expenditures for revenues not yet received.

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

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

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

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

(CONTINUED)

CITY OF WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 2 DIFFERENCES BETWEEN GOVERNMENTAL FUNDS AND GOVERNMENT-WIDE STATEMENTS

"Total Fund Balance" of the city's governmental fund \$18,960,073 differs from "net assets" of governmental activities (\$-33,615,927) reported in the statement of net assets. This difference primarily results from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets. The effect of the differences is illustrated below:

Balance Sheet/Statement of Net Assets

	Total Governmental Funds	Long-term Assets/ Liabilities (1)	Reclassifications and Eliminations (2)	Statement of Net Assets Totals
Assets				
Cash and cash equivalents	\$ 21,440,836	\$ -	\$ 701,535	\$ 22,142,371
Restricted Cash	507,500			507,500
Accounts Receivable				
Accrued interest receivable		1,178,861		1,178,861
Real estate and personal property taxes receivable (net)	5,619,056			5,619,056
Due from federal and state governments	9,541,587			9,541,587
Other receivables	7,952,017	(1,264,302)	66,000	6,753,715
Due from other funds	26,654,764		(17,230,089)	9,424,675
Deposit with agent			6,112,871	6,112,871
Other assets	4,370,008			4,370,008
Deferred Charges		782,343		782,343
Land		18,680,138		18,680,138
Depreciable capital assets		89,572,219		89,572,219
Construction in progress		2,284,210		2,284,210
Total assets	\$ 76,085,768	\$ 111,233,469	\$ (10,349,683)	\$ 176,969,554
Liabilities and Fund Balances				
Liabilities				
Accounts payable and accrued expenditures	\$ 20,962,675	\$ -	\$ 1,749,654	\$ 22,712,329
Accrued interest payable		573,562		573,562
Due to federal and state governments	142,533			142,533
Due to other funds	17,230,089		(17,230,089)	-
Deferred revenue:				
Taxes collected in advance	58,038			58,038
Uncollected property taxes	4,530,157	(4,530,157)		-
Other	9,922,314	(6,082,110)		3,840,204
Long-term liabilities				
Due within one year		5,836,313		5,836,313
Due in more than one year		173,142,603	24,860	173,167,463
Other liabilities	4,279,899		(24,860)	4,255,039
Total liabilities	57,125,705	168,940,211	(15,480,435)	210,585,481
Fund Balances (Deficits)				
Total fund balances (deficits)	18,960,063	(57,706,742)	5,130,752	(33,615,927)
Total liabilities and fund balances (deficits)	\$ 76,085,768	\$ 111,233,469	\$ (10,349,683)	\$ 176,969,554

(CONTINUED)

CITY OF WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 2 DIFFERENCES BETWEEN GOVERNMENTAL FUNDS AND GOVERNMENT-WIDE STATEMENTS (CONTINUED)

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

Land	\$ 18,680,138
Construction in Progress	2,284,210
Depreciable Capital Assets	361,714,989
Accumulated depreciation	(272,142,770)
	<u>\$ 110,536,567</u>

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

Increase in Allowance for uncollectible receivables	\$ 1,264,302
Adjustment of deferred revenue	<u>\$ (10,612,267)</u>

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

Adjustment of accrued interest expense	<u>\$ (573,562)</u>
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Accrued interest receivable on property taxes are reported as revenue in the governmental-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>\$ 1,178,861</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 & notes payable	\$ 50,934,288
Capital leases	1,372,807
Amortized premium on bonds	1,413,311
Deferred amount on refunding	(377,744)
Net pension obligation	40,813,235
Net other post employment benefit obligation	72,181,273
Accrued compensated absences	11,149,319
Accrued retroactive payroll	1,492,427
	<u>\$ 178,978,916</u>

Bond issue costs	<u>\$ 782,343</u>
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(CONTINUED)

CITY OF WARWICK, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 2 DIFFERENCES BETWEEN GOVERNMENTAL FUNDS AND GOVERNMENT-WIDE STATEMENTS (CONTINUED)

- (2) Internal service funds are used by management to charge the cost of certain activities, such as workers compensation insurance coverage to individual funds, and activity related to health insurance claims. The assets and liabilities of the Internal Service Fund are included in governmental activities in the government-wide Statement of Net Assets.

\$ 5,130,752

The elimination of internal balances of governmental and business type activities

\$ (17,230,089)

(CONTINUED)

CITY OF WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 2 DIFFERENCES BETWEEN GOVERNMENTAL FUNDS AND GOVERNMENT-WIDE STATEMENTS (CONTINUED)

The "net change in the fund balance" for governmental funds \$1,613,745 differs from the "change in net assets" for governmental Activities (\$-15,483,064) 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 difference is illustrated below:

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

	Total Governmental Funds	Long-term Revenues/Expenses & Reclassification (1)	Capital Related Items (2)	Internal Service Funds (3)	Long-term Debt Transactions (4)	Statement of Net Assets Totals
Revenues						
General property taxes	\$ 212,007,763	\$ 1,326,571	\$ -	\$ -	\$ -	\$ 213,334,334
Interest on taxes	1,392,844	345,117	-	-	-	1,737,961
Intergovernmental revenue	50,488,503	-	-	-	-	50,488,503
Medicaid	1,548,739	-	-	-	-	1,548,739
State contribution to pension plan	6,251,800	-	-	-	-	6,251,800
Charges for service	11,606,395	436,061	-	-	-	12,042,456
Investment income	1,474	-	-	9,624	-	11,098
Contributions and private grants	164,652	-	-	-	-	164,652
Other revenues	10,309,384	(214,221)	-	379,364	-	10,474,527
Total revenues	<u>293,771,554</u>	<u>1,893,528</u>	<u>-</u>	<u>388,988</u>	<u>-</u>	<u>296,054,070</u>
Expenditures						
Current:						
Executive and administrative	4,519,720	2,305,929	14,315	4,183	345,716	7,189,863
Public Safety	43,062,869	35,014,492	271,438	329,536	17,416,574	96,094,909
Recreation	1,576,349	1,204,297	363,081	16,674	467,374	3,627,775
Public libraries	2,580,684	1,684,908	217,846	22,866	452,455	4,958,759
Social services	1,262,235	694,873	59,780	9,528	227,877	2,254,293
Planning and economic development	2,169,881	500,676	(62,393)	6,669	162,698	2,777,531
Public Works	12,423,819	4,651,857	3,804,631	56,213	1,211,258	22,147,778
Employee benefits, fixed costs and capital	46,057,032	(46,057,032)	-	-	-	-
Education and cafeteria operations	171,568,478	-	(1,082,337)	363,616	(641,901)	170,207,856
Debt service	-	-	-	-	-	-
Principal	5,226,115	-	-	-	(5,226,115)	-
Interest and other costs	1,728,354	79,808	-	-	487,935	2,296,097
Total expenditures	<u>292,175,536</u>	<u>79,808</u>	<u>3,586,361</u>	<u>809,285</u>	<u>14,903,871</u>	<u>311,554,861</u>
Excess of revenues over (under) expenditures before other financing sources (uses)	<u>1,596,018</u>	<u>1,813,720</u>	<u>(3,586,361)</u>	<u>(420,297)</u>	<u>(14,903,871)</u>	<u>(15,500,791)</u>
Other financing sources (uses)						
Transfers in	127,682,960	-	-	-	-	127,682,960
Transfers out	(127,665,233)	-	-	-	-	(127,665,233)
Net other financing sources (uses)	<u>17,727</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,727</u>
Net change in fund balance	<u>\$ 1,613,745</u>	<u>\$ 1,813,720</u>	<u>\$ (3,586,361)</u>	<u>\$ (420,297)</u>	<u>\$ (14,903,871)</u>	<u>\$ (15,483,064)</u>

(CONTINUED)

CITY OF WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 2 DIFFERENCES BETWEEN GOVERNMENTAL FUNDS AND GOVERNMENT-WIDE STATEMENTS (CONTINUED)

- (1) Because some property taxes and other receivables will not be collected for several months after fiscal year ends, they are considered as "available" revenues in the governmental funds. This represents the increase (decrease) in deferred revenue from 2011
- | | |
|--|---------------------|
| Deferred revenue property taxes | \$ 1,326,571 |
| Deferred revenue Special Revenue Funds | 436,061 |
| Other revenue Special Revenue Funds | (214,221) |
| | <u>\$ 1,548,411</u> |

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

Accrued interest expenditures adjustment	<u>\$ (79,808)</u>
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Interest revenue in the statement of activities differs from the amount reported in governmental funds. Accrued interest was calculated for property taxes not paid as of year-end. This represents the increase from the prior year.

Accrued interest revenue adjustment	<u>\$ 345,117</u>
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Employee benefits, fixed costs, capital expenditures, and state contributions to the pension plan were reclassified to the appropriate program. Other revenues were reclassified to charges for services and intergovernmental revenues.

	<u>\$ 46,057,032</u>
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- (2) When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources expended, whereas net assets decrease by the amount of depreciation expense charged for the year.

Capital Outlay	\$ 4,490,859
Depreciation expense	(8,061,743)
Difference	<u>\$ (3,570,884)</u>

Governmental funds do not recognize gains or losses on the sale or disposal of capital assets. The statement of activities includes losses on the disposal of fixed assets during 2012

Loss on Disposal of assets	<u>\$ (15,477)</u>
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(CONTINUED)

CITY OF WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 2 DIFFERENCES BETWEEN GOVERNMENTAL FUNDS AND GOVERNMENT-WIDE STATEMENTS (CONTINUED)

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

\$ (420,297)

- (4) Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not recorded as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net assets. As a result, debt proceeds and repayment of principal are reported as other financing sources and expenditures respectively in the governmental funds. Other long-term liabilities are reported as expenditures in the governmental funds when due and payable.

Net increase in compensated absences	\$ (95,586)
Net increase in the net pension obligation	(5,633,265)
Net increase in the net other post employment benefit obligation	(13,991,825)
Net decrease in the accrued retroactive payroll	78,625
Increase in bond premium costs net of increase in issuance costs	(487,935)
Principal payments made	5,226,115
	<u>\$ (14,903,871)</u>

(CONTINUED)

CITY OF WARWICK, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

3. CASH AND INVESTMENTS

The State of Rhode Island requires that certain uninsured deposits be collateralized. Section 35-10.1-7 of the General Laws of the State of Rhode Island, dealing with the collateralization of public deposits, requires that all time deposits with maturities of greater than 60 days and all deposits in institutions that do not meet the minimum capital requirements of its Federal regulator must be collateralized.

Deposits

At June 30, 2012, the carrying amount of the City's deposits was \$38,686,333, (including Fiduciary Funds) while the bank balance was \$42,478,434. Of the balance, \$1,851,833 was covered by federal depository insurance and \$40,626,601 was uninsured. The City has entered into collateralization agreements with various financial institutions and as a result \$40,626,601 of the uninsured balances at June 30, 2012 was collateralized by securities held by the financial institutions and/or third parties in the name of the City.

Reconciliation to Government-wide Statement of Net Assets:

Unrestricted cash, including time deposits.....	\$38,686,333
Less: Fiduciary funds cash, including time deposits (not included in the government-wide statement).....	(6,071,402)
Total cash and cash equivalents on A-1 (Including Restricted Cash).....	<u>\$32,614,931</u>

Investments

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

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

(CONTINUED)

CITY OF WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

3. CASH AND INVESTMENTS (CONTINUED)

Investment (Continued)

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

<u>Investments</u>	<u>Fair Value</u>	<u>Rating</u>
Mutual Funds:		
Equity Pool	\$ 47,900,962	N/R
Equity Small Cap	42,459,061	N/R
Fixed Income	124,615,853	N/R
Index Funds	62,584,929	N/R
Multi Asset Manager	46,963,322	N/R
International Equity Funds	10,863,016	N/R
Stable Value Fund	6,905,071	N/R
Immediate Participation Guarantee Contracts	5,903,410	N/R
Total Investments	<u>\$ 348,195,624</u>	

Interest Rate Risk: This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The City has no investments that are subject to interest rate risk.

Credit Risk: Generally, credit risk is the risk that an issuer of a debt type investment will not fulfill its obligation to the holder of the investment. This is measured by assignment of a rating by a nationally recognized rating organization. U.S. government securities or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk exposure. The City has no formal investment policy that limits investment choices for its pension funds.

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

Custodial Credit Risk: Custodial credit risk for investments is the risk that in the event of failure of the counterparty, the city will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The City has no investments that are subject to custodial credit risk.

(CONTINUED)

CITY OF WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

4. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Legal Debt Margin

The City's legal debt margin as set forth by State Statute is limited to three percent of total assessed value which approximates \$299,020,173. As of June 30, 2012, the City's debt applicable to the debt limitation is under the debt limit by \$248,085,885. All other City debt has been incurred through special statutory authority which consists of approval by the legislature and voter referendum.

5. PROPERTY TAXES

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

Net property taxes levied for the fiscal year 2012 were based on a net assessed value of approximately \$10,046,365,783, less exemptions of \$65,684,454, less State Motor Vehicle phase-out of \$13,342,221 for a net assessed valuation of \$9,967,339,108 at December 31, 2010 and amounted to \$216,867,072. Collections through June 30, 2012, including 60 day rule revenue, amounted to \$210,300,218 which represents approximately 96.97% of the original tax levy.

The City recognizes property tax revenues in accordance with Section P70, "Property Taxes" of the Codification of Governmental Accounting and Financial Reporting Standards on the Fund statements. Unpaid property taxes as of June 30, 2012 (\$19,719,597) are recorded as a receivable, net of an allowance for uncollectible property taxes of \$14,100,541. Those net property taxes receivable which were not collected within the 60 days immediately following June 30, 2012 are recorded as deferred revenue and amounted to \$4,530,157 at June 30, 2012. Property taxes recognized as revenue on the Fund statements for the fiscal year ended June 30, 2012 (due to their collection within the 60 days immediately following June 30, 2012) amounted to \$1,088,899. Taxes are due in equal quarterly installments on July 15, October 15, January 15, and April 15 during the fiscal year.

(CONTINUED)

CITY OF WARWICK, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

6. CAPITAL ASSETS

Capital asset activity for the government-wide activities for the year ended June 30, 2012 was as follows:

	Beginning Balance 6/30/2011	Additions	Deletions	Ending Balance 6/30/12
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 18,680,138	\$ -	\$ -	\$ 18,680,138
Construction in Progress	470,564	1,864,724	(51,078)	2,284,210
<i>Total capital assets not being depreciated</i>	<u>19,150,702</u>	<u>1,864,724</u>	<u>(51,078)</u>	<u>20,964,348</u>
Depreciable capital assets				
Land improvements	10,733,480	38,156	-	10,771,636
Building	106,858,806	1,262,647	-	108,121,453
Infrastructure	194,883,258	209,302	-	195,092,560
Machinery & equipment	18,754,950	278,582	-	19,033,532
Motor Vehicles	27,822,759	888,526	(543,646)	28,167,639
<i>Total capital assets at historical cost</i>	<u>359,053,253</u>	<u>2,677,213</u>	<u>(543,646)</u>	<u>361,186,820</u>
Less: accumulated depreciation for:				
Land improvements	(7,710,362)	(298,287)	-	(8,008,649)
Building	(51,971,634)	(2,270,221)	-	(54,241,855)
Infrastructure	(164,530,730)	(3,667,272)	-	(168,198,002)
Machinery & equipment	(16,755,815)	(461,800)	-	(17,217,615)
Motor Vehicles	(23,112,486)	(1,364,163)	528,169	(23,948,480)
<i>Total accumulated depreciation</i>	<u>(264,081,027)</u>	<u>(8,061,743)</u>	<u>528,169</u>	<u>(271,614,601)</u>
Depreciable capital assets, net	<u>94,972,226</u>	<u>(5,384,530)</u>	<u>(15,477)</u>	<u>89,572,219</u>
Governmental activities, capital assets, net	<u>\$ 114,122,928</u>	<u>\$ (3,519,806)</u>	<u>\$ (66,555)</u>	<u>\$ 110,536,567</u>

(CONTINUED)

CITY OF WARWICK, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

6. CAPITAL ASSETS (CONTINUED)

Capital asset activity for business-type activities for the year ended June 30, 2012 was as follows:

	Beginning Balance 6/30/2011	Additions	Deletions	Ending Balance 6/30/12
Business-type activities:				
Capital assets not being depreciated				
Construction in Progress	\$ 10,845,749	\$ 2,074,941	\$ (7,743,063)	\$ 5,177,627
Depreciable capital assets:				
Building	2,900,797	-	-	2,900,797
Machinery & Equipment	3,564,983	317,041	(186,096)	3,695,928
Wastewater Collection System	257,139,960	11,246,108	(35,861)	268,350,207
<i>Total capital assets at historical cost</i>	<i>263,605,740</i>	<i>11,563,149</i>	<i>(221,957)</i>	<i>274,946,932</i>
Less: accumulated depreciation for:				
Building	(866,131)	(44,518)	-	(910,649)
Machinery & Equipment	(2,526,556)	(238,294)	153,613	(2,611,237)
Wastewater Collection System	(78,178,881)	(5,762,600)	26,443	(83,915,038)
<i>Total accumulated depreciation</i>	<i>(81,571,568)</i>	<i>(6,045,412)</i>	<i>180,056</i>	<i>(87,436,924)</i>
Depreciable capital assets, net	182,034,172	5,517,737	(41,901)	187,510,008
Business-type activities capital assets, net	\$ 192,879,921	\$ 7,592,678	\$ (7,784,964)	\$ 192,687,635

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 36,947
Public Safety	1,160,330
Recreation	419,331
Public Libraries	217,846
Social Services	59,780
Planning and Economic Development	61,300
Public Works	4,474,708
Education	1,631,501
Total governmental activities depreciation expense	\$ 8,061,743
Business-type activities:	
Major Funds:	
Water	\$ 637,176
Sewer	5,408,236
Total business-type activities depreciation expense	\$ 6,045,412

(CONTINUED)

CITY OF WARWICK, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

7. LONG-TERM LIABILITIES

(a) Long-Term Liability Activity

Long-term liability activity for the year ended June 30, 2012 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Long-term debt:					
General obligation debt	\$ 54,910,724	\$ -	\$ 3,976,436	\$ 50,934,288	\$ 4,237,248
Capital lease payable	2,622,486	-	1,249,679	1,372,807	359,832
Amortized premium on bonds	1,583,453	-	170,142	1,413,311	-
Deferred amount on refunding	(475,887)	-	(98,143)	(377,744)	-
Total long-term debt	58,640,776	-	5,298,114	53,342,662	4,597,080
Other long-term liabilities:					
Compensated Absences	11,053,733	370,254	249,808	11,174,179	1,239,233
Accrued retroactive payroll	1,571,051	34,095	112,719	1,492,427	-
Total other long-term liabilities	12,624,784	404,349	362,527	12,666,606	1,239,233
Governmental activities					
Total Long-term liabilities	\$ 71,265,560	\$ 404,349	\$ 5,660,641	\$ 66,009,268	\$ 5,836,313
Business-type Activities					
Long-term debt:					
Bonds Payable	\$ 20,209,276	\$ -	\$ 1,348,564	\$ 18,860,712	\$ 1,382,752
Loans Payable	106,003,585	2,400,000	8,101,310	100,302,275	8,255,935
Amortized premium on bonds	377,812	-	37,447	340,365	-
Deferred amount on refunding	(93,311)	-	(21,278)	(72,033)	-
Total long-term debt	126,497,362	2,400,000	9,466,043	119,431,319	9,638,687
Other long-term liabilities:					
Compensated absences	347,801	-	5,996	341,805	37,229
Total other long-term liabilities	347,801	-	5,996	341,805	37,229
Business-type activities:					
Total Long-term liabilities	\$ 126,845,163	\$ 2,400,000	\$ 9,472,039	\$ 119,773,124	\$ 9,675,916

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 accrued retroactive payroll will be paid by the School Unrestricted Fund.

(CONTINUED)

CITY OF WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

7. LONG-TERM LIABILITIES (CONTINUED)

(b) Schedule of Bonds and Loans Payable

	Date of Issue	Interest Rate	Maturity Date	Authorized and Issued	Outstanding Principal June 30, 2011	Maturities During Year	Refunding During Fiscal 11/12	New Issues	Outstanding June 30, 2012
General Fund									
School - Refunding	6/1/2002	3.0/5.0	10/15/2014	\$ 5,695,077	\$ 1,467,690	\$ (446,529)	\$ -	\$ -	\$ 1,021,161
School	6/1/2002	3.5/5.25	7/15/2021	6,000,000	287,010	(287,010)	-	-	-
School	6/15/2003	2.5/5.0	6/15/2023	5,000,000	3,504,000	(226,000)	-	-	3,278,000
School	8/15/2004	3.0/4.75	8/15/2024	5,000,000	3,982,000	(202,000)	-	-	3,780,000
School	1/15/2006	3.75/5.0	1/15/2026	2,500,000	2,065,000	(100,000)	-	-	1,965,000
School - Refunding	4/30/2008	3.5/4.2	8/1/2017	9,740,114	6,835,693	(1,144,015)	-	-	5,691,678
School - RIHEBC	6/15/2010	5.75	4/1/2027	3,908,000	3,908,000	-	-	-	3,908,000
School - RIHEBC	11/15/2010	6.29	4/1/2027	4,212,000	4,212,000	-	-	-	4,212,000
School - Refunding	5/26/2011	3.0/5.0	1/15/2022	8,713,480	8,713,480	(46,914)	-	-	8,666,566
Drainage - Refunding	6/1/2002	3.0/5.0	10/15/2014	281,525	72,552	(22,073)	-	-	50,479
Drainage	6/15/2003	2.5/5.0	6/15/2023	1,000,000	700,800	(45,200)	-	-	655,600
Drainage	8/15/2004	3.0/4.75	8/15/2024	1,000,000	796,400	(40,400)	-	-	756,000
Drainage - Refunding	4/30/2008	3.5/4.2	8/1/2017	685,646	539,185	(69,213)	-	-	469,972
Fire - Refunding	4/30/2008	3.5/4.2	8/1/2017	424,435	324,250	(45,072)	-	-	279,178
Open Space	6/1/2002	3.5/5.25	7/15/2021	2,000,000	95,670	(95,670)	-	-	-
Open Space - Refunding	4/30/2008	3.5/4.2	8/1/2017	870,396	670,190	(91,203)	-	-	578,987
Open Space - Refunding	5/26/2011	3.0/5.0	1/15/2022	2,085,827	2,085,827	(7,770)	-	-	2,078,057
City Buildings	6/1/2002	3.5/5.25	7/15/2021	1,625,000	77,732	(77,732)	-	-	-
City Buildings - Refunding	5/26/2011	3.0/5.0	1/15/2022	1,266,653	1,266,653	(2,199)	-	-	1,264,454
Library - Refunding	4/30/2008	3.5/4.2	8/1/2017	2,546,610	1,945,506	(270,431)	-	-	1,675,075
Recreation	6/15/2003	2.5/5.0	6/15/2023	3,000,000	2,102,400	(135,600)	-	-	1,966,800
Recreation	4/30/2008	3.5/4.2	8/1/2017	870,396	670,190	(91,203)	-	-	578,987
Recreation - refunding	5/26/2011	3.0/5.0	1/15/2022	1,830,556	1,830,556	(17,593)	-	-	1,812,963
Public Safety	6/15/2003	2.5/5.0	6/15/2023	2,000,000	935,800	(160,200)	-	-	775,600
Public Safety	8/15/2004	3.0/4.75	8/15/2024	5,500,000	4,380,200	(222,200)	-	-	4,158,000
Transportation - Refunding	4/30/2008	3.5/4.2	8/1/2017	1,004,699	771,045	(105,874)	-	-	665,171
Senior Center - Refunding	6/1/2002	3.0/5.0	10/15/2014	235,573	60,711	(18,471)	-	-	42,240
Animal Shelter - refunding	5/26/2011	3.0/5.0	1/15/2022	610,184	610,184	(5,864)	-	-	604,320
Total Governmental Funds Bonds Payable				\$ 79,606,171	\$ 54,910,724	\$ (3,976,436)	\$ -	\$ -	\$ 50,934,288

(CONTINUED)

CITY OF WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

7. LONG-TERM LIABILITIES (CONTINUED)

(b) Schedule of Bonds and Loans Payable (Continued)

	Date of Issue	Interest Rate	Maturity Date	Authorized and Issued	Outstanding Principal June 30, 2011	Maturities During Year	Refunding During Fiscal 11/12	New Issues	Outstanding June 30, 2012
Enterprise Funds									
Bonds Payable									
WATER									
Water-Refunding	6/1/2002	3.0/5.0	10/15/2014	\$ 985,358	\$ 253,938	\$ (77,258)	\$ -	\$ -	\$ 176,680
Water	6/1/2002	3.5/5.25	7/15/2021	1,500,000	71,753	(71,753)	-	-	-
Water	6/15/2003	2.5/5.0	6/15/2023	1,500,000	1,051,200	(67,800)	-	-	983,400
Water-Refunding	4/30/2008	3.5/4.2	8/1/2017	45,714	30,268	(5,268)	-	-	25,000
Water-Refunding	5/26/2011	3.0/5.0	1/15/2022	319,171	319,171	-	-	-	319,171
Total Water Bonds Payable				4,350,243	1,726,330	(222,079)	-	-	1,504,251
SEWER									
Sewer	6/1/2002	3.5/5.25	7/15/2021	1,000,000	47,835	(47,835)	-	-	-
Sewer-Refunding	6/1/2002	3.0/5.0	10/15/2014	582,467	150,109	(45,669)	-	-	104,440
Sewer	6/15/2003	2.5/5.0	6/15/2023	1,000,000	700,800	(45,200)	-	-	655,600
Sewer	8/15/2004	3.0/4.75	8/15/2024	1,000,000	796,400	(40,400)	-	-	756,000
Sewer	1/15/2006	3.75/5.0	1/15/2026	15,000,000	12,385,000	(595,000)	-	-	11,790,000
Sewer-Refunding	4/30/2008	3.5/4.2	8/1/2017	3,066,990	2,238,673	(337,721)	-	-	1,900,952
Sewer-Refunding	5/26/2011	3.0/5.0	1/15/2022	2,164,129	2,164,129	(14,660)	-	-	2,149,469
Total Sewer Bonds Payable				23,813,586	18,482,946	(1,126,485)	-	-	17,356,461
TOTAL BONDS PAYABLE				\$ 28,163,829	\$ 20,209,276	\$ (1,348,564)	\$ -	\$ -	\$ 18,860,712
Loans Payable									
PLUS SRF - 1ST	3/12/1992	3.16	9/1/2013	\$ 3,500,000	\$ 525,000	\$ (175,000)	\$ -	\$ -	\$ 350,000
PLUS SRF - 2ND	3/1/1993	3.11	9/1/2015	3,100,000	992,750	(184,750)	-	-	808,000
PLUS SRF - 3RD	12/28/1995	2.82	9/1/2016	3,996,000	1,198,800	(199,800)	-	-	999,000
PLUS SRF - 4TH	4/1/1997	2.97	9/1/2016	10,000,000	3,157,895	(526,316)	-	-	2,631,579
PLUS SRF - 5TH	6/26/1998	2.57	9/1/2019	10,200,000	5,169,491	(507,181)	-	-	4,662,310
PLUS SRF - 6TH	8/25/1999	2.84	9/1/2019	14,750,000	8,298,239	(822,300)	-	-	7,475,939
PLUS SRF - 7TH	12/19/2000	2.9	9/1/2020	20,232,323	11,553,081	(1,012,363)	-	-	10,540,718
PLUS SRF - 8TH	4/25/2002	1.25	9/1/2022	12,000,000	8,026,681	(565,834)	-	-	7,460,847
PLUS SRF - 9TH	10/24/2002	1	9/1/2022	20,000,000	13,698,743	(992,646)	-	-	12,706,097
PLUS SRF - 10TH	11/13/2003	1.34	9/1/2024	20,000,000	14,718,000	(925,000)	-	-	13,793,000
PLUS SRF - 11TH	12/30/2004	1.4	9/1/2025	20,000,000	15,621,000	(915,000)	-	-	14,706,000
PLUS SRF - 12TH	12/15/2005	1.41	9/1/2026	5,000,000	4,000,000	(250,000)	-	-	3,750,000
PLUS SRF - 13TH	12/21/2006	1.27	9/1/2027	9,500,000	8,075,000	(475,000)	-	-	7,600,000
PLUS SRF - 14TH	12/12/2007	1.685/2.145	9/1/2026	6,942,000	6,248,000	(347,000)	-	-	5,901,000
PLUS SRF - 15TH	10/6/2009	1.26/3.35	9/1/2029	1,169,026	1,110,905	(58,120)	-	-	1,052,785
Sewer Conduit	4/30/2008	4.85	3/1/2008	4,000,000	3,610,000	(145,000)	-	-	3,465,000
Sewer Conduit	6/26/2012	3.29	8/1/2022	2,400,000	-	-	-	2,400,000	2,400,000
TOTAL LOANS PAYABLE				\$ 166,789,349	\$ 106,003,585	\$ (8,101,310)	\$ -	\$ 2,400,000	\$ 100,302,275

(CONTINUED)

CITY OF WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

7. LONG-TERM LIABILITIES (CONTINUED)

(c) Debt Maturity

Debt service requirements at June 30, 2012 were as follows:

GOVERNMENTAL ACTIVITIES

General Obligation Debt

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 4,237,248	\$ 1,735,155	\$ 5,972,403
2014	4,527,606	1,572,935	6,100,541
2015	4,566,780	1,394,956	5,961,736
2016	4,410,251	1,209,189	5,619,440
2017	4,593,479	1,016,273	5,609,752
2018-2022	16,523,324	2,730,665	19,253,989
2023-2027	12,075,600	536,557	12,612,157
Total	\$ 50,934,288	\$ 10,195,730	\$ 61,130,018

BUSINESS-TYPE ACTIVITIES

General Obligation Debt

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 1,382,752	\$ 770,994	\$ 2,153,746
2014	1,462,394	719,232	2,181,626
2015	1,503,220	663,108	2,166,328
2016	1,479,749	604,883	2,084,632
2017	1,541,521	542,971	2,084,492
2018-2022	6,946,676	1,809,250	8,755,926
2023-2027	4,544,400	473,339	5,017,739
Total	\$ 18,860,712	\$ 5,583,777	\$ 24,444,489

(CONTINUED)

CITY OF WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

7. LONG-TERM LIABILITIES (CONTINUED)

(c) Debt Maturity (Continued)

School RIHEBC Bonds

The proceeds from the bonds were used to finance the acquisition, construction, furnishing and equipping of schools and school facilities, including but not limited to various school renovation projects, and to pay the costs of issuance. The \$3,908,000 bond and \$4,212,000 bond require sinking fund deposits to be held on deposit by the trustee and will be paid to the bondholders in full in May 2027 for both bonds. While these sinking fund deposits do not allow the City to present these payments as retirements of the respective debt, the City has effectively accumulated \$507,500 to retire the debts in 2027. These restricted funds are shown as restricted fund balance within the debt service fund.

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

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

(CONTINUED)

CITY OF WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

7. LONG-TERM LIABILITIES (CONTINUED)

(d) Loans Payable

The City of Warwick has entered into seventeen loan agreements with the Rhode Island Clean Water Protection Finance Agency. The loan proceeds are used by the City for the extension and upgrade of the sewer system. The Agency advances loan proceeds to the City periodically, to reimburse the City for capital costs incurred on the projects. The following loans agreements were active as of June 30, 2012:

Agreement Date	Amount	Interest Rate	Maturity Dates
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
December 12, 2007	\$ 6,942,000	1.185-1.645%	September 1, 2009-2028
April 30, 2008	\$ 4,000,000	4.85%	March 1, 2009-2028
October 6, 2009	\$ 1,169,026 *	2.16%	September 1, 2010-2029
June 26, 2012	\$ 2,400,000	3.29%	September 1, 2012-2022

*-SRF/Stimulus Loan – Shown net of \$178,601 Principal Forgiveness

The City pays an additional 0.5% finance fee on all loans except for the loan dated April 30, 2008

The loan proceeds are to be used by the City for the extension and upgrade of the sewer system. The 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, 2012, loans payable of \$100,302,275 are reflected in the sewer fund. A due from the Rhode Island Clean Water Protection Finance Agency of \$2,145,185 is shown for that portion of the loans which has not been advanced as of June 30, 2012. The City is responsible to draw down and to repay the full amount of the loan.

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

Fiscal Year Ending June 30,	Principal	Interest
2013	\$ 8,255,935	\$ 2,279,076
2014	8,620,185	2,104,027
2015	8,620,898	1,888,643
2016	8,795,167	1,670,548
2017	8,760,336	1,450,710
2018-2022	38,152,320	4,255,792
2023-2027	17,445,457	1,039,120
2028-2030	1,651,977	43,524
	<u>\$ 100,302,275</u>	<u>\$ 14,731,440</u>

(CONTINUED)

CITY OF WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

7. LONG-TERM LIABILITIES (CONTINUED)

(d) Loans Payable (Continued)

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, 2012. The interest through maturity shown above is based on estimated amortization schedules prepared by Rhode Island Clean Water Protection Finance Agency. The Rhode Island Clean Water Finance Agency loans dated December 30, 2004, December 15, 2005, December 21, 2006, December 12, 2007, April 30, 2008, October 6, 2009 and June 26, 2012 are revenue loans. The revenue loans are secured by the revenues derived from the operation of the City's wastewater collection system.

(e) Debt Service Requirements

The City's Business Type debt service requirements relating to outstanding bond and loan obligations consist of the following:

BUSINESS-TYPE ACTIVITIES

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 9,638,687	\$ 3,050,070	\$ 12,688,757
2014	10,082,579	2,823,259	12,905,838
2015	10,124,118	2,551,751	12,675,869
2016	10,274,916	2,275,431	12,550,347
2017	10,301,857	1,993,681	12,295,538
2018-2022	45,098,996	6,065,042	51,164,038
2023-2027	21,989,857	1,512,459	23,502,316
2028-2030	1,651,977	43,524	1,695,501
Total	<u>\$ 119,162,987</u>	<u>\$ 20,315,217</u>	<u>\$ 139,478,204</u>

(CONTINUED)

CITY OF WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

7. LONG-TERM LIABILITIES (CONTINUED)

(f) Bonds Authorized but Unissued

Bonds authorized but unissued at June 30, 2012 are as follows:

Purpose	Statutory Authorization	Authorized But Unissued Debt
Incinerator Purposes	P.L. Ch. 33-1966	\$ 1,900,000
Energy Conservation	P.L. Ch. 65-1980	600,000
Sewer Improvements	P.L. Ch. 223-1994	417,677
Open Space	P.L. Ch. 77-2000	175,000
Open Space	P.L. Ch. 125/479-2006	2,000,000
Recreation	P.L. Ch. 77-2000	500,000
Parks and Recreation	P.L. Ch. 74/147-2006	3,500,000
Drainage	P.L. Ch. 78-2002	3,000,000
Building Repairs	P.L. Ch. 426/527-2006	9,000,000
Mickey Stevens Sports Complex	P.L. Ch. 385-2006	7,000,000
Fire Station	P.L. Ch. 51/73-2006	2,000,000
School Renovations	P.L. Ch. 386/516-2006	16,880,000
		<u>\$ 46,972,677</u>

(e) Capital Lease Commitments

The City of Warwick's capital lease consists of two leases for various vehicles and equipment. The City may purchase 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.

Obligation of Governmental Activities under capital leases at June 30, 2012 was as follows:

Fiscal Year Ended June 30,	Lease Payment Required
2013	\$ 359,832
2014	359,832
2015	359,832
2016	359,832
Future Minimum Rental Commitments	<u>1,439,328</u>
Interest Portion of Payments	66,521
Principal Portion of Payments	<u>\$ 1,372,807</u>

8. OPERATING LEASES

The School Department entered into operating leases for equipment. The operating lease expired in 2012. Rental Expenditures relate to operating leases were approximately \$0 in fiscal year 2012.

(CONTINUED)

CITY OF WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

9. INTERFUND RECEIVABLES AND PAYABLES

Interfund balances represent short-term advances from one fund (primarily the General Fund) to another fund. The advances may represent balances resulting from operating advances or reimbursement for expenditures paid by one fund on behalf of another fund. The composition of interfund balances at June 30, 2012 is as follows:

	Due From Other Funds	Due To Other Funds
General Fund	\$ 10,461,307	\$ 14,351,828
School Unrestricted Fund	14,323,433	-
Non Governmental Funds:		
Special Detail Fund	153,887	-
City Clerk Restricted Fund	818,465	-
Emergency Operations City	523,911	-
Warwick Public Library Restricted Fund	-	707
Sewer Connection Grants	-	6,400
Excess Hotel Tax Fund	-	36,113
Mooring Fee Reserve Fund	19,708	-
Senior Center Gift Shop	-	1,512
JAG Grant	-	131,219
Drug Seizure Fund	63,659	-
Community Development Block Grant	-	19,835
IDEA	-	838,792
ARRA IDEA	-	-
IDEA Pre-School	-	28,676
IDEA Pre-School Targeted	251	-
Title I	-	453,463
Title II	-	158,256
E2T2 Training Consortium ARRA	44	-
Title II	-	16,350
Perkins Voc Even Year	-	50,018
Fresh Fruit/Veg Program	-	6,525
Homeless Even Year	-	9,025
Big Yellow Bus	2,130	-
Art Dalmation	318	-
Smart Arts	180	-
Scott Tech Donations	2,142	-
Esther Tech Donations	-	1,596
Mary Maini Memorial Fund	40	-
City/town Contribution Sports	4,990	-
Injury fund	228	-
Champlin Aldrich/Gorton	3,306	-
Champlin Comp	148	-
Rhode Island Foundation	1,959	-
Feinstein	43,270	-
Harris Foundation	10,090	-
Verizon Thinkfinity	5,000	-
Walmart	67	-

(CONTINUED)

CITY OF WARWICK, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

9. INTERFUND RECEIVABLES AND PAYABLES (CONTINUED)

	<u>Other Funds</u>	<u>Other Funds</u>
Dorothy Rich Association	651	-
Media Labs at Rhodes	1,908	-
RIPIN	2,234	-
Reading Excellance	83	-
Soc Skills for Life-Vets	113	-
Alt Learn Program	30	-
City-Town Center	660	-
Cedar Hill Library Books	849	-
C.A.S.I.T Italian Program	1,251	-
Emergency Repairs - Tech	32,364	-
PTO Donation	5	-
Race to the Top	-	306,499
James Manson Memorial Fund	2	-
School Lunch	46,436	-
One Capital Project Generator	390	-
2000 Open Space Bond Fund	-	15,094
2000 Recreation Bond Fund	-	427,897
2002 Drainage Bond Fund	-	164,031
2006 School Bond Fund	7,936	-
2002 Public Safety Bond Fund	-	3
2006 City Buildings Bond Fund	121,319	-
Capital Leases	-	206,250
Total Non Governmental Funds	<u>1,870,024</u>	<u>2,878,261</u>
Major Enterprise Funds:		
Sewer Fund	372,548	7,784,474
Sewer Assessment Fund	-	270,045
Water Fund	-	3,666,837
Emergency Operations Enterprise Fund	-	3,091,638
Total Major Enterprise Funds	<u>372,548</u>	<u>14,812,994</u>
Non-Major Enterprise Funds:		
On-Site Revolving Loan Fund	-	-
Sewer Infrastructure Replacement Fund	3,000	-
Sewer Renewal & Replacement Fund	2,015,121	2,350
Water Renewal & Replacement Fund	750,000	-
Water Restricted Emergency Fund	250,000	-
Water Infrastructure Replacement Fund	2,000,000	-
Total Non-Major Enterprise Funds	<u>5,018,121</u>	<u>2,350</u>
TOTALS	<u>\$ 32,045,433</u>	<u>\$ 32,045,433</u>

(CONTINUED)

CITY OF WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

10. FUND EQUITY BALANCE

(a) Fund Balances

As stated in Note 1, Fund Balance may be classified as one of five categories: Nonspendable, Restricted, Committed, Assigned, or Unassigned. See Note 1 of these financial statements for definitions of these five Fund Balance categories. The detail of the composition of Nonspendable, Restricted, Committed, and Assigned Fund Balance follows.

At June 30, 2012 Nonspendable Fund Balance consisted of the following:

MAJOR GOVERNMENTAL FUNDS:

General Fund:

Prepaid Expenditures	<u>\$ 217,244</u>
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At June 30, 2012 Restricted Fund Balance consisted of the following:

MAJOR GOVERNMENTAL FUNDS:

School Unrestricted Fund:

Education	<u>\$ 242,063</u>
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NONMAJOR GOVERNMENTAL FUNDS:

Special Revenue Funds:

Public Safety	\$ 126,336
Maintenance of historical records	821,321
Emergency operations FEMA	523,036
Library Operations	166,249
Open space acquisition	256,629
Emergency response personal training	244
Sewer Connections assistance	52,033
State hotel tax exceeding current year tourism expenditures	293,544
Waterfront safety	157,473
Pilgrim Senior Center	34,892
Drug related property seizures	183,543
Entitlement Community program of U.S. Housing	447,840
CDBG Seed program	77,901
Education	121,048
	<u>3,262,089</u>

Capital Project Funds:

Open Space acquisition	362,060
School capital improvements	3,241,551
Public safety capital improvements	6,375
Capital Leases	11,092
Capital improvements to municipal facilities	121,319
	<u>3,742,397</u>

Debt Service Fund	<u>507,500</u>
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Total NonMajor Governmental Funds	<u><u>\$ 7,511,986</u></u>
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(CONTINUED)

CITY OF WARWICK, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

10. FUND EQUITY BALANCE (CONTINUED)

(a) Fund Balances (Continued)

At June 30, 2012 Committed Fund Balance consisted of the following:

MAJOR GOVERNMENTAL FUNDS:

General Fund:

Education	\$ 2,872,057
Encumbrances	450,556
Total Major Governmental Funds	\$ 3,322,613

At June 30, 2012 Assigned Fund Balance consisted of the following:

MAJOR GOVERNMENTAL FUNDS:

General Fund:

Education Programs	\$ 40,656
Total Major Governmental Funds	\$ 40,656

(b) Fund Deficits

The following funds had fund deficits at June 30, 2012:

MAJOR GOVERNMENTAL FUNDS:

Non-major Governmental funds:

2002 Drainage Bond Fund	\$ 200,580
2000 Recreation Bond Fund	427,897
Total Fund Deficits	\$ 628,477

(c) Operating Deficits

Deficits for non-major governmental fund activities will be funded through the General Fund, a major governmental activities fund, and future bond issuance.

The following individual funds had operating deficits for the year ending June 30, 2012, but still maintained positive fund balances:

Major Governmental Funds:

School Unrestricted Fund	\$ 135,214
Total Major Governmental Funds	\$ 135,214

Major Business-Type Funds:

Sewer Assessment Fund	\$ 260,877
Water Fund	291,042
Emergency Operations Enterprise Fund	463,600
Total Major Business-Type Funds	\$ 1,015,519

(CONTINUED)

CITY OF WARWICK, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

10. FUND EQUITY BALANCE (CONTINUED)

(c) Operating Deficits (Continued)

Non-Major Governmental Funds:

Special Revenue Funds:

Special Detail Fund	\$ 441,198
Clerk Restricted Fund	69,384
Community Benefit Fund	16,327
Excess Hotel Tax Fund	39,630
JAG Grant	55,093
Senior Center Gift Shop	3,846
JAG Grant	4,452
Drug Seizure Fund	6,861
IDEA Pre-School Targeted	1,249
Mary Maini Memorial Fund	210
Champlin Aldrich/Gorton	10,823
Cedar Hill Library Books	817
C.A.S.I.T Italian Program	236

Capital Project Funds:

2006 School Bond Fund	2,449,623
2002 Drainage Bond Fund	444,048
Total deficits Non-Major Governemental Funds	<u><u>\$ 3,543,797</u></u>

Non-Major Business-Type Activities:

On-Site Revolving Loan Fund	\$ 137,601
Sewer Infrastructure Replacement Fund	39,347
Water Restricted Emergency Fund	47,350
Water Infrastructure Replacement Fund	5,805
Total deficits Non-Major Business-Type Funds	<u><u>\$ 230,103</u></u>

(CONTINUED)

CITY OF WARWICK, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

11. INTERFUND TRANSFERS

The principal purpose of interfund transfers is to provide a financing source to various funds that may not have the ability to cover all costs with revenue generated by the fund. The composition of interfund transfers for the year ended June 30, 2012 is as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Funds:		
General Fund:	\$ 429,606	\$ 125,661,048
School Unrestricted Fund	117,843,996	1,200,761
Debt Service fund	7,461,969	-
Sewer Fund	8,134,980	57,800
Sewer Assessment Fund	-	5,962,350
Emergency Operations Enterprise Fund	130,437	2,221,165
Non-major Funds:		
Enterprise Funds	22,000	63,829
Special Revenue Funds	1,042,113	803,424
Capital project funds	905,276	-
Totals	<u>\$ 135,970,377</u>	<u>\$ 135,970,377</u>

(CONTINUED)

CITY OF WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

12. DEFINED BENEFIT PENSION PLANS

(a) City Employees' Pension Plan

Plan Description

The City of Warwick City Employee Pension Plan covers all City employees not covered by other plans. Non-elected employees are eligible to participate after 6 months of employment. Elected Officials are eligible on the date they assume their elected position. The City Employees' Pension Plan is a single-employer defined benefit pension plan that was established in 1965. The pension plan is reported as a Pension Trust Fund in the City's financial statements. The City does not issue a separate, publicly available financial report that includes financial statements and required supplementary information (RSI) for the City Employees' Pension Plan.

As of July 1, 2010 employee membership data related to the pension plan was as follows:

Active Members	414
Retirees and beneficiaries	324
Terminated vested investments	19
Non-vested terminated members	8
	<hr/> 765

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

Benefit Provisions – Members in the plan who have attained age 65 and have reached their fifth anniversary of participation may retire. The normal monthly retirement benefit is equal to 2.50% of final average monthly compensation multiplied by years of creditable service. Final average monthly compensation is one-twelfth of the average of the highest three consecutive years of base compensation. However, no elected member will receive less than one-twelfth of the sum of \$1,500 plus \$200 multiplied by years of creditable service; the sum not to exceed \$5,500. Effective September 1, 1994, the plan compensation is equal to the sum of base compensation and longevity pay. Eligibility for early retirement is after age 55 with at least 10 years of creditable service or any member whose age plus service total 80 or more. Effective September 1, 1994, an elected official is eligible upon attainment of age 55 with at least 6 years of service. The retirement benefit for early retirement is determined under the normal retirement formula above, reduced for commencement prior to age 65. The reduction is equal to ½% per month for the first sixty months prior to age 65, plus 1/3% per month for months in excess of sixty. If the sum of the retired member's years of age plus service is at least equal to 80, there is no reduction for early commencement. The provision for late retirement is continued employment beyond normal retirement. The retirement benefit for late retirement is the same as the normal retirement benefit formula determined as of the member's actual retirement date.

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

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.

(CONTINUED)

CITY OF WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

12. DEFINED BENEFIT PENSION PLANS (CONTINUED)

(a) City Employees' Pension Plan (Continued)

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.

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

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

Funding Policy – Non-elected plan members contribute 8% of their annual base compensation and longevity compensation and elected plan members contribute 8% 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 national or international exchange 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	\$ 5,013,957
Annual Pension Cost	5,013,957
Contributions Made	(5,013,957)
Increase (Decrease) in net pension obligation	-
Net pension obligation, beginning of year	-
Net pension obligation, end of year	\$ -

(CONTINUED)

CITY OF WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

12. DEFINED BENEFIT PENSION PLANS (CONTINUED)

(a) City Employees' Pension Plan (Continued)

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

The City's annual contribution to the plan was determined as part of the July 1, 2010 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 July 1, 2010. 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, 2008 was 10.5 years on a closed basis. The actuarial assumptions included a) 8% investment rate of return (net of investment expenses) and b) projected salary increases of 5.25% per year, which includes a 0.75% annual merit increase and a 0.5% longevity increase. The assumptions did not include post-retirement health insurance benefit increases, which are funded by the City on a pay-as-you-go basis. Assets used for valuation purposes are equal to the market value less half the excess of the market value over the "asset value before adjustment," as defined by the City's pension ordinances. The asset value before adjustment is a component of the annual determination of the cost-of-living increase payable to retirees. The asset value before adjustment is increased by 200% of the prior-year actuarial present value of the cost-of-living adjustment provided to retirees as of the current July 1. Next, the value is brought forward to the current July 1 by adding contributions made to the plan, and subtracting benefits and administrative expenses paid by the plan during the plan year. Finally, this amount is credited with interest for the year at a rate equal to the negotiated pay increases for active employees during the year plus 3% to arrive at the current July 1 asset value before adjustment.

FISCAL YEAR ENDING	ANNUAL PENSION COST (APC)	PERCENTAGE OF (ARC) CONTRIBUTED	NET PENSION OBLIGATION
6/30/2010	\$ 3,973,247	100%	-
6/30/2011	\$ 4,132,177	100%	-
6/30/2012	\$ 5,013,957	100%	-

Funded Status and Funding Progress

As of July 1, 2010, the most recent actuarial valuation date, the plan was 70.9% funded. The actuarial accrued liability for benefits was \$122,721,770 and the actuarial value of assets was \$87,060,569, resulting in an unfunded actuarial accrued liability (UAAL) of \$35,661,201. The covered payroll (annual payroll of active employees covered by the plan) was \$20,064,146 and the ratio of the UAAL to covered payroll was 177.7%.

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

(b) Police Pension II Plan

Plan Description

The City of Warwick's Police Pension II Plan covers all City police officers that were appointed after February 1, 1971. The Police Pension II Plan is a single-employer defined benefit pension plan that was established in 1971. There is no separate financial report issued for the pension plan. However, the City

(CONTINUED)

CITY OF WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

12. DEFINED BENEFIT PENSION PLANS (CONTINUED)

(b) Police Pension II Plan (Continued)

Employees' Pension Plan has been audited as part of the City's Pension Trust Funds reported in the City's financial statements.

As of July 1, 2011, employees' membership data related to the pension plan was as follows:

Active Members	158
Retirees and beneficiaries	143
Non-vested terminated members	0
	<hr/> 301

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

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

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

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

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 death is 75% of the deceased member's highest annual salary and for non-service related deaths 50% of the highest annual salary.

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

Funding Policy – Plan members contribute a percentage of their covered earnings, 13.30%, (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, 26.59%. The City is required to contribute an actuarially determined amount each year calculated in accordance with its pension ordinances. The statutory contribution level is not determined in accordance with GASB 27 requirements as it includes a 20, 25, 30-year amortization of the unfunded actuarial liability as a level percentage of payroll. Administrative costs are net against investment return in the actuarial valuation.

(CONTINUED)

CITY OF WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

12. DEFINED BENEFIT PENSION PLANS (CONTINUED)

(b) Police Pension II Plan (Continued)

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 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 Investment – Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national or international exchange 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	\$ 2,935,923
Interest on ARC	14,287
Adjustments to ARC	(15,264)
Annual Pension Cost	2,934,946
Contributions Made	(2,750,667)
Other Adjustments	178,581
Increase (Decrease) in net pension obligation	362,860
Net Pension obligation, beginning of year	-
Net Pension obligation, end of year	\$ 362,860

The City's annual contribution to the plan was determined as part of the July 1, 2011 actuarial valuation using the Entry Age Normal Cost method and is based upon a funding policy which provides for the payment of the normal cost with interest plus a 20, 25, 30-year amortization of the unfunded actuarial accrued liability as of July 1, 1989 as a level percentage of pay plus 25-year amortizations of changes in the unfunded actuarial accrued liability attributable to plan amendments, changes in actuarial methods or assumptions, and actuarial experience gains or losses as a level percentage of payroll. This funding policy is based on the City's pension ordinance. The City has funded 100% of the Annual Required Contribution as stated in the City's pension ordinance. The funding policy does not comply with GASB No. 27 that requires the annual required contribution be determined using an amortization period not in excess of 30 years. GASB Statement No.27 also required amortization payments in a closed plan, such as this one, either be based on a level-payment approach or reflect the expected 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, 2011 was 4.3 years on a closed basis. The actuarial assumptions included a) 7.50% investment rate of return (net of investment and administrative expenses), and b) projected salary increases of 4.25% per year, which includes a 2.75% price inflation assumption and a 1.50% additional general 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 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.

(CONTINUED)

CITY OF WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

12. DEFINED BENEFIT PENSION PLANS (CONTINUED)

(b) Police Pension II Plan (Continued)

FISCAL YEAR ENDING	ANNUAL PENSION COST (APC)	AMOUNT CONTRIBUTED	PERCENTAGE OF (ARC) CONTRIBUTED	NET PENSION OBLIGATION
6/30/2010	\$ 2,062,750	\$ 2,062,750	100%	\$ -
6/30/2011	\$ 2,651,567	\$ 2,651,567	100%	\$ -
6/30/2012	\$ 2,934,946	\$ 2,750,667	94%	\$ 362,860

Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the plan was 86.5% funded. The actuarial accrued liability for benefits was \$162,563,786, and the actuarial value of the assets was \$140,644,601, resulting in an unfunded actuarial accrued liability (UAAL) of \$21,919,185. The covered payroll (annual payroll of active employees covered by the plan) was \$11,082,010, and the ratio of the UAAL to covered payroll was 197.79%.

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

(c) Police Pension I and Fire Pension Plan

Plan Description

The City of Warwick's Police Pension I and Fire Pension Plan cover all City police officers who were appointed before February 1, 1971 and all permanent members of the City's fire department appointed before May 29, 1992. The Police I and Fire Pension Plan is a single-employer defined benefit pension plan that was established in 1953. The pension plan is reported as a Pension Trust Fund in the City's financial statements. The City does not issue a separate, publicly available financial report that includes financial statements and required supplementary information (RSI) for the City Employee's Pension Plan.

As of July 1, 2011, employees' membership data related to the pension plan was as follows:

	Police	Fire
Active Members	1	64
Retirees and beneficiaries	109	281
	<u>110</u>	<u>345</u>

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

Benefit Provisions – Firefighters – Participating firefighters in the plan who have completed twenty years of service are eligible for retirement. The normal retirement benefit for fire department participants is 50 percent of highest annual salary plus 1% of salary for each year of service in excess of 20 years (maximum 10). Annual salary includes regular, longevity and holiday pay.

Any firefighter retiring after July 23, 1996 may also irrevocably elect to have his or her pension calculated under the City's Fire II Pension Plan. The Fire II benefit formula is 50% of the final year's compensation,

(CONTINUED)

CITY OF WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

12. DEFINED BENEFIT PENSION PLANS (CONTINUED)

(c) Police Pension I and Fire Pension Plan (Continued)

plus 2% for each year of service from 20 to 25 years, plus 3% for each year of service from 25 to 30 years with a fixed 3% compounded cost of living adjustment.

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

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

The plan provides death benefits to a participant's spouse and dependents that dies while actively employed. The service related death benefit is 50% of the deceased member's highest annual salary, payable to the surviving spouse until death or earlier remarriage. The non-service related death benefit is 30% of the deceased member's highest annual salary, payable to the surviving spouse until death or earlier remarriage. 10% of the deceased member's highest annual salary is payable to each surviving child until the age of 18 (or for life if such child is permanently disabled prior to the member's death). The maximum family death benefit is 75% of the deceased's highest annual salary for service related deaths and 50% of highest annual salary for non-service related deaths. A lump sum payment equal to the member's accumulated contributions without interest shall be paid to the estate of any active member who dies with no surviving spouse or children.

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

Funding Policy – Active plan members contribute 7% of their covered earnings (regular, holiday, and longevity). The City is required to contribute an actuarially determined amount each year calculated in accordance with its pension ordinances. The statutory contribution level is not determined in accordance with GASB 27 requirements as it includes a 40-year amortization of the unfunded actuarial liability as a level percentage of payroll. Administrative costs are net against investment return in the actuarial valuation.

Summary of Significant Accounting Policies

Basis of Accounting – The Police I and Fire Pension Trust Fund's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

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

(CONTINUED)

CITY OF WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

12. DEFINED BENEFIT PENSION PLANS (CONTINUED)

(c) Police Pension I and Fire Pension Plan (Continued)

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	\$	20,099,465
Interest on ARC		2,765,438
Adjustments to ARC		(2,954,671)
Annual Pension Cost		19,910,232
Contributions Made		(13,503,973)
Increase (Decrease) in net pension obligation		6,406,259
Net Pension obligation, beginning of year		34,567,974
Net Pension obligation, end of year	\$	40,974,233

The City's annual contribution to the plan was determined as part of the July 1, 2011 actuarial valuation using the Entry Age Normal Actuarial Cost method and is based upon a funding policy which provides for the payment of the normal cost plus an amount which will amortize the July 1, 1995 unfunded actuarial accrued liability as a level percentage of payroll over a 40 year period ending June 30, 2035 plus 20-year amortization of experience gains or losses, method changes, assumption changes or plan changes since July 1, 1995 as a level percentage of payroll. This funding policy is based on the City's pension ordinance. The City has funded 100% of the Annual Required Contribution as stated in the City's pension ordinance. The funding policy does not comply with GASB No. 27 that requires the annual required contribution be determined using an amortization period not in excess of 30 years. GASB Statement No.27 also required amortization payments in a closed plan, such as this one, either be based on a level-payment approach or reflect the expected 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, 1995 was 25 years on a closed basis. The actuarial assumptions included a) 7.5% investment rate of return (net of investment and administrative expenses), and b) projected salary increases of 4.25% per year, which includes of a 2.75% price inflation assumption and a 1.50% additional general increase, 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.

FISCAL YEAR ENDING	ANNUAL PENSION COST (APC)	AMOUNT CONTRIBUTED	PERCENTAGE OF (ARC) CONTRIBUTED	NET PENSION OBLIGATION
6/30/2010	\$ 19,552,247	\$ 13,125,568	67.1%	\$ 27,686,124
6/30/2011	\$ 19,866,440	\$ 12,984,590	65.4%	\$ 34,567,974
6/30/2012	\$ 19,910,232	\$ 13,503,973	67.8%	\$ 40,974,233

Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the plan was 22.3% funded. The actuarial accrued liability for benefits was \$311,707,868, and the actuarial value of the assets was \$69,580,218, resulting in an unfunded actuarial accrued liability (UAAL) of \$242,127,650. The covered payroll (annual payroll of active employees covered by the plan) was \$5,604,595, and the ratio of the UAAL (funding excess) to cover payroll was 4,320.2%

(CONTINUED)

CITY OF WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

12. DEFINED BENEFIT PENSION PLANS (CONTINUED)

(c) Police Pension I and Fire Pension Plan (Continued)

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

(d) Fire Pension II Plan

Plan Description

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

As of July 1, 2011 employees' membership date related to the pension plan was as follows

Active Members	138
Retirees and beneficiaries	5
	<hr/> 143

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

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

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

The plan provides death benefits to a member's spouse and dependents for those members who die while actively employed. The service related death benefit is 50% of the deceased member's average salary, payable to the surviving spouse until death or earlier remarriage. The non-service related death benefit is 30% of the deceased member's average salary, payable to the surviving spouse until death or earlier remarriage. 10% of the deceased member's average salary is payable to each surviving child until the age of 18 (or for life if such child is permanently disabled prior to the member's death). The maximum family death benefit is 75% of the deceased's average salary for service related deaths and 50% of average salary for non-service related deaths. A lump sum payment equal to the member's accumulated contributions without interest shall be paid to the estate of any active member who dies with no surviving spouse or children.

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

(CONTINUED)

CITY OF WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

12. DEFINED BENEFIT PENSION PLANS (CONTINUED)

(d) Fire Pension II Plan (Continued)

Any member who terminates employment prior to completion of 10 years of creditable service will receive a lump sum payment of his or her accumulated contributions without interest.

Funding Policy – Active plan members contribute a percentage of their covered earnings (regular, holiday and longevity) equal to 1/3 of the actuarially determined contribution rate. The City is required to contribute 2/3 of the actuarially determined contribution rate. Administrative costs are net against investment return in the actuarial valuation. For fiscal year 2010-2011, employees were required to contribute 12.33% and the city was required to contribute 24.67% of covered earnings. Fire II is 78% funded.

Summary of Significant Accounting Policies

Basis of Accounting – The Fire II Pension Trust Fund's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

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

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	\$ 1,998,729
Annual Pension Cost	1,998,729
Contributions Made	(1,998,729)
Increase (Decrease) in net pension obligation	-
Net Pension obligation, beginning of year	-
Net Pension obligation, end of year	\$ -

The City's annual contribution to the plan was determined as part of the July 1, 2011 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 methods 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 actuarial assumptions included a) 7.5% investment rate of return (net of investment and administrative expenses), and b) projected salary increases of 4.25%, which includes a 2.75% price inflation assumption and a 1.50% additional general increase, 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 purpose of determining the contribution level are equal to the fair market value of the assets, adjusted to recognize the difference between actual investment return and expected return over a five-year period at 20% per year.

(CONTINUED)

CITY OF WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

12. DEFINED BENEFIT PENSION PLANS (CONTINUED)

(d) Fire Pension II Plan (Continued)

FISCAL YEAR ENDING	ANNUAL PENSION COST (APC)	PERCENTAGE OF (ARC) CONTRIBUTED	NET PENSION OBLIGATION
6/30/2010	\$ 1,594,677	100%	\$ -
6/30/2011	\$ 1,852,264	100%	\$ -
6/30/2012	\$ 1,998,729	100%	\$ -

Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the plan was 78% funded. The actuarial accrued liability for benefits was \$31,782,763, and the actuarial value of the assets was \$24,781,826, resulting in an unfunded actuarial accrued liability (UAAL) of \$7,000,937. The covered payroll (annual

payroll of active employees covered by the plan) was \$9,354,240, and the ratio of the UAAL (funding excess) to cover payroll was 74.84%.

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

(e) Employees' Retirement System of the State of Rhode Island

All Warwick School Department certified school personnel participate in the Employees' Retirement System of the State of Rhode Island ("System"), a cost-sharing multiple-employer defined benefit plan.

Plan Description

The ERS was established under Section Two of chapter 2334 of the Rhode Island Public Laws of 1951 and placed under the management of the Retirement Board for the purpose of providing retirement allowances for employees of the State of Rhode Island under the provisions of Chapters 8 to 10, inclusive, of Title 36, and public school teachers under the provisions of Chapters 15 to 17, inclusive, of Title 16 of the Rhode Island General Laws. The plan provides a two-tier benefit structure referred to as Schedules A and B as follows:

Schedule A Benefits: Schedule A benefits are available to members who possess 10 years or more of contributory service on or before July 1, 2005. Schedule A provides unreduced benefits of 1.7% of earnings for each of the first ten years of service; 1.9% for each of the next ten years of service; 3.0% per year for each of the next fourteen years; and 2% for the 35th year. Joint and survivor options are available as well as the Service Retirement Allowance (SRA) Plus option that provides for the payment of a larger benefit before the attainment of age 62 and a reduced amount thereafter. The reduced amount is equal to the benefit before age 62, including cost-of-living increases, minus the member's estimated social security benefit payable at age 62. The maximum benefit is 80% of "final average" (FAC) earnings after 35 years of service. Final average earnings are the three highest consecutive years of earned salary excluding overtime, bonuses, or severance pays. Such benefits are available to members at least age 60 with 10 years of service, or after 28 years at any age. On the third January after retirement, a cost-of-living increase of 3% (compounded annually) is provided independent of actual changes in the consumer price index. The plan also provides nonservice-connected disability benefits after five years of service; service-connected disability pensions with no minimum service requirements; vested benefits after ten years of service; survivor's benefits for service connected death; and certain lump sum death benefits. For Schedule A members who are not grandfathered, i.e., members who had at least 10 years of

(CONTINUED)

CITY OF WARWICK, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

12. DEFINED BENEFIT PENSION PLANS (CONTINUED)

(e) Employees' Retirement System of the State of Rhode Island (Continued)

Plan Description (Continued)

Schedule B Benefits(Continued)

creditable service at June 30, 2005 but who were not eligible to retire on September 30, 2009; benefits are based on Schedule A for services through September 30, 2009 and on Schedule B for services after September 30, 2009. Maximum benefit is 80% of FAC.

Schedule B Benefits: Schedule B benefits are provided to members who have less than 10 years of contributory service on or before July 1, 2005. For Schedule B members, the plan provides unreduced benefits of 1.6% of earnings for each of the first ten years of service; 1.8% for each of the next ten years; 2.0% per year for years 21 through 25 inclusive; 2.25% per year for years 26 through 30 inclusive; 2.5% per year for years 31 through 37 inclusive and 2.25% for the 38th year. Only single life, and joint and survivor options are available. The maximum benefit is 75% of his or her average highest three years of compensation after 38 years of service. Such benefits are available to members at least age 65 with 10 years of service, or after 29 years of service and age 59. Actuarially reduced retirement is available at age 55 and 20 years of service, the benefit is reduced actuarially for each month that the age of the member is less than sixty-five years. On the month following the third anniversary date of the retirement, and on the month following the anniversary date of each succeeding year, a cost of living increase of 3% (compounded annually) or the percentage of increase in the Consumer Price Index for all Urban Consumers (CPI-U) as published by the United States Department of Labor Statistics, determined as of September 30 of the prior calendar year, whichever is less is provided for Schedule B members.

The ERS plan also provides a survivor benefit to public school teachers via a "Teachers Survivor Benefits Fund" in lieu of Social Security. The details of the survivor death benefits and other death benefits are provided in the financial section of the Annual Financial Report of the Employees' Retirement System of Rhode Island for the fiscal year ending June 30, 2010 which can be found at www.ersri.org.

In November 2011, the State enacted The Rhode Island Retirement Security Act of 2011 (the Act) as described in S1111A and H6319A. the Act makes significant changes to the Employees Retirement System and becomes effective July 1, 2012. Three of the most significant changes resulting from the act are a change in structure from a defined benefit plan to a hybrid plan that includes a smaller defined benefit plan and a supplemental defined contribution plan; re-amortization of the Unfunded Actuarial Accrued Liability to 25 years from the current 19 year schedule as of June 30, 2010; and teacher personnel not covered by Social Security will participate in additional defined contribution allocations equal to 2% member plus 2% employer.

Funding Policy

Rhode Island general laws set the contribution rates for participating plan employees at 9.5% of salary. Annual contributions by both employers and the State on behalf of those employees are determined by actuaries and assessed as a percentage of participants' payroll. The School Department was required to contribute 13.23%, 11.25%, and 11.25% for all full-time employees for fiscal years 2012, 2011, and 2010, respectively. The required contributions include (a) normal costs; (b) payments to amortize the unfunded frozen actuarial accrued liability as of July 1, 1985 over 30 years; and (c) interest on the unfunded frozen actuarial liability. Normal cost is determined using the entry age normal cost method with frozen initial liability. A variety of significant actuarial assumptions are used to determine the standardized measure of the pension benefit obligation and these assumptions are summarized below:

(CONTINUED)

CITY OF WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

12. DEFINED BENEFIT PENSION PLANS (CONTINUED)

(e) Employees' Retirement System of the State of Rhode Island (Continued)

Funding Policy (Continued)

- (a) Mortality – RP-2000 Combined Mortality Tables
- (b) Investment return – 7.5 percent, compounded annually.
- (c) Salary increase - Salaries will increase at a rate of 4 – 12.75 percent, compounded annually.
- (d) Retirement age – 75% of Schedule B members who reach the age of 59 with 29 years of service before age 65 are assumed to retire when first eligible. 75% of other members are expected to retire when first eligible, at age 65 with 10 years of service. Because of enactment of Article 7 in 2009, the retirement assumption was modified for members not eligible for retirement by October 1, 2009. Members who would have been assumed to retire prior to age 62 under the rules in effect before the enactment of Article 7 are assumed to retire when first eligible for an unreduced benefit under Article 7.
- (e) Cost of living adjustments – 2.0%

As prescribed by Rhode Island general law, the State pays the entire portion of the annual required contribution attributable to the costs of contributions deferred by the State in prior years plus 40% of contributions assessed to employers on payroll not reimbursable through Federal programs. For fiscal year 2012, actuarial required contributions were 22.32% of the participant's salary. This resulted in a contribution rate paid by the State on behalf of the School Department of 9.09% of non-federally reimbursable payrolls totaling \$6,252,000 for the fiscal year ended June 30, 2012. The contributions are recognized as revenue and expenditures during the fiscal year ended June 30, 2012. The School Department contributed the remaining 13.23% of the required 22.32%.

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

The amounts contributed to the plan are as follows:

Years Ending June 30,	Employee	School's portion of Annual Required Contributions	Percentage Contributed
2012	\$ 6,444,508	\$ 9,298,301	100%
2011	\$ 7,313,431	\$ 8,965,181	100%
2010	\$ 7,513,421	\$ 9,187,493	100%

In accordance with GASB 27, "Accounting for Pensions by State and Local Governmental Employers," the School Department has determined that there is no net pension obligation relating to the funding requirements of the plan.

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, 2011 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. This report is the most recent report available from the State who administers the Plan.

(f) Warwick Public Schools Employees' Pension Plan

Plan Description

The School administers the Warwick Public Employee Pension Plan, a single-employer defined benefit public employee pension plan. There is no separate financial report issued for the pension plan. However,

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CITY OF WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

12. DEFINED BENEFIT PENSION PLANS (CONTINUED)

(f) Warwick Public Schools Employees' Pension Plan (Continued)

the City Employees' Pension Plan has been audited as part of the City's Pension Trust Funds reported in the City's financial statements. All eligible Warwick Public School employees other than teachers are eligible to participate on the first of the month after completing three months of service. A person is considered eligible if they are a) employed 20 hours or more per week and covered under the collective bargaining unit agreement or b) employed 20 hours or more per week in a non-certified management position or c) an elected School Committee member.

As of July 1, 2012, employee membership data related to the pension plan is as follows:

Active Members	386
Terminated/Inactive/Disabled	18
Retirees and beneficiaries	86
	<hr/> 490

Participants are eligible for normal retirement at the later of age 62 or 10 years of plan participation or at any age upon completion of 32 years of service with 10 years of plan participation.

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

Funding Policy

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

Summary of Significant Accounting Policies

Basis of Accounting – The School Employees Pension Trust Fund's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

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

(CONTINUED)

CITY OF WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

12. DEFINED BENEFIT PENSION PLANS (CONTINUED)

(f) Warwick Public Schools Employees' Pension Plan (Continued)

Annual Pension Cost and Net Pension Obligation

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

Annual Required Contribution	\$	1,412,349
Interest on ARC		42,840
Adjustments to ARC		(46,092)
Annual Pension Cost		1,409,097
Contributions Made		(2,544,951)
Increase (Decrease) in net pension obligation		(1,135,854)
Net Pension obligation, beginning of year		611,996
Net Pension obligation, end of year	\$	(523,858)

The net pension obligation noted above represents a net pension obligation asset at June 30, 2012 and is recorded in the government-wide statement of net assets. This net pension obligation asset is netted against the net pension benefit obligations of the City's Police & Fire Pension I and the Police Pension II due to the fact that all three are related to pension plans administered by the City.

The school's annual contribution to the plan was determined as part of the July 1, 2011 actuarial valuation.

The actuarially determined contribution was calculated using the frozen initial liability cost method. Under this method, the annual cost is equal to the normal cost, plus amortization of unfunded accrued liabilities over a fixed period of years, selected with the minimum (10 years) and maximum (5 to 30 years) periods. The actuarial assumptions included a) 7% investment rate of return and b) projected salary increases of 3% c) no assumed cost-of-living increases. The assumptions did not include post-retirement health insurance benefit increases, which are funded by the Schools on a pay-as-you-go basis. Assets used for purposes of determining the contribution are equal to the current book value of the plan assets reported by Aetna, and the market value of assets reported by USI Securities, Inc., plus accrued contributions.

FISCAL YEAR ENDING	ANNUAL PENSION COST (APC)	AMOUNT CONTRIBUTED	PERCENTAGE OF (ARC) CONTRIBUTED	NET PENSION OBLIGATION
6/30/2010	\$ 2,118,885	\$ 2,195,000	103.6%	\$ 511,793
6/30/2011	\$ 1,717,116	\$ 1,616,913	94.2%	\$ 611,996
6/30/2012	\$ 1,409,097	\$ 2,544,951	180.6%	\$ (523,858)

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

Funded Status and Funding Progress

As of July 1, 2012, the most recent actuarial valuation date, the plan was 69.4% funded. The actuarial accrued liability for benefits was \$45,275,098, and the actuarial value of the assets was \$31,423,797, resulting in an unfunded actuarial accrued liability (UAAL) of \$13,851,301. The covered payroll (annual payroll of active employees covered by the plan) was \$14,097,285, and the ratio of the UAAL to covered payroll was 98.26%.

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

(CONTINUED)

CITY OF WARWICK, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

13. OTHER POST EMPLOYMENT BENEFIT OBLIGATIONS (OPEB)

A. Other Post-Employment Benefits – City

Plan Description

The City of Warwick administers a single-employer defined benefit healthcare plan. This plan does not include the pension benefits discussed in Note 13. The plan provides medical/drug and dental (police officers only) benefits for eligible retirees and their dependents through the City group health and dental insurance plans, which cover both active and retired members. Benefit provisions are established and amended by union contract, through negotiations between the City and respective unions. The plan does not issue a publicly available financial report.

Funding Policy

Contribution requirements are negotiated between the City and the respective unions. The City is required to contribute the cost of medical/drug and dental benefits, less the amount of any applicable co-payments in effect at the time of retirement. For the year ended June 30, 2012, the plan operated on a pay as you go basis and no provision has been made to fund future benefits to be provided to plan members. For the fiscal year ended June 30, 2012, the City contributed \$6,750,000 (estimated) to the plan.

At July 1, 2011, membership consisted of:	<u>Town, Police, Fire</u>
Active Employees:	729
Retired	713
Total	<u>1,442</u>

Annual OPEB Cost and Net OPEB Obligation

Actuarial Valuation Date	Actuarial Value of Assets	Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1,	(a)	(b)	(b-a)			((b-a)/c)
2009	- \$	229,348,997	\$ 229,348,977	-	N/A	N/A
2010	- \$	240,497,738	\$ 240,497,738	-	N/A	N/A
2011	- \$	223,593,412	\$ 223,593,412	-	N/A	N/A

Actuarial Methods and Assumptions

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

Valuation Date:	July 1, 2011
Actuarial Cost Method:	Projected unit credit cost method
Asset Valuation Method:	Plan is currently unfunded
Payroll Growth Rate:	3.20%
Amortization Method:	30 years
Remaining Amortization Period:	29 years

(CONTINUED)

CITY OF WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

13. OTHER POST EMPLOYMENT BENEFIT OBLIGATIONS (OPEB) (CONTINUED)

A. Other Post-Employment Benefits – City (CONTINUED)

Annual OPEB Cost and Net OPEB Obligation: Below are the required OPEB obligation presentations per GASB 45 for the period ending June 30, 2012:

Annual Required Contribution	\$ 21,498,650
Interest in OPEB	1,976,463
Adjustments to ARC	(2,801,987)
Annual OPEB Cost	20,673,126
Contributions Made	(6,750,000)
Increase in net OPEB obligation	13,923,126
OPEB obligation, beginning of year	49,411,581
OPEB obligation, end of year	\$ 63,334,707

B. Other Post-Employment Benefits – School

Plan Description

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

Teaching Employees are eligible for GASB Statement 45 benefits after serving the district for 20 years to 30 years depending on their date of hire. Other district employees are required to reach age 62 and have 25 years of service. Teaching employees contribute 20 to 60% for coverage depending on their date of hire. Other employees will contribute 20% for coverage. Spouses of teaching employees are not covered by the plan. Spouses of other district employees will contribute 20% for coverage. Surviving beneficiaries continue to receive access to the districts medical coverage through COBRA after the death of the retired employee. Survivors are required to pay the full costs of benefits.

Funding Policy

Contribution requirements are negotiated between the City and respective unions. The City is required to contribute the cost of medical/drug and dental benefits, less the amount of any applicable co-payments in effect at the time of retirement. For the year ended June 30, 2012, the plan operated on a pay as you go basis and no provision has been made to fund future benefits to be provided to plan members. For the fiscal year ended June 30, 2012, the Warwick School Department contributed \$2,777,971 (estimated) for its employees.

At July 1, 2011, membership consisted of:	<u>Town</u>
Active Employees:	1,380
Retired	276
Total	<u>1,656</u>

(CONTINUED)

CITY OF WARWICK, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

13. OTHER POST EMPLOYMENT BENEFIT OBLIGATIONS (OPEB) (CONTINUED)

B. Other Post-Employment Benefits – School (CONTINUED)

Annual OPEB Cost and Net OPEB Obligation

Actuarial Valuation Date July 1,	Actuarial Value of Assets (a)	Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	-	\$ 41,643,649	\$ 41,643,649	-	N/A	N/A
2010	-	\$ 42,722,906	\$ 42,722,906	-	N/A	N/A
2011	-	\$ 37,833,649	\$ 37,833,649	-	N/A	N/A

Actuarial Methods and Assumptions

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

Valuation Date:	July 1, 2011
Actuarial Cost Method:	Projected unit credit cost method
Asset Valuation Method:	Plan is currently unfunded
Payroll Growth Rate:	3.20%
Amortization Method:	30 years
Remaining Amortization Period:	29 years

Annual OPEB Cost and Net OPEB Obligation: Below are the required OPEB obligation presentations per GASB 45 for the period ending June 30, 2012:

Annual Required Contribution	\$ 3,670,067
Interest in OPEB	419,881
Adjustments to ARC	(595,255)
Annual OPEB Cost	3,494,693
Contributions Made	(2,777,971)
Increase in net OPEB obligation	716,722
OPEB obligation, beginning of year	10,497,017
OPEB obligation, end of year	<u>\$ 11,213,739</u>

(CONTINUED)

CITY OF WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

14. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES AND COMMITMENTS

Litigation

Liabilities for legal cases and other claims against governmental funds are recorded in the governmental funds when the ultimate liability can be estimated and such cases are expected to be settled with available expendable financial resources.

At June 30, 2012, the City had several lawsuits pending. The Total maximum damages being sought from the City to these cases are not known. In the opinion of the City officials and the City's legal counsel, the City's ultimate liability with respect to these cases, if any, will be immaterial.

Commitments

The City of Warwick had several outstanding construction projects as of June 30, 2012. These projects are evidenced by contractual commitments with contractors and include:

CONTRACT	SPENT TO DATE	COMMITMENT REMAINING	FUNDING SOURCE(S)
BAYSIDE/LONGMEADOW DESIGN	\$ 616,105	\$ 205,334	SRF CAPITAL CONTRACTS
BAYSIDE/LONGMEADOW INSPECTION	247,118	138,192	SRF CAPITAL CONTRACTS
BAYSIDE/LONGMEADOW CONSTRUCTION	2,907,040	383,899	SRF CAPITAL CONTRACTS
NW GORTONS POND	162,188	22,639	SRF CAPITAL CONTRACTS
GOVERNOR FRANCIS II DESIGN	163,982	17,600	SRF CAPITAL CONTRACTS
GOVERNOR FRANCIS II INSPECTION	422,338	103,589	SRF CAPITAL CONTRACTS
GOVERNOR FRANCIS II CONSTRUCTION	4,147,436	49,464	SRF CAPITAL CONTRACTS
GOVERNOR FRANCIS III DESIGN	110,736	44,194	SRF CAPITAL CONTRACTS
AWT PHASE II - FACILITIES PLAN ENGINEERING	283,980	14,988	SRF CAPITAL CONTRACTS
AWT II PHOSPHOROUS REMOVAL UPGRADE	37,724	626,277	SRF CAPITAL CONTRACTS
Grand Totals	\$ 9,098,647	\$ 1,605,976	

Grants

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

15. DEFERRED COMPENSATION PLAN

The City offers its municipal employees a deferred compensation plan established in accordance with the provisions of Internal Revenue Code Section 457. The Plan, available to certain municipal employees, permits the deferral of a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

The City has implemented the Governmental Accounting Standards Board, Statement No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plan. All assets and income of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries. As a result, deferred compensation investments and the respective liability have been removed from the City's financial statements.

(CONTINUED)

CITY OF WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

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. Warwick 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 maximum amount of insurance purchased, minus the City's deductible amounts. The Trust provides this insurance coverage through a pooled, self-insurance mechanism which includes reinsurance purchased by the Trust to protect against large, catastrophic claims above the Trust retains internally for payment from the pooled contributions of its members.

There have been no significant reductions in insurance coverage during the year ended June 30, 2012 as compared to the previous year. The claims incurred did not exceed insurance coverage this year.

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

	Beginning Fiscal	Curent Year			Balance
	Year Liability	Claims and Changes	Claims		Fiscal
		in Estimate	Payments		Year End
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
2007-2008	\$ 182,341	\$ 200,923	\$ 273,217	\$	110,047
2008-2009	\$ 110,047	\$ 352,133	\$ 213,255	\$	248,925
2009-2010	\$ 248,925	\$ 356,889	\$ 549,887	\$	55,927
2010-2011	\$ 55,927	\$ 361,799	\$ 342,858	\$	74,868
2011-2012	\$ 74,868	\$ 253,092	\$ 276,539	\$	51,421

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

An analysis of claims activity is presented below:

	Net Asset	Claims	Plan	Net Asset
	Balance	and Expenses	Deposits	Balance at
	June 30, 2011	Including IBNR		June 30, 2012
School	\$ 4,249,044	\$ 21,603,970	\$ 21,240,354	\$ 3,885,428
City	\$ 610,076	\$ 17,669,242	\$ 17,588,376	\$ 529,210

(CONTINUED)

CITY OF WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

17. CAPITAL CONTRIBUTION

The Spring Green Association was left a sewer connection as part of the Governor Francis II Sewer project. The owners of the property paid the vendor directly for sewer installation on the properties so each home could be connected to with sewer pipes. Upon completion, the Warwick Sewer Authority took over the infrastructure and is responsible for maintenance, repair, modification, replacement, restoration, and cleanup of the systems. The City of Warwick had recognized this as a capital contribution in the Sewer Fund and recorded the asset at the estimated fair value at the time received.

During the fiscal year ended June 30, 2012 the Sewer Fund received donated infrastructure assets with a fair value of approximately \$1,402,708. The donation of these assets came from property developers. The donation constitutes a non-cash transaction and accordingly, the value has been omitted from the Statement of Cash Flows.

(CONTINUED)

CITY OF WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

18. FLOOD EMERGENCY

Significant rains between March 29 and March 31, 2010 caused major flooding in the State of Rhode Island. On March 30, 2010, Warwick's wastewater treatment facility was closed after flood waters breached the levee protecting the facility from the Pawtuxet River, which rose 20 feet above its banks. The wastewater treatment facility was inundated with an estimated 70 million gallons of mostly rain and river water, which then mixed with incoming wastewater. The facility had to be pumped out before it could resume sewerage treatment operations. As of April 2, 2010, basic sanitary sewerage collection had been restored to the entire City and on April 5, 2010 the Warwick Sewer Authority had restored basic wastewater treatment processes including preliminary treatment and solids collection, as well as disinfection.

The Sewer Authority hired a consultant specializing in disaster recovery of sewerage treatment facilities to assist in the recovery process. The consultant worked with the authority to restore the plant to pre-flood conditions. To date the City has received the expected \$10 million reimbursement from its insurance coverage. In addition, the City has been approved for FEMA for public assistance funds for those expenses not covered by insurance. FEMA will reimburse the City at a rate of 90% of all eligible expenses.

As of June 30, 2012 much of the reconstruction work had been completed. This report will reflect the addition of all assets relating to Phase II of the reconstruction of the wastewater treatment facility. Final project workbooks were filed with FEMA during the fall of 2012.

(CONTINUED)

THE CITY OF
WARWICK, RHODE ISLAND

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WARWICK, RHODE ISLAND

**REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2012**

This section presents the Schedule of Funding Progress for Pension Plans and OPEB. This schedule is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board.

This section also presents budgetary comparison schedules for the City's major funds. These schedules are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board.

CITY OF WARWICK, RHODE ISLAND

**SCHEDULE OF FUNDING PROGRESS FOR PENSION PLANS & OPEB
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2012
"UNAUDITED"**

	Actuarial Valuation Date	Actuarial Value of Assets (2)	Actuarial Accrued Liability (AAL) Entry Age	AAL (UAAL) Funding Excess (deficit)	Funded Ratio	Covered Payroll	AAL (UAAL)Funding Excess (deficit) Percentage of Covered Payroll
City Employees Pension Plan	7/1/2000	\$ 59,347,136	\$ 64,023,027	\$ (4,675,891)	92.7%	\$ 14,766,805	-31.66%
	7/1/2002	\$ 55,892,932	\$ 70,980,384	\$ (15,087,452)	78.7%	\$ 15,226,469	-99.09%
	7/1/2004	\$ 64,006,602	\$ 81,587,332	\$ (17,580,730)	78.5%	\$ 17,637,143	-99.68%
	7/1/2006	\$ 74,580,957	\$ 91,638,367	\$ (17,057,410)	81.4%	\$ 18,817,448	-90.65%
	7/1/2008	\$ 81,654,940	\$ 103,090,691	\$ (21,435,751)	79.2%	\$ 20,447,173	-104.83%
	7/1/2010	\$ 87,060,569	\$ 122,721,770	\$ (35,661,201)	70.9%	\$ 20,064,146	-177.74%
Police Pension II Plan	7/1/2001	\$ 100,587,651	\$ 80,075,595	\$ 20,512,056	125.6%	\$ 8,632,380	237.62%
	7/1/2003	\$ 103,576,887	\$ 92,587,566	\$ 10,989,321	111.9%	\$ 10,075,073	109.07%
	7/1/2005	\$ 106,857,258	\$ 104,458,087	\$ 2,399,171	102.3%	\$ 11,134,444	21.55%
	7/1/2007	\$ 125,715,755	\$ 119,787,569	\$ 5,928,186	104.9%	\$ 11,676,883	50.77%
	7/1/2009	\$ 137,152,325	\$ 139,554,358	\$ (2,402,033)	98.3%	\$ 13,099,942	-18.34%
	7/1/2011	\$ 140,644,601	\$ 162,563,786	\$ (21,919,185)	86.5%	\$ 11,082,010	-197.79%
Police & Fire Pension I	7/1/2001	\$ 84,640,208	\$ 227,132,526	\$ (142,492,318)	37.3%	\$ 8,547,361	-1667.09%
	7/1/2003	\$ 79,979,592	\$ 243,776,577	\$ (163,796,985)	32.8%	\$ 8,334,166	-1965.37%
	7/1/2005	\$ 71,984,600	\$ 266,825,982	\$ (194,841,382)	27.0%	\$ 8,621,197	-2260.03%
	7/1/2007	\$ 75,998,043	\$ 279,252,361	\$ (203,254,318)	27.2%	\$ 7,594,897	-2676.20%
	7/1/2009	\$ 76,142,283	\$ 286,514,010	\$ (210,371,727)	26.6%	\$ 7,606,876	-2765.55%
	7/1/2011	\$ 69,580,218	\$ 311,707,868	\$ (242,127,650)	22.3%	\$ 5,604,595	-4320.16%
Fire Pension II Plan (3)	7/1/2001	\$ 3,542,276	\$ 2,590,979	\$ 951,297	136.7%	\$ 2,378,573	39.99%
	7/1/2003	\$ 5,090,980	\$ 4,637,225	\$ 453,755	109.8%	\$ 3,615,066	12.55%
	7/1/2005	\$ 7,571,670	\$ 8,774,481	\$ (1,202,811)	86.3%	\$ 5,697,543	-21.11%
	7/1/2007	\$ 12,695,030	\$ 13,093,065	\$ (398,065)	97.0%	\$ 6,843,161	-5.82%
	7/1/2009	\$ 18,265,170	\$ 20,678,480	\$ (2,413,310)	88.3%	\$ 8,816,280	-27.37%
	7/1/2011	\$ 24,781,826	\$ 31,782,763	\$ (7,000,937)	78.0%	\$ 9,354,240	-74.84%
School Employees Pension Plan	7/1/2007	\$ 34,334,753	\$ 39,061,405	\$ (4,726,652)	87.9%	\$ 15,888,299	-29.75%
	7/1/2008	\$ 33,594,082	\$ 39,704,426	\$ (6,110,344)	84.6%	\$ 14,832,271	-41.20%
	7/1/2009	\$ 29,656,481	\$ 40,496,285	\$ (10,839,804)	73.2%	\$ 14,482,687	-74.85%
	7/1/2010	\$ 32,317,581	\$ 42,039,713	\$ (9,722,132)	76.9%	\$ 14,772,043	-65.81%
	7/1/2011	\$ 35,062,863	\$ 41,507,432	\$ (6,444,569)	84.5%	\$ 13,759,954	-46.84%
	7/1/2012	\$ 31,423,797	\$ 45,275,098	\$ (13,851,301)	69.4%	\$ 14,097,285	-98.26%
Other Post Employee Benefits	6/30/2008	\$ -	\$ 251,736,786	\$ (251,736,786)	0.0%	N/A	N/A
	6/30/2009	\$ -	\$ 257,751,982	\$ (257,751,982)	0.0%	N/A	N/A
	6/30/2010	\$ -	\$ 270,992,626	\$ (270,992,626)	0.0%	N/A	N/A
	6/30/2011	\$ -	\$ 283,220,644	\$ (283,220,644)	0.0%	N/A	N/A
	6/30/2012	\$ -	\$ 261,427,061	\$ (261,427,061)	0.0%	N/A	N/A

- (1) The information included in the schedule of funding progress was obtained from annual or biennial actuarial valuations at the dates indicated. These were the last actuarial reports available.
- (2) Actuarial valuations are performed on biennial basis for all pension plans except for the School employee Pension Plan and the OPEB plan which have annual valuations.
- (3) The Fire II Pension Plan was established in 1992. Although an actuarial valuation was performed on July 1, 1993, the related contribution formula was not required to become effectively until July 1, 1998 per City Ordinance. Prior to July 1, 1998, the total required contribution was 33% of covered payroll with 22% paid by the City and 11% paid by the covered employees. The cap on contributions in the early years of the program was intended to avoid charging the first generation of employees with costs which are expected to be significantly higher than the long term costs of the plan. An actuarial valuation as of July 1, 1997 was completed and was used to determine the contribution requirements for fiscal year 1999.

CITY OF WARWICK, RHODE ISLAND

Budgetary Comparison Schedule for the General Fund
Schedule of Revenues and Expenditures (Non GAAP Budgetary Basis)
Budget and Actual
Year Ended June 30, 2012
(Unaudited)

	Original Budget	Final Budget	Actual Amounts (Budgetary Basis)	Variance
General property taxes	\$ 212,786,728	\$ 212,786,728	212,007,763	\$ (778,965)
Intergovernmental				
Telephone tax	929,063	929,063	994,959	65,896
Aid to school buildings	1,205,399	1,205,399	1,109,803	(95,596)
Connecticut tax	1,034,893	1,034,893	1,150,336	115,443
GPA reimbursements	14,300	14,300	12,250	(2,050)
Motor vehicle tax phase-out	1,123,632	1,123,632	1,147,236	23,604
Departmental grant income	1,893,149	1,990,828	2,266,524	275,696
Total	6,200,436	6,298,115	6,681,108	382,993
Licenses and fees				
Licenses - police/miscellaneous	351,300	351,300	365,902	14,602
Municipal fees	1,712,000	1,712,000	1,701,173	(10,827)
Building permits	725,000	725,000	893,912	168,912
Advertising and zoning fees	20,000	20,000	20,250	250
Recreational fees	815,000	815,000	893,644	78,644
Parking violations and fines	150,000	150,000	245,662	95,662
Departmental processing/program fees	248,615	248,615	331,317	82,702
Total	4,021,915	4,021,915	4,451,860	429,945
Other revenues				
Tax titles	31,500	31,500	80,236	48,736
Interest on taxes	975,000	975,000	1,392,844	417,844
Interest on investments/capital projects	51,500	51,500	(32,839)	(84,339)
Housing authority	110,000	110,000	132,510	22,510
Airport parking tax	500,000	500,000	500,000	-
Airport miscellaneous income	600,000	600,000	786,128	186,128
Airport surcharge	900,000	900,000	1,115,887	215,887
Airport EDC	778,000	778,000	788,234	10,234
Pilot Program	-	-	40,000	40,000
Reimbursement - Police OT	12,000	12,000	37,354	25,354
Municipal court	262,000	262,000	284,751	22,751
Hotel tax	1,285,000	1,285,000	1,504,465	219,465
Meals tax	2,190,477	2,190,477	2,319,661	129,184
School back charge - lease purchase/tipping fee	77,479	77,479	84,400	6,921
School RIHEBC Debt Reimbursement	569,901	569,901	569,901	-
Enterprise fund back charges	2,174,702	2,174,702	2,025,874	(148,828)
Other	1,725,000	1,725,000	1,903,445	178,445
Total	12,242,559	12,242,559	13,532,851	1,290,292
Total revenues	235,251,638	235,349,317	236,673,582	1,324,265
Other financing sources				
Transfers from other funds	-	-	-	-
Appropriation of fund balance	-	-	-	-
Appropriation of fund balance - Education Reserve	-	2,071,422	2,071,424	-
Rescue service fees	2,100,000	2,100,000	2,338,382	238,382
Transfers-In from School	36,540,512	36,540,512	35,556,396	(984,116)
Total	38,640,512	40,711,934	39,966,202	(745,734)
Total Revenues and other financing sources	\$ 273,892,150	\$ 276,061,251	276,639,784	\$ 578,531

(CONTINUED)

CITY OF WARWICK, RHODE ISLAND

Budgetary Comparison Schedule for the General Fund
Schedule of Revenues and Expenditures (Non GAAP Budgetary Basis)
Budget and Actual
Year Ended June 30, 2012
(Unaudited)

	Original Budget	Final Budget	Actual Amounts (Budgetary Basis)	Variance
Executive and administrative				
Executive department	\$ 399,017	\$ 399,017	\$ 396,608	\$ (2,409)
Legal department	446,124	446,124	367,070	(79,054)
City clerk	360,735	360,735	350,159	(10,576)
Probate court	83,213	83,213	87,112	3,899
Municipal court	114,676	114,676	111,330	(3,346)
Personnel department	273,127	273,127	275,187	2,060
Total	1,676,892	1,676,892	1,587,466	(89,426)
Legislative and citizens representation				
Legislative department	204,828	204,828	170,252	(34,576)
Board of canvassers	392,228	392,228	281,351	(110,877)
Total	597,056	597,056	451,603	(145,453)
Financial management				
Financial administration	389,403	389,403	326,140	(63,263)
Purchasing	193,375	193,375	187,282	(6,093)
Treasury	260,705	260,705	262,571	1,866
City collection	406,182	406,182	374,380	(31,802)
Management information services	877,196	877,196	857,660	(19,536)
City assessment	1,013,890	848,890	671,518	(177,372)
Board of assessment review	15,150	15,150	11,229	(3,921)
Total	3,155,901	2,990,901	2,690,780	(300,121)
Public safety department				
Animal shelter	192,318	192,318	179,744	(12,574)
Police department	16,899,150	16,899,150	16,844,922	(54,228)
Fire department	19,213,572	20,295,388	21,441,786	1,146,398
Organized crime/drug enforcement task force	19,000	19,000	15,248	(3,752)
Building inspection and minimum housing	780,966	780,966	744,271	(36,695)
Emergency management	333,006	351,990	269,335	(82,655)
Alcohol and highway safety enforcement	52,450	85,450	91,941	6,491
Police grants	34,000	97,395	176,645	79,250
Board of public safety	48,519	48,519	48,626	107
Total	37,572,981	38,770,176	39,812,518	1,042,342
Social services				
Parks and recreation	340,138	340,138	305,625	(34,513)
William Thayer Memorial Ice Rink	877,790	877,790	751,748	(126,042)
McDermott swimming pool	522,568	522,568	454,488	(68,080)
Total	1,740,496	1,740,496	1,511,861	(228,635)
Public Library	2,556,944	2,556,944	2,458,403	(98,541)
Human services				
Human services administration	512,353	512,353	469,778	(42,575)
Senior center	481,756	481,756	460,157	(21,599)
Family support services	1,700	16,000	15,655	(345)
Senior transportation	279,434	279,434	287,045	7,611
Youth programs	875,000	-	-	-
Total	2,150,243	1,289,543	1,232,635	(56,908)
Planning department	461,348	504,348	400,840	(103,508)

(CONTINUED)

CITY OF WARWICK, RHODE ISLAND

Budgetary Comparison Schedule for the General Fund
Schedule of Revenues and Expenditures (Non GAAP Budgetary Basis)
Budget and Actual
Year Ended June 30, 2012
(Unaudited)

	Original Budget	Final Budget	Actual Amounts (Budgetary Basis)	Variance
Community development	287,838	287,838	281,144	(6,694)
Tourism, culture and development	574,866	574,866	515,422	(59,444)
Public works department				
Administrative division	105,767	105,767	102,098	(3,669)
Highway division	4,108,247	4,068,247	3,350,974	(717,273)
Sanitation division	2,212,455	2,192,455	2,042,419	(150,036)
Automotive division	2,484,747	2,411,747	2,312,161	(99,586)
City building maintenance division	1,267,942	1,267,942	1,151,724	(116,218)
Engineering division	1,444,762	1,436,762	1,296,977	(139,785)
Recycling	70,000	70,000	71,416	1,416
Field maintenance	781,434	789,434	729,794	(59,640)
Total	12,475,354	12,342,354	11,057,563	(1,284,791)
Sewer review board	2,150	2,150	1,859	(291)
Employee benefits, special and capital	47,967,492	47,967,492	48,761,235	793,743
Total expenditures	111,219,561	111,301,056	110,763,329	(537,727)
Other financing uses				
Operating transfer to debt service fund	8,362,445	7,503,629	7,461,969	(41,660)
Operating transfer to school unrestricted fund	154,310,144	157,256,566	153,400,393	(3,856,173)
Total	162,672,589	164,760,195	160,862,362	(3,897,833)
Total expenditures and other financing uses	\$ 273,892,150	\$ 276,061,251	\$ 271,625,691	\$ (4,435,560)

(CONTINUED)

CITY OF WARWICK, RHODE ISLAND

Budgetary Comparison Schedule for the School General Fund
Schedule of Revenues and Expenditures (Non GAAP Budgetary Basis)
Budget and Actual
Year Ended June 30, 2012
(Unaudited)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Final Budget Positive (Negative)</u>
Revenues:				
State and Federal School Aid	\$ 34,001,512	\$ 34,001,512	\$ 33,871,766	\$ (129,746)
Other school miscellaneous revenue	2,539,000	2,539,000	3,030,414	491,414
Appropriation from the City	117,769,632	118,644,632	118,644,632	-
Re-appropriation of fund balance - transfer from City		2,071,422	2,071,422	-
Total revenues	<u>154,310,144</u>	<u>157,256,566</u>	<u>157,618,234</u>	<u>361,668</u>
Expenditures:				
Education	154,310,144	157,256,566	154,881,390	(2,375,176)
Total expenditures	<u>154,310,144</u>	<u>157,256,566</u>	<u>154,881,390</u>	<u>(2,375,176)</u>
Excess of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,736,844</u>	<u>\$ 2,736,844</u>

(CONCLUDED)

CITY OF WARWICK, RHODE ISLAND**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2012****BUDGETARY DATA AND BUDGETARY COMPLAINE***(a) Adoption*

In accordance with the Warwick City charter, the City has formally established budgetary accounting control for the General Fund and the School Unrestricted Fund, which is a Special Revenue Fund. The General Fund is subject to an annual operating budget submitted and recommended by City Mayor and adopted by the City Council. The City Council must hold a public hearing on the budget prior to adoption and may make changes to the budget. The General Fund Budget must be adopted no later than June 8th. Should the City council take no formal action on or prior to such day, the budget as submitted by the Mayor, shall be deemed to have been finally adopted by the City Council. The School Unrestricted Fund is subject to an annual operating budget provisionally approved by the School Committee, forwarded to the Mayor, for his review and possible amendment, with final adoption by the City Council. The annual operating budgets; appropriation amounts are supported by revenue estimates and take into account the elimination of accumulated deficits and the re-appropriation of accumulated surpluses to the extent necessary. The City's General Fund and School Unrestricted Fund annual operating budgets are in conformance with the legally enacted budgetary basis, which is not in conformance with accounting principles generally accepted in the United States of America. The accompanying budgetary comparison schedules are reflected on the budgetary basis. The difference between the budgetary basis and the accounting principles generally accepted in the United States of America basis is explained below.

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

Appropriations in addition to those contained in the annual operating budgets, except for the purpose of meeting a public emergency, are made upon the recommendation of the City Mayor and by a resolution adopted by the favorable votes of at least five members of the council. Amendments to the operating budgets that do not result in additional appropriations may be made within departments by means of a transfer. The Director of Finance, subject to approval of the Mayor, may at any time transfer any unencumbered appropriation balance or portion thereof between general classifications of expenditures within an office, department or agency. At the request of the Mayor and within the last three months of the fiscal year, the Council may by resolution transfer any unencumbered appropriation balance or portion thereof from one office, department or agency to another. The level at which General Fund expenditures may not legally exceed appropriations is at the department level. The Schools Unrestricted Fund, a Special Revenue Fund, does not have a legal level of control over expenditures, except that total expenditures may not exceed available revenues. Appropriations which are no expended or encumbered lapse at year end.

(CONTINUED)

CITY OF WARWICK, RHODE ISLAND**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2012****BUDGETARY DATA AND BUDGETARY COMPLAINE (CONTINUED)***(b) Budgetary to GAAP Basis Reconciliation*

The following reconciliation summarizes the difference for the City's General Fund and the School Unrestricted Fund between budgetary and GAAP basis accounting principles for the year ended June 30, 2012:

BUDGETARY DATA AND BUDGETARY COMPLAINE (CONTINUED)*(b) Budgetary to GAAP Basis Reconciliation*

	<u>General Fund</u>	<u>School Unrestricted Fund</u>
Revenue and Other Financing Sources		
Actual Amounts (budgetary basis)	\$ 276,639,784	\$ 157,618,234
Difference - budget to GAAP		
The appropriated fund balance is a budgetary revenue but is not a current year revenue for financial reporting purposes.	(2,071,424)	
For budgetary purposes the School Department recognized the entire City appropriation as revenue. However, per City Charter the surplus reverts back to the City		(2,872,058)
related transfer to other funds for financial reporting purposes.	(36,449,290)	
Fund back charges are budgetary revenue, but are reflected as a reduction of expenditures for financial reporting purposes	(2,025,874)	
Rescue Service Fund revenue net of transfer to General Fund reported as revenue for GAAP purposes not included in Budget Basis revenues	1,132,218	
Transfer to other funds are reflected as reductions of revenue for budgetary purposes, but are reflected as revenues for financial reporting purposes	19,708	
The pension contributions made to the Employees Retirement System by the State of Rhode Island on behalf of the City of Warwick is not reported as budgetary revenue, but is a current year revenue for financial reporting purposes.		6,251,800
Total revenues and other financing sources as reported in the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds.	<u>\$ 237,245,122</u>	<u>\$ 160,997,976</u>

(CONTINUED)

CITY OF WARWICK, RHODE ISLAND**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2012**

	<u>General Fund</u>	<u>School Unrestricted Fund</u>
Expenditures and Other Financing Uses		
Actual amounts (budgetary basis)	\$ 271,625,691	\$ 154,881,390
Differences -budget to GAAP:		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year supplies are received for financial reporting purposes.	(250,805)	
Transfer to School Department is reported at gross amount for budget purposes but is reported net of School revenue for GAAP	(35,556,397)	
Transfer from other funds is a budgetary revenue, but is reported net of the related transfer to other funds for financial reporting purposes.	(892,893)	
Fund back charges are budgetary revenues, but are reflected as a reduction of expenditures for financial reporting purposes.	(2,025,874)	
Rescue Service Fund expenditures recorded as a component of the General Fund for GAAP purposes not part of the budgetary basis expenditures	1,132,218	
Transfer to other funds are reflected as reductions of revenue for budgetary purposes, but are reflected as revenue for financial reporting purposes.	19,708	
Transfer of beginning fund balance to the City not considered a budgetary expenditure		-
The pension contributions made to the Employees Retirement System by the State of Rhode Island on behalf of the City of Warwick is not reported as budgetary revenue, but is a current year revenue for financial reporting purposes.		6,251,800
Total expenditures and other financing sources as reported in the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds.	<u>\$ 234,051,648</u>	<u>\$ 161,133,190</u>

(CONCLUDED)

THE CITY OF WARWICK, RHODE ISLAND

OTHER SUPPLEMENTARY INFORMATION

CITY OF WARWICK, RHODE ISLAND

F-1

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012**

	Special Revenue City	Special Revenue School	Capital Project Fund	Debt Service Fund	Total All NonMajor Governmental Funds
Assets					
Cash and cash equivalents	\$ 1,645,764	\$ 2,025	\$ 4,735,730	\$ -	\$ 6,383,519
Restricted Cash	-	-	-	507,500	507,500
Other receivables	3,456,242	-	-	-	3,456,242
Due from federal and state governments	3,547,650	2,235,430	83,669	-	5,866,749
Due from other funds	1,579,630	161,139	129,255	-	1,870,024
Other assets	-	46,323	-	-	46,323
Total assets	<u>\$ 10,229,286</u>	<u>\$ 2,444,917</u>	<u>\$ 4,948,654</u>	<u>\$ 507,500</u>	<u>\$ 18,130,357</u>
Liabilities					
Accounts payable and accrued expenditures	\$ 122,739	\$ 454,669	\$ 971,239	\$ -	\$ 1,548,647
Due to federal and state governments	107	-	-	-	107
Due to other funds	195,786	1,869,200	813,275	-	2,878,261
Deferred revenue	6,769,613	-	50,220	-	6,819,833
Total liabilities	<u>7,088,245</u>	<u>2,323,869</u>	<u>1,834,734</u>	<u>-</u>	<u>11,246,848</u>
Fund Balances					
Restricted	3,141,041	121,048	3,742,397	507,500	7,511,986
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	(628,477)	-	(628,477)
Total fund balances	<u>3,141,041</u>	<u>121,048</u>	<u>3,113,920</u>	<u>507,500</u>	<u>6,883,509</u>
Total Liabilities and Fund Balances	<u>\$ 10,229,286</u>	<u>\$ 2,444,917</u>	<u>\$ 4,948,654</u>	<u>\$ 507,500</u>	<u>\$ 18,130,357</u>

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

	Special Revenue City	Special Revenue School	Capital Project Fund	Debt Service Fund	Total All NonMajor Governmental Funds
Revenues:					
Intergovernmental revenue	\$ 2,377,827	\$ 7,548,930	\$ 309,944	\$ -	\$ 10,236,701
Charges for Service	1,694,334	977,402	-	-	2,671,736
Investment Income	1,242	-	-	-	1,242
Contributions and private grants	129,321	35,331	-	-	164,652
Other revenue	683,346	21,601	22,780	-	727,727
<i>Total revenues</i>	<u>4,886,070</u>	<u>8,583,264</u>	<u>332,724</u>	<u>-</u>	<u>13,802,058</u>
Expenditures:					
Executive and administration	180,106	-	-	-	180,106
Public Safety	2,027,218	-	151,213	-	2,178,431
Recreation	-	-	63,378	-	63,378
Public libraries	122,281	-	-	-	122,281
Social services	28,879	-	-	-	28,879
Planning and economic development	1,219,236	-	-	-	1,219,236
Public Works	491,896	-	977,782	-	1,469,678
Education	-	9,186,426	2,449,623	-	11,636,049
Debt service					
Principal	-	-	-	5,226,115	5,226,115
Interest and other costs	-	-	-	1,728,354	1,728,354
<i>Total expenditures</i>	<u>4,069,616</u>	<u>9,186,426</u>	<u>3,641,996</u>	<u>6,954,469</u>	<u>23,852,507</u>
<i>Excess of revenues over expenditures before transfer</i>	<u>816,454</u>	<u>(603,162)</u>	<u>(3,309,272)</u>	<u>(6,954,469)</u>	<u>(10,050,449)</u>
Other Financing Sources (Uses):					
Transfer from other funds	411,253	630,860	905,276	7,461,969	9,409,358
Transfer to other funds	(803,424)	-	-	-	(803,424)
<i>Total Other Financing Sources (uses)</i>	<u>(392,171)</u>	<u>630,860</u>	<u>905,276</u>	<u>7,461,969</u>	<u>8,605,934</u>
Excess of revenues and expenditures	424,283	27,698	(2,403,996)	507,500	(1,444,515)
Fund balance, beginning of year	2,716,758	93,350	5,517,916	-	8,328,024
Fund balance, end of year	<u>\$ 3,141,041</u>	<u>\$ 121,048</u>	<u>\$ 3,113,920</u>	<u>\$ 507,500</u>	<u>\$ 6,883,509</u>

CITY OF WARWICK, RHODE ISLAND

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS:

Special Revenue Funds are used to account for revenues from specific taxes or other earmarked revenue sources which by law are designated to finance particular functions or activities of government, and which therefore cannot be diverted to other uses. The following is a list of special revenue funds in this section:

Special Detail Fund – Established to account for the rescue service fees and any related expenditures.

City Clerk Restricted Fund – Established to account for fees and expenditures related to the enhancement of the vital statistic and land evidence systems.

Emergency Operations City – Established to account for the revenues and expenditures associated with the March 2010 Flood Disaster.

Warwick Public Library Restricted Fund – Established to account for receipt and disbursements of grants/donations and related expenditures for library operations.

Open Space Land Dedication Fund - Established to account for residential subdivision fees and related expenditures for public recreation land acquisitions in districts containing these subdivisions.

Community Benefit Fund – Established to account for ETICAM fees reserved for emergency response personnel training and acquisition/lease of emergency response vehicles, equipment and supplies.

Sewer Connection Grant – Established to account for the receipt and disbursement of funds relating to a grant program which assists residents with the cost of new sewer connections.

Excess Hotel Tax Fund – Established to reserve economic development portion of state hotel tax exceeding current year tourism related expenditures.

Mooring Fee Reserve Fund – Established to account for waterfront safety fees and related expenditures.

Senior Center Gift Shop – Established to account for receipts and expenditures related to the operation of Pilgrim Senior Center.

JAG Grant – Established to account for grant proceeds received from the U.S. Department of Justice for the purpose of enhancing law enforcement operations and public safety.

Drug Seizure Fund – Established to account for proceeds from drug related property seizures and related anti-drug expenditures.

State Asset Forfeiture – Established to account for proceeds from drug related property seizures and related anti-drug expenditures.

Local Law Enforcement Block Grant – Established to account for funding from U.S. Justice Department Local Law Enforcement Block Grants program and related expenditures enhancing law enforcement services and public safety.

Warwick Health Initiative Fund – Established to account for grant funding from the Rhode Island Foundation for the ER Card Program.

Community Development Block Grant – Established to account for the annual Entitlement Community program of the U.S. Department of Housing and Urban Development and related expenditures addressing housing and community development needs throughout Warwick. It provides assistance to the low and moderate income population of the City of Warwick.

Lead Reduction Program – Established to account for a grant received from the U.S. Department of Housing and Urban Development. Expenses relate to oversight and monitoring of lead reduction programs for low and moderate income residents of the City of Warwick.

(CONTINUED)

CITY OF WARWICK, RHODE ISLAND

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS (CONTINUED):

Disaster Recovery Program – Established to account for a grant received from the U.S. Department of Housing and Urban Development. Expenses relate to assisting individuals and businesses affected by the March 2010 flood, with regard to repairing and rehabilitating housing units and public facilities.

Home Improvement Loan Escrow Account – Established to account for revenues and expenditures for Community Development Block Grant seed program. It allows residents to obtain affordable home improvement loans to improve properties that met certain requirements.

School Lunch Fund – Accounts for the fees, Federal reimbursements and related expenditures for the school lunch program.

School Restricted Funds – Funds established to account for federal, state, and private grant monies used for the benefit of the Warwick School Department. The following is a list of the School funds included in this section:

IDEA	Injury Fund
ARRA IDEA	Rhode Island Department of Labor & Training
IDEA Pre-School	Champlin Adlrich/Gorton
IDEA Pre-School Targeted	Champlin Comp
Title I	Rhode Island Foundation
Title I ARRA	Feinstein
Title II	Harris Foundation
E2T2 Training Consortium	Verizon Thinkfinity
E2T2 Training Consortium ARRA	Walmart
Title III	Dorothy Rich Association
Perkins Voc Even Year	Media Labs at Rhodes
Perkins Voc Odd Year	RIPIN
Fresh Fruit/Veg Program	Reading Excellance
Homeless Even Year	Soc Skills for Life-Vets
Homeless Odd Year	Alt Learn Program
RI Emergency Mangement	City-Town Center
Skills USA	Cedar Hill Library Books
Arts Integration	C.A.S.I.T Italian Program
Big Yellow Bus	Emergency Repairs - Tech
Arts Dalmation	PTO Donation
Smart Arts	Race to the Top
Scott Tech Donations	James Manson Memorial
Esther Chester Donations	School Food Service
Mary Maini Memorial Fund	One Capital Project Generator
City/Town Contribution Sports	

DEBT SERVICE FUND:

The Debt Service Fund is used to account for the payment of interest and principal on all general long-term debt other than that payable from the Enterprise Funds.

(CONCLUDED)

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012**

SPECIAL REVENUE FUNDS					
	Special Detail Fund	City Clerk Restricted Fund	Emergency Operations City	Warwick Public Library Restricted Fund	Open Space Land Dedication
Assets					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 178,195	\$ 256,629
Other receivables	342,786	-	-	-	-
Due from federal and state governments	-	3,000	-	-	-
Due from other funds	153,887	818,465	523,911	-	-
Total Assets	\$ 496,673	\$ 821,465	\$ 523,911	\$ 178,195	\$ 256,629
Liabilities					
Accounts Payable and accrued expenditures	\$ 27,551	\$ 144	\$ 875	\$ 11,239	\$ -
Due to federal and state governments	-	-	-	-	-
Due to other funds	-	-	-	707	-
Deferred revenues	342,786	-	-	-	-
Total liabilities	370,337	144	875	11,946	-
Fund Balances					
Nonspendable	-	-	-	-	-
Restricted	126,336	821,321	523,036	166,249	256,629
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total Fund Balances	126,336	821,321	523,036	166,249	256,629
Total Liabilities and Fund Balances	\$ 496,673	\$ 821,465	\$ 523,911	\$ 178,195	\$ 256,629

(CONTINUED)

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012**

SPECIAL REVENUE FUNDS					
	Community Benefit Fund	Sewer Connection Grants	Excess Hotel Tax Fund	Mooring Fee Reserve Fund	Senior Center Gift Shop
Assets					
Cash and cash equivalents	\$ 244	\$ 58,433	\$ 329,657	\$ 137,765	\$ 39,091
Other receivables	-	-	-	-	-
Due from federal and state governments	-	-	-	-	-
Due from other funds	-	-	-	19,708	-
Total Assets	\$ 244	\$ 58,433	\$ 329,657	\$ 157,473	\$ 39,091
Liabilities					
Accounts Payable and accrued expenditures	\$ -	\$ -	\$ -	\$ -	\$ 2,687
Due to federal and state governments	-	-	-	-	-
Due to other funds	-	6,400	36,113	-	1,512
Deferred revenues	-	-	-	-	-
Total liabilities	-	6,400	36,113	-	4,199
Fund Balances					
Nonspendable	-	-	-	-	-
Restricted	244	52,033	293,544	157,473	34,892
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total Fund Balances	244	52,033	293,544	157,473	34,892
Total Liabilities and Fund Balances	\$ 244	\$ 58,433	\$ 329,657	\$ 157,473	\$ 39,091

(CONTINUED)

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012**

SPECIAL REVENUE FUNDS

	JAG Grant	Drug Seizure Fund	State Asset Forfeiture Fund	Local Law Enforcement Block Grant	Warwick Health Initiative Fund
Assets					
Cash and cash equivalents	\$ -	\$ 127,438	\$ 12,689	\$ -	\$ -
Other receivables	-	-	-	-	-
Due from federal and state governments	131,219	-	-	-	-
Due from other funds	-	63,659	-	-	-
Total Assets	\$ 131,219	\$ 191,097	\$ 12,689	\$ -	\$ -
Liabilities					
Accounts Payable and accrued expenditures	\$ -	\$ 20,243	\$ -	\$ -	\$ -
Due to federal and state governments	-	-	-	-	-
Due to other funds	131,219	-	-	-	-
Deferred revenues	-	-	-	-	-
Total liabilities	131,219	20,243	-	-	-
Fund Balances					
Nonspendable	-	-	-	-	-
Restricted	-	170,854	12,689	-	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total Fund Balances	-	170,854	12,689	-	-
Total Liabilities and Fund Balances	\$ 131,219	\$ 191,097	\$ 12,689	\$ -	\$ -

(CONTINUED)

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012**

SPECIAL REVENUE FUNDS

	Community Development Block Grant	Lead Reduction Program	Home Improvement Loan Escrow Account	Disaster Recovery Program	Special Revenue Funds-City Totals
Assets					
Cash and cash equivalents	\$ 447,722	\$ -	\$ 57,901	\$ -	\$ 1,645,764
Other receivables	2,665,844	427,612	20,000	-	3,456,242
Due from federal and state governments	771,942	-	-	2,641,489	3,547,650
Due from other funds	-	-	-	-	1,579,630
Total Assets	<u>\$ 3,885,508</u>	<u>\$ 427,612</u>	<u>\$ 77,901</u>	<u>\$ 2,641,489</u>	<u>\$ 10,229,286</u>
Liabilities					
Accounts Payable and accrued expenditures	\$ 53,598	\$ -	\$ -	\$ 6,402	\$ 122,739
Due to federal and state governments	107	-	-	-	107
Due to other funds	19,835	-	-	-	195,786
Deferred revenues	3,364,128	427,612	-	2,635,087	6,769,613
Total liabilities	<u>3,437,668</u>	<u>427,612</u>	<u>-</u>	<u>2,641,489</u>	<u>7,088,245</u>
Fund Balances					
Nonspendable	-	-	-	-	-
Restricted	447,840	-	77,901	-	3,141,041
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total Fund Balances	<u>447,840</u>	<u>-</u>	<u>77,901</u>	<u>-</u>	<u>3,141,041</u>
Total Liabilities and Fund Balances	<u>\$ 3,885,508</u>	<u>\$ 427,612</u>	<u>\$ 77,901</u>	<u>\$ 2,641,489</u>	<u>\$ 10,229,286</u>

(CONCLUDED)

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

	SPECIAL REVENUE FUNDS				
	Special Detail Fund	City Clerk Restricted Fund	Emergency Operations City	Warwick Public Library Restricted Fund	Open Space Land Dedication
Revenues					
Intergovernmental	\$ -	\$ 3,000	\$ 1,077,299	\$ 9,209	\$ -
Charges for services	1,672,856	-	-	-	-
Investment Income	-	-	-	208	268
Contributions and private grants	-	-	-	129,321	-
Other revenue	-	107,722	10,016	19,125	16,877
<i>Total Revenues</i>	<u>1,672,856</u>	<u>110,722</u>	<u>1,087,315</u>	<u>157,863</u>	<u>17,145</u>
Expenditures					
Executive and administration	-	180,106	-	-	-
Public Safety	1,720,561	-	72,383	-	-
Recreation	-	-	-	-	-
Public libraries	-	-	-	122,281	-
Social services	-	-	-	-	-
Planning and economic development	-	-	-	-	-
Public works	-	-	491,896	-	-
<i>Total expenditures</i>	<u>1,720,561</u>	<u>180,106</u>	<u>564,279</u>	<u>122,281</u>	<u>-</u>
<i>Excess of revenues under expenditures before transfers</i>	<u>(47,705)</u>	<u>(69,384)</u>	<u>523,036</u>	<u>35,582</u>	<u>17,145</u>
Other Financing Sources (Uses):					
Transfers In	-	-	-	-	-
Transfer Out	(393,493)	-	-	-	-
<i>Total Other Financing Sources (Uses)</i>	<u>(393,493)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues and expenditures	(441,198)	(69,384)	523,036	35,582	17,145
Fund balance, beginning of year	567,534	890,705	-	130,667	239,484
Fund balance, end of year	<u>\$ 126,336</u>	<u>\$ 821,321</u>	<u>\$ 523,036</u>	<u>\$ 166,249</u>	<u>\$ 256,629</u>

(CONTINUED)

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

	SPECIAL REVENUE FUNDS				
	Community Benefit Fund	Sewer Connection Grants	Excess Hotel Tax Fund	Mooring Fee Reserve Fund	Senior Center Gift Shop
Revenues					
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	21,478
Investment Income	2	54	358	143	44
Contributions and private grants	-	-	-	-	-
Other revenue	-	-	-	-	3,511
<i>Total Revenues</i>	<u>2</u>	<u>54</u>	<u>358</u>	<u>143</u>	<u>25,033</u>
Expenditures					
Executive and administration	-	-	-	-	-
Public Safety	16,329	-	-	-	-
Recreation	-	-	-	-	-
Public libraries	-	-	-	-	-
Social services	-	-	-	-	28,879
Planning and economic development	-	41,600	3,875	-	-
Public works	-	-	-	-	-
<i>Total expenditures</i>	<u>16,329</u>	<u>41,600</u>	<u>3,875</u>	<u>-</u>	<u>28,879</u>
<i>Excess of revenues under expenditures before transfers</i>	<u>(16,327)</u>	<u>(41,546)</u>	<u>(3,517)</u>	<u>143</u>	<u>(3,846)</u>
Other Financing Sources (Uses):					
Transfers In	-	67,301	-	19,708	-
Transfer Out	-	-	(36,113)	-	-
<i>Total Other Financing Sources (Uses)</i>	<u>-</u>	<u>67,301</u>	<u>(36,113)</u>	<u>19,708</u>	<u>-</u>
Excess of revenues and expenditures	(16,327)	25,755	(39,630)	19,851	(3,846)
Fund balance, beginning of year	16,571	26,278	333,174	137,622	38,738
Fund balance, end of year	<u>\$ 244</u>	<u>\$ 52,033</u>	<u>\$ 293,544</u>	<u>\$ 157,473</u>	<u>\$ 34,892</u>

(CONTINUED)

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

	SPECIAL REVENUE FUNDS				
	JAG Grant	Drug Seizure Fund	State Asset Forfeiture Fund	Local Law Enforcement Block Grant	Warwick Health Initiative Fund
Revenues					
Intergovernmental	\$ 131,219	\$ 75,259	\$ 6,510	\$ -	\$ -
Charges for services	-	-	-	-	-
Investment Income	-	154	11	-	-
Contributions and private grants	-	-	-	-	-
Other revenue	-	-	-	-	-
<i>Total Revenues</i>	<u>131,219</u>	<u>75,413</u>	<u>6,521</u>	<u>-</u>	<u>-</u>
Expenditures					
Executive and administration	-	-	-	-	-
Public Safety	135,671	82,274	-	-	-
Recreation	-	-	-	-	-
Public libraries	-	-	-	-	-
Social services	-	-	-	-	-
Planning and economic development	-	-	-	-	-
Public works	-	-	-	-	-
<i>Total expenditures</i>	<u>135,671</u>	<u>82,274</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess of revenues under expenditures before transfers</i>	<u>(4,452)</u>	<u>(6,861)</u>	<u>6,521</u>	<u>-</u>	<u>-</u>
Other Financing Sources (Uses):					
Transfers In	-	-	-	-	-
Transfer Out	-	-	-	-	-
<i>Total Other Financing Sources (Uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues and expenditures	(4,452)	(6,861)	6,521	-	-
Fund balance, beginning of year	4,452	177,715	6,168	-	-
Fund balance, end of year	<u>\$ -</u>	<u>\$ 170,854</u>	<u>\$ 12,689</u>	<u>\$ -</u>	<u>\$ -</u>

(CONTINUED)

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012**

	SPECIAL REVENUE FUNDS				
	Community Development Block Grant	Lead Reduction Program	Home Improvement Loan Escrow Account	Disaster Recovery Program	Special Revenue Funds-City Totals
Revenues					
Intergovernmental	\$ 922,721	\$ -	\$ -	\$ 152,610	\$ 2,377,827
Charges for services	-	-	-	-	1,694,334
Investment Income	-	-	-	-	1,242
Contributions and private grants	-	-	-	-	129,321
Other revenue	506,095	-	20,000	-	683,346
<i>Total Revenues</i>	<u>1,428,816</u>	<u>-</u>	<u>20,000</u>	<u>152,610</u>	<u>4,886,070</u>
Expenditures					
Executive and administration	-	-	-	-	180,106
Public Safety	-	-	-	-	2,027,218
Recreation	-	-	-	-	-
Public libraries	-	-	-	-	122,281
Social services	-	-	-	-	28,879
Planning and economic development	803,721	-	267,004	103,036	1,219,236
Public works	-	-	-	-	491,896
<i>Total expenditures</i>	<u>803,721</u>	<u>-</u>	<u>267,004</u>	<u>103,036</u>	<u>4,069,616</u>
<i>Excess of revenues under expenditures before transfers</i>	<u>625,095</u>	<u>-</u>	<u>(247,004)</u>	<u>49,574</u>	<u>816,454</u>
Other Financing Sources (Uses):					
Transfers In	-	-	324,244	-	411,253
Transfer Out	(324,244)	-	-	(49,574)	(803,424)
<i>Total Other Financing Sources (Uses)</i>	<u>(324,244)</u>	<u>-</u>	<u>324,244</u>	<u>(49,574)</u>	<u>(392,171)</u>
Excess of revenues and expenditures	300,851	-	77,240	-	424,283
Fund balance, beginning of year	146,989	-	661	-	2,716,758
Fund balance, end of year	<u>\$ 447,840</u>	<u>\$ -</u>	<u>\$ 77,901</u>	<u>\$ -</u>	<u>\$ 3,141,041</u>

(CONCLUDED)

CITY OF WARWICK, RHODE ISLAND

H-1

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012**

	SCHOOL SPECIAL REVENUE FUNDS						
	IDEA	ARRA IDEA	IDEA Pre-School	IDEA Pre-School Targeted	Title I	Title I ARRA	Title II
Assets							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due federal and state governments	975,192	-	38,727	-	524,608	-	214,099
Other assets	-	-	-	-	-	-	-
Due from City	-	-	-	251	-	-	-
Total assets	\$ 975,192	\$ -	\$ 38,727	\$ 251	\$ 524,608	\$ -	\$ 214,099
Liabilities							
Accounts payable and accrued expenditures	\$ 136,400	\$ -	\$ 10,051	\$ -	\$ 71,145	\$ -	\$ 55,843
Due to the City	838,792	-	28,676	-	453,463	-	158,256
Total liabilities	975,192	-	38,727	-	524,608	-	214,099
Fund balance							
Restricted	-	-	-	251	-	-	-
Unassigned	-	-	-	-	-	-	-
Total fund balance	-	-	-	251	-	-	-
Total liabilities and fund balance	\$ 975,192	\$ -	\$ 38,727	\$ 251	\$ 524,608	\$ -	\$ 214,099

(CONTINUED)

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012**

SCHOOL SPECIAL REVENUE FUNDS

	E2T2 Training Consortium	E2T2 Training Consortium ARRA	Title III	Perkins Voc Even Year	Perkins Voc Odd Year	Fresh Fruit/Veg Program	Homeless Even Year
Assets							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due federal and state governments	-	-	17,730	62,265	-	6,525	9,585
Other assets	-	-	-	30,773	-	-	-
Due from City	-	44	-	-	-	-	-
Total assets	\$ -	\$ 44	\$ 17,730	\$ 93,038	\$ -	\$ 6,525	\$ 9,585
Liabilities							
Accounts payable and accrued expenditures	\$ -	\$ -	\$ 1,380	\$ 43,020	\$ -	\$ -	\$ 560
Due to the City	-	-	16,350	50,018	-	6,525	9,025
Total liabilities	-	-	17,730	93,038	-	6,525	9,585
Fund balance							
Restricted	-	44	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
Total fund balance	-	44	-	-	-	-	-
Total liabilities and fund balance	\$ -	\$ 44	\$ 17,730	\$ 93,038	\$ -	\$ 6,525	\$ 9,585

(CONTINUED)

CITY OF WARWICK, RHODE ISLAND

H-1

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012**

SCHOOL SPECIAL REVENUE FUNDS						
	Homeless Odd Year	RI Emergency Management	Skills USA	Arts Integration	Big Yellow Bus	Art Dalmation
Assets						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due federal and state governments	-	-	-	-	-	-
Other assets	-	-	-	-	-	-
Due from City	-	-	-	-	2,130	318
Total assets	\$ -	\$ -	\$ -	\$ -	\$ 2,130	\$ 318
Liabilities						
Accounts payable and accrued expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to the City	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-
Fund balance						
Restricted	-	-	-	-	2,130	318
Unassigned	-	-	-	-	-	-
Total fund balance	-	-	-	-	2,130	318
Total liabilities and fund balance	\$ -	\$ -	\$ -	\$ -	\$ 2,130	\$ 318

(CONTINUED)

CITY OF WARWICK, RHODE ISLAND

H-1

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012**

	SCHOOL SPECIAL REVENUE FUNDS					
	<u>Smarts Arts</u>	<u>Scott Tech Donations</u>	<u>Esther Chester Donations</u>	<u>Mary Maini Memorial Fund</u>	<u>City/Town Contribution Sports</u>	<u>Injury Fund</u>
Assets						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due federal and state governments	-	-	-	-	-	-
Other assets	-	-	15,550	-	-	-
Due from City	180	2,142	-	40	4,990	228
Total assets	<u>\$ 180</u>	<u>\$ 2,142</u>	<u>\$ 15,550</u>	<u>\$ 40</u>	<u>\$ 4,990</u>	<u>\$ 228</u>
Liabilities						
Accounts payable and accrued expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to the City	-	-	1,596	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>1,596</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance						
Restricted	180	2,142	13,954	40	4,990	228
Unassigned	-	-	-	-	-	-
Total fund balance	<u>180</u>	<u>2,142</u>	<u>13,954</u>	<u>40</u>	<u>4,990</u>	<u>228</u>
Total liabilities and fund balance	<u>\$ 180</u>	<u>\$ 2,142</u>	<u>\$ 15,550</u>	<u>\$ 40</u>	<u>\$ 4,990</u>	<u>\$ 228</u>

(CONTINUED)

CITY OF WARWICK, RHODE ISLAND

H-1

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012**

	<u>SCHOOL SPECIAL REVENUE FUNDS</u>					
	<u>Rhode Island Department of Labor & Training</u>	<u>Champlin Aldrich/Gorton</u>	<u>Champlin Comp</u>	<u>Rhode Island Foundation</u>	<u>Feinstein</u>	<u>Harris Foundation</u>
Assets						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due federal and state governments	-	-	-	-	-	-
Other assets	-	-	-	-	-	-
Due from City		3,306	148	1,959	43,270	10,090
Total assets	\$ -	\$ 3,306	\$ 148	\$ 1,959	\$ 43,270	\$ 10,090
Liabilities						
Accounts payable and accrued expenditures	\$ -	\$ -	\$ -	\$ -	\$ 2,690	\$ -
Due to the City	-	-	-	-	-	-
Total liabilities	-	-	-	-	2,690	-
Fund balance						
Restricted	-	3,306	148	1,959	40,580	10,090
Unassigned	-	-	-	-	-	-
Total fund balance	-	3,306	148	1,959	40,580	10,090
Total liabilities and fund balance	\$ -	\$ 3,306	\$ 148	\$ 1,959	\$ 43,270	\$ 10,090

(CONTINUED)

CITY OF WARWICK, RHODE ISLAND

H-1

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012

	SCHOOL SPECIAL REVENUE FUNDS					
	Verizon Thinkfinity	Walmart	Dorothy Rich Association	Media Labs at Rhodes	RIPIN	Reading Excellance
Assets						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due federal and state governments	-	-	-	-	-	-
Other assets	-	-	-	-	-	-
Due from City	5,000	67	651	1,908	2,234	83
Total assets	\$ 5,000	\$ 67	\$ 651	\$ 1,908	\$ 2,234	\$ 83
Liabilities						
Accounts payable and accrued expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to the City	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-
Fund balance						
Restricted	5,000	67	651	1,908	2,234	83
Unassigned	-	-	-	-	-	-
Total fund balance	5,000	67	651	1,908	2,234	83
Total liabilities and fund balance	\$ 5,000	\$ 67	\$ 651	\$ 1,908	\$ 2,234	\$ 83

(CONTINUED)

CITY OF WARWICK, RHODE ISLAND

H-1

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012

	SCHOOL SPECIAL REVENUE FUNDS					
	Soc Skills for Life-Vets	Alt Learn Program	City- Town Center	Cedar Hill Library Books	C.A.S.I.T Italian Program	Emergency Repairs - Tech
Assets						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due federal and state governments	-	-	-	-	-	-
Other assets	-	-	-	-	-	-
Due from City	113	30	660	849	1,251	32,364
Total assets	\$ 113	\$ 30	\$ 660	\$ 849	\$ 1,251	\$ 32,364
Liabilities						
Accounts payable and accrued expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,919
Due to the City	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	4,919
Fund balance						
Restricted	113	30	660	849	1,251	27,445
Unassigned	-	-	-	-	-	-
Total fund balance	113	30	660	849	1,251	27,445
Total liabilities and fund balance	\$ 113	\$ 30	\$ 660	\$ 849	\$ 1,251	\$ 32,364

(CONTINUED)

CITY OF WARWICK, RHODE ISLAND

H-1

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012**

	SCHOOL SPECIAL REVENUE FUNDS					
	PTO Donation	Race to The Top	James Manson Memorial Fund	School Lunch	One Capital Project Generator	Total Special Revenue School Funds
Assets						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 2,025	\$ -	\$ 2,025
Due federal and state governments	-	312,247	-	74,452	-	2,235,430
Other assets	-	-	-	-	-	46,323
Due from City	5	-	2	46,436	390	161,139
Total assets	\$ 5	\$ 312,247	\$ 2	\$ 122,913	\$ 390	\$ 2,444,917
Liabilities						
Accounts payable and accrued expenditures	\$ -	\$ 5,748	\$ -	\$ 122,913	\$ -	\$ 454,669
Due to the City	-	306,499	-	-	-	1,869,200
Total liabilities	-	312,247	-	122,913	-	2,323,869
Fund balance						
Restricted	5	-	2	-	390	121,048
Unassigned	-	-	-	-	-	-
Total fund balance	5	-	2	-	390	121,048
Total liabilities and fund balance	\$ 5	\$ 312,247	\$ 2	\$ 122,913	\$ 390	\$ 2,444,917

(CONCLUDED)

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012**

SCHOOL SPECIAL REVENUE FUNDS

	IDEA	ARRA IDEA	IDEA Pre-School	IDEA Pre-School Targeted	Title I	Title I ARRA	Title II
Revenues:							
Intergovernmental	\$ 2,599,648	\$ 340,879	\$ 103,562	\$ -	\$ 1,453,985	\$ 37,323	\$ 553,688
Charges for services	-	-	-	-	-	-	-
Contributions and private grants	-	-	-	-	-	-	-
Other Revenues	-	-	-	-	-	-	-
Total revenues	2,599,648	340,879	103,562	-	1,453,985	37,323	553,688
Expenditures:							
Salaries	1,786,118	21,395	68,142	-	990,471	26,738	365,406
Employee Benefits	764,597	9	33,862	-	421,169	9,210	161,823
Purchased services	2,850	230,070	-	-	1,879	-	15,648
Other Purchased services	-	-	-	-	1,605	-	1,395
Supplies and materials	1,874	11,926	-	1,249	12,957	-	-
Capital outlay	-	74,245	-	-	-	-	-
Indirect costs	44,209	3,234	1,558	-	24,726	1,375	9,416
Miscellaneous	-	-	-	-	1,178	-	-
Total expenditures	2,599,648	340,879	103,562	1,249	1,453,985	37,323	553,688
Excess of revenues over expenditures before transfers	-	-	-	(1,249)	-	-	-
Other Financing Sources (Uses)							
Transfer in	-	-	-	-	-	-	-
Transfer out	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-	-
Net Change in Fund Balances	-	-	-	(1,249)	-	-	-
Fund balances - beginning of year	-	-	-	1,500	-	-	-
Fund balance, end of year	\$ -	\$ -	\$ -	\$ 251	\$ -	\$ -	\$ -

(CONTINUED)

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012**

SCHOOL SPECIAL REVENUE FUNDS							
	E2T2 Training Consortium	E2T2 Training Consortium ARRA	Title III	Perkins Voc Even Year	Perkins Voc Odd Year	Fresh Fruit/Veg Program	Homeless Even Year
Revenues							
Intergovernmental	\$ 83,831	\$ 164,060	\$ 27,383	\$ 122,492	\$ 99,845	\$ 31,210	\$ 20,514
Charges for services	-	-	-	-	-	-	-
Contributions and private grants	-	-	-	-	-	-	-
Other Revenues	-	-	-	-	-	-	-
Total revenues	83,831	164,060	27,383	122,492	99,845	31,210	20,514
Expenditures							
Salaries	-	-	1,650	72,668	-	-	10,125
Employee Benefits	-	-	130	20,505	-	-	775
Purchased services	-	-	3,127	16,317	1,358	-	7,706
Other Purchased services	-	-	-	1,018	-	26,230	511
Supplies and materials	-	-	16,570	-	1,935	82	990
Capital outlay	83,831	164,016	5,171	6,550	95,552	2,205	-
Indirect costs	-	-	377	5,434	1,000	2,837	407
Miscellaneous	-	-	358	-	-	-	-
Total expenditures	83,831	164,016	27,383	122,492	99,845	31,354	20,514
Excess of revenues over expenditures before transfers	-	44	-	-	-	(144)	-
Other Financing Sources (Uses)							
Transfer in	-	-	-	-	-	144	-
Transfer out	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	144	-
Net Change in Fund Balances	-	44	-	-	-	-	-
Fund balances - beginning of year	-	-	-	-	-	-	-
Fund balance, end of year	\$ -	\$ 44	\$ -	\$ -	\$ -	\$ -	\$ -

(CONTINUED)

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012**

	SCHOOL SPECIAL REVENUE FUNDS					
	Homeless Odd Year	RI Emergency Management	Skills USA	Arts Integration	Big Yellow Bus	Art Dalmation
Revenues						
Intergovernmental	\$ 4,164	\$ 40,000	\$ 3,500	\$ 4,000	\$ -	\$ -
Charges for services	-	-	-	-	-	-
Contributions and private grants	-	-	-	-	1,105	-
Other Revenues	-	-	-	-	-	-
Total revenues	4,164	40,000	3,500	4,000	1,105	-
Expenditures						
Salaries	1,080	-	-	-	-	-
Employee Benefits	83	-	-	-	-	-
Purchased services	2,782	-	-	4,000	315	-
Other Purchased services	120	-	-	-	-	-
Supplies and materials	99	-	-	-	-	-
Capital outlay	-	40,000	-	-	-	-
Indirect costs	-	-	-	-	-	-
Miscellaneous	-	-	3,500	-	-	-
Total expenditures	4,164	40,000	3,500	4,000	315	-
Excess of revenues over expenditures before transfers	-	-	-	-	790	-
Other Financing Sources (Uses)						
Transfer in	-	-	-	-	-	-
Transfer out	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-
Net Change in Fund Balances	-	-	-	-	790	-
Fund balances - beginning of year	-	-	-	-	1,340	318
Fund balance, end of year	\$ -	\$ -	\$ -	\$ -	\$ 2,130	\$ 318

(CONTINUED)

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012**

	SCHOOL SPECIAL REVENUE FUNDS					
	Smarts Arts	Scott Tech Donations	Esther Chester Donations	Mary Maini Memorial Fund	City/Town Contribution Sports	Injury Fund
Revenues						
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	-	-
Contributions and private grants	-	292	100	30	-	-
Other Revenues	-	-	-	-	-	4,501
Total revenues	-	292	100	30	-	4,501
Expenditures						
Salaries	-	-	-	-	-	-
Employee Benefits	-	-	-	-	-	-
Purchased services	-	-	-	-	-	4,501
Other Purchased services	-	-	-	-	-	-
Supplies and materials	-	-	-	240	-	-
Capital outlay	-	-	-	-	-	-
Indirect costs	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total expenditures	-	-	-	240	-	4,501
Excess of revenues over expenditures before transfers	-	292	100	(210)	-	-
Other Financing Sources (Uses)						
Transfer in	-	-	-	-	-	-
Transfer out	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-
Net Change in Fund Balances	-	292	100	(210)	-	-
Fund balances - beginning of year	180	1,850	13,854	250	4,990	228
Fund balance, end of year	\$ 180	\$ 2,142	\$ 13,954	\$ 40	\$ 4,990	\$ 228

(CONTINUED)

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012**

	SCHOOL SPECIAL REVENUE FUNDS					
	Rhode Island Department of Labor & Training	Champlin Aldrich/Gorton	Champlin Comp	Rhode Island Foundation	Feinstein	Harris Foundation
Revenues						
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	-	-
Contributions and private grants	-	-	22,604	-	-	10,000
Other Revenues	-	-	-	-	17,100	-
Total revenues	-	-	22,604	-	17,100	10,000
Expenditures						
Salaries	-	-	-	-	-	-
Employee Benefits	-	-	-	-	-	-
Purchased services	-	-	-	-	-	-
Other Purchased services	-	-	-	-	4,269	-
Supplies and materials	-	-	-	-	8,467	-
Capital outlay	-	10,823	22,456	-	265	-
Indirect costs	-	-	-	-	1,903	-
Miscellaneous	-	-	-	-	-	-
Total expenditures	-	10,823	22,456	-	14,904	-
Excess of revenues over expenditures before transfers	-	(10,823)	148	-	2,196	10,000
Other Financing Sources (Uses)						
Transfer in	13	-	-	-	-	-
Transfer out	-	-	-	-	-	-
Total Other Financing Sources (Uses)	13	-	-	-	-	-
Net Change in Fund Balances	13	(10,823)	148	-	2,196	10,000
Fund balances - beginning of year	(13)	14,129	-	1,959	38,384	90
Fund balance, end of year	\$ -	\$ 3,306	\$ 148	\$ 1,959	\$ 40,580	\$ 10,090

(CONTINUED)

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012**

	SCHOOL SPECIAL REVENUE FUNDS					
	Verizon Thinkfinity	Walmart	Dorothy Rich Association	Media Labs at Rhodes	RIPIN	Reading Excellance
Revenues						
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	-	-
Contributions and private grants	-	-	-	-	-	-
Other Revenues	-	-	-	-	-	-
Total revenues	-	-	-	-	-	-
Expenditures						
Salaries	-	-	-	-	-	-
Employee Benefits	-	-	-	-	-	-
Purchased services	-	-	-	-	-	-
Other Purchased services	-	-	-	-	-	-
Supplies and materials	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Indirect costs	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total expenditures	-	-	-	-	-	-
Excess of revenues over expenditures before transfers	-	-	-	-	-	-
Other Financing Sources (Uses)						
Transfer in	-	-	-	-	-	-
Transfer out	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-
Net Change in Fund Balances	-	-	-	-	-	-
Fund balances - beginning of year	5,000	67	651	1,908	2,234	83
Fund balance, end of year	\$ 5,000	\$ 67	\$ 651	\$ 1,908	\$ 2,234	\$ 83

(CONTINUED)

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012**

	SCHOOL SPECIAL REVENUE FUNDS					
	Soc Skills for Life-Vets	Alt Learn Program	City- Town Center	Cedar Hill Library Books	C.A.S.I.T Italian Program	Emergency Repairs - Tech
Revenues						
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 40,000
Charges for services	-	-	-	-	-	-
Contributions and private grants	-	-	-	-	1,000	-
Other Revenues	-	-	-	-	-	-
Total revenues	-	-	-	-	1,000	40,000
Expenditures						
Salaries	-	-	-	-	-	-
Employee Benefits	-	-	-	-	-	-
Purchased services	-	-	-	-	-	-
Other Purchased services	-	-	-	-	880	-
Supplies and materials	-	-	-	167	356	-
Capital outlay	-	-	-	650	-	12,555
Indirect costs	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total expenditures	-	-	-	817	1,236	12,555
Excess of revenues over expenditures before transfers	-	-	-	(817)	(236)	27,445
Other Financing Sources (Uses)						
Transfer in	-	-	-	-	-	-
Transfer out	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-
Net Change in Fund Balances	-	-	-	(817)	(236)	27,445
Fund balances - beginning of year	113	30	660	1,666	1,487	-
Fund balance, end of year	\$ 113	\$ 30	\$ 660	\$ 849	\$ 1,251	\$ 27,445

(CONTINUED)

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012**

SCHOOL SPECIAL REVENUE FUNDS

	PTO Donation	Race to The Top	James Manson Memorial Fund	School Lunch	One Capital Project Generator	Total Special Revenue School Funds
Revenues						
Intergovernmental	\$ -	\$ 531,549	\$ -	\$ 1,287,297	\$ -	\$ 7,548,930
Charges for services	-	-	-	977,402	-	977,402
Contributions and private grants	200	-	-	-	-	35,331
Other Revenues	-	-	-	-	-	21,601
Total revenues	200	531,549	-	2,264,699	-	8,583,264
Expenditures						
Salaries	-	350,846	-	344,130	-	4,038,769
Employee Benefits	-	92,577	-	48,237	-	1,552,977
Purchased services	-	66,270	-	2,493,175	-	2,849,998
Other Purchased services	-	21,856	-	-	-	57,884
Supplies and materials	195	-	-	398	-	57,505
Capital outlay	-	-	-	6,562	-	524,881
Indirect costs	-	-	-	2,900	-	99,376
Miscellaneous	-	-	-	-	-	5,036
Total expenditures	195	531,549	-	2,895,402	-	9,186,426
Excess of revenues over expenditures before transfers	5	-	-	(630,703)	-	(603,162)
Other Financing Sources (Uses)						
Transfer in	-	-	-	630,703	-	630,860
Transfer out	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	630,703	-	630,860
Net Change in Fund Balances	5	-	-	-	-	27,698
Fund balances - beginning of year	-	-	2	-	390	93,350
Fund balance, end of year	\$ 5	\$ -	\$ 2	\$ -	\$ 390	\$ 121,048

(CONCLUDED)

CITY OF WARWICK, RHODE ISLAND

NON-MAJOR GOVERNMENTAL FUNDS

CAPITAL PROJECT FUNDS:

The Capital Project Funds account for all resources used for the acquisition and/or construction of capital facilities by the City, except those financed by the Enterprise Funds.

Capital Leases Fund – to account for expenditures relating to the City's lease purchase program for the acquisition of capital equipment and vehicles.

2002 Public Safety Bond Fund – to account for capital improvements related to public safety.

2000 Open Space Bond Fund – to acquire and preserve open space within the City.

2000 Recreation Bond Fund – to account for capital improvements related to recreation.

2002 Drainage Bond Fund – to account for various improvements to the drainage system of the City.

2006 City Buildings Bond Fund – to account for capital improvements related to municipal facilities.

2006 School Bond Fund – to account for capital improvements related to schools.

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS FUND
JUNE 30, 2012

	2000 Open Space Bond Fund	2000 Recreation Bond Fund	2006 School Bond Fund	2002 Drainage Bond Fund
Assets				
Cash and cash equivalents	\$ 362,211	\$ -	\$ 4,099,579	\$ -
Due from federal and state governments	63,378	-	-	-
Due from other Funds	-	-	7,936	-
<i>Total assets</i>	<u>\$ 425,589</u>	<u>\$ -</u>	<u>\$ 4,107,515</u>	<u>\$ -</u>
Liabilities				
Accounts payable	\$ 48,435	\$ -	\$ 865,964	\$ 36,549
Due to other funds	15,094	427,897	-	164,031
Deferred Revenue	-	-	-	-
<i>Total liabilities</i>	<u>63,529</u>	<u>427,897</u>	<u>865,964</u>	<u>200,580</u>
Fund Balances				
Nonspendable	-	-	-	-
Restricted	362,060	-	3,241,551	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	(427,897)	-	(200,580)
<i>Total fund balance</i>	<u>362,060</u>	<u>(427,897)</u>	<u>3,241,551</u>	<u>(200,580)</u>
<i>Total liabilities and fund balance</i>	<u>\$ 425,589</u>	<u>\$ -</u>	<u>\$ 4,107,515</u>	<u>\$ -</u>

(CONTINUED)

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS FUND
JUNE 30, 2012

	2002 Public Safety Bond Fund	2006 City Buildings Bond Fund	Capital Leases	Total Capital Projects Funds
Assets				
Cash and cash equivalents	\$ 6,378	\$ 50,220	\$ 217,342	\$ 4,735,730
Due from federal and state governments	-	20,291	-	83,669
Due from other Funds	-	121,319	-	129,255
<i>Total assets</i>	<u>\$ 6,378</u>	<u>\$ 191,830</u>	<u>\$ 217,342</u>	<u>\$ 4,948,654</u>
Liabilities				
Accounts payable	\$ -	\$ 20,291	\$ -	\$ 971,239
Due to other funds	3	-	206,250	813,275
Deferred Revenue	-	50,220	-	50,220
<i>Total liabilities</i>	<u>3</u>	<u>70,511</u>	<u>206,250</u>	<u>1,834,734</u>
Fund Balances				
Nonspendable	-	-	-	-
Restricted	6,375	121,319	11,092	3,742,397
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	(628,477)
<i>Total fund balance</i>	<u>6,375</u>	<u>121,319</u>	<u>11,092</u>	<u>3,113,920</u>
<i>Total liabilities and fund balance</i>	<u>\$ 6,378</u>	<u>\$ 191,830</u>	<u>\$ 217,342</u>	<u>\$ 4,948,654</u>

(CONCLUDED)

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS FUND
YEAR ENDED JUNE 30, 2012

	2000 Open Space Bond Fund	2000 Recreation Bond Fund	2006 School Bond Fund	2002 Drainage Bond Fund
Revenues				
Intergovernmental	\$ 63,378	\$ -	\$ -	\$ -
Other		-	-	-
Total revenues	<u>63,378</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures				
Public Safety	-	-	-	-
Recreation	63,378	-	-	-
Public Works	-	-	-	444,048
Education	-	-	2,449,623	-
Total expenditures	<u>63,378</u>	<u>-</u>	<u>2,449,623</u>	<u>444,048</u>
Excess of revenues over expenditures before transfers	<u>-</u>	<u>-</u>	<u>(2,449,623)</u>	<u>(444,048)</u>
Other Financing Sources (Uses):				
Transfers In	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues and expenditures	<u>-</u>	<u>-</u>	<u>(2,449,623)</u>	<u>(444,048)</u>
Fund balance, beginning of year	<u>362,060</u>	<u>(427,897)</u>	<u>5,691,174</u>	<u>243,468</u>
Fund balance, end of year	<u>\$ 362,060</u>	<u>\$ (427,897)</u>	<u>\$ 3,241,551</u>	<u>\$ (200,580)</u>

(CONTINUED)

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS FUND
YEAR ENDED JUNE 30, 2012

	2002 Public Safety Bond Fund	2006 City Buildings Bond Fund	Capital Leases	Totals Capital Projects Funds
Revenues				
Intergovernmental	\$ -	\$ 152,292	\$ 94,274	\$ 309,944
Other	-	22,780	-	22,780
Total revenues	-	175,072	94,274	332,724
Expenditures				
Public Safety	-	-	151,213	151,213
Recreation	-	-	-	63,378
Public Works	-	156,636	377,098	977,782
Education	-	-	-	2,449,623
Total expenditures	-	156,636	528,311	3,641,996
Excess of revenues over expenditures before transfers	-	18,436	(434,037)	(3,309,272)
Other Financing Sources (Uses):				
Transfers In	-	-	905,276	905,276
Total Other Financing Sources (Uses)	-	-	905,276	905,276
Excess of revenues and expenditures	-	18,436	471,239	(2,403,996)
Fund balance, beginning of year	6,375	102,883	(460,147)	5,517,916
Fund balance, end of year	\$ 6,375	\$ 121,319	\$ 11,092	\$ 3,113,920

(CONCLUDED)

CITY OF WARWICK, RHODE ISLAND

NON-MAJOR ENTERPRISE FUNDS

Non-Major Enterprise Funds:

The Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprise or where the City has decided that periodic determination of net income is appropriate for capital maintenance, management control, accountability, public policy or other purposes. The following is a list of Non-Major enterprise funds in this section:

On-Site Revolving Loan Fund – Established to account for the receipt and disbursement of funds relating to a loan/grant program for residents who need to replace their existing septic systems.

Sewer Infrastructure Replacement Fund – Established to provide a funding source for scheduled sewer infrastructure repairs or expansion.

Sewer Renewal & Replacement Fund – Established to provide a funding source for the replacement of sewer equipment and vehicles.

Water Renewal & Replacement Fund – Established to provide a funding source for the replacement of water equipment and vehicles.

Water Restricted Emergency Fund – Established to provide a funding source for emergency water infrastructure repairs.

Water Infrastructure Replacement Fund – Established to provide a funding source for scheduled water infrastructure repairs or expansion.

NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2012

	On-Site Revolving Loan Fund	Sewer Infrastructure Replacement Fund	Sewer Renewal & Replacement Fund	Water Renewal & Replacement Fund	Water Restricted Emergency Fund	Water Infrastructure Replacement Fund	Total Non-major Enterprise Funds
Assets							
Current Assets:							
Cash and cash equivalents	\$ -	\$ 154,100	\$ 721,301	\$ 40,888	\$ 84,576	\$ 660,667	\$ 1,661,532
Other receivables	13,079	-	-	-	-	-	13,079
Due from other funds	-	3,000	2,015,121	750,000	250,000	2,000,000	5,018,121
Total Current Assets	13,079	157,100	2,736,422	790,888	334,576	2,660,667	6,692,732
Total Assets	13,079	157,100	2,736,422	790,888	334,576	2,660,667	6,692,732
Liabilities							
Current Liabilities:							
Accounts payable and accrued expenditures	-	5,059	3,735	-	4,593	-	13,387
Due to other funds	-	-	2,350	-	-	-	2,350
Total current liabilities	-	5,059	6,085	-	4,593	-	15,737
Total Liabilities	-	5,059	6,085	-	4,593	-	15,737
Net Assets							
Unrestricted net assets	13,079	152,041	2,730,337	790,888	329,983	2,660,667	6,676,995
Total Net Assets	\$ 13,079	\$ 152,041	\$ 2,730,337	\$ 790,888	\$ 329,983	\$ 2,660,667	\$ 6,676,995

NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
YEAR ENDED JUNE 30, 2012

	On-Site Revolving Loan Fund	Sewer Infrastructure Replacement Fund	Sewer Renewal & Replacement Fund	Water Renewal & Replacement Fund	Water Restricted Emergency Fund	Water Infrastructure Replacement Fund	Total All Non-major Enterprise Funds
Operating Revenue							
Other revenues	\$ (82,356)	\$ 37,665	\$ 39,420	\$ -	\$ -	\$ -	\$ (5,271)
<i>Total operating revenues</i>	<u>(82,356)</u>	<u>37,665</u>	<u>39,420</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,271)</u>
Operating Expenses							
Materials and supplies	-	44,851	43,688	-	47,444	6,500	142,483
Miscellaneous	35,744	-	-	-	-	-	35,744
<i>Total operating expenses</i>	<u>35,744</u>	<u>44,851</u>	<u>43,688</u>	<u>-</u>	<u>47,444</u>	<u>6,500</u>	<u>178,227</u>
<i>Operating Income (Loss)</i>	<u>(118,100)</u>	<u>(7,186)</u>	<u>(4,268)</u>	<u>-</u>	<u>(47,444)</u>	<u>(6,500)</u>	<u>(183,498)</u>
Non-Operating revenues							
Interest Income	-	167	781	42	94	695	1,779
<i>Total non-operating revenues</i>	<u>-</u>	<u>167</u>	<u>781</u>	<u>42</u>	<u>94</u>	<u>695</u>	<u>1,779</u>
<i>Income (Loss) Before Transfers</i>	<u>(118,100)</u>	<u>(7,019)</u>	<u>(3,487)</u>	<u>42</u>	<u>(47,350)</u>	<u>(5,805)</u>	<u>(181,719)</u>
Transfers:							
Operating Transfer In	12,000	-	10,000	-	-	-	22,000
Operating Transfers (Out)	(31,501)	(32,328)	-	-	-	-	(63,829)
<i>Total Transfers</i>	<u>(19,501)</u>	<u>(32,328)</u>	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(41,829)</u>
<i>Change in Net Assets</i>	<u>(137,601)</u>	<u>(39,347)</u>	<u>6,513</u>	<u>42</u>	<u>(47,350)</u>	<u>(5,805)</u>	<u>(223,548)</u>
Net Assets - Beginning of the year	150,680	191,388	2,723,824	790,846	377,333	2,666,472	6,900,543
Net Assets - Ending of the year	<u>\$ 13,079</u>	<u>\$ 152,041</u>	<u>\$ 2,730,337</u>	<u>\$ 790,888</u>	<u>\$ 329,983</u>	<u>\$ 2,660,667</u>	<u>\$ 6,676,995</u>

**NON-MAJOR ENTERPRISE FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012**

	On-Site Revolving Loan Fund	Sewer Infrastructure Replacement Fund	Sewer Renewal & Replacement Fund	Water Renewal & Replacement Fund	Water Restricted Emergency Fund	Water Infrastructure Replacement Fund	Totals
Cash flows from operating activities:							
Cash received from customers	\$ 19,956	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,956
Cash payments to suppliers for goods and services	(6,000)	(39,792)	(39,953)	-	(42,851)	-	(128,596)
Other operating revenues	11,545	37,665	39,420	-	-	-	88,630
Net cash provided (used) by operating activities	25,501	(2,127)	(533)	-	(42,851)	-	(20,010)
Cash flows from non-capital financing activities:							
Interfund loans	(6,000)	(3,850)	(105,179)	-	-	-	(115,029)
Operating transfers from other funds	12,000	-	10,000	-	-	-	22,000
Operating transfer to other funds	(31,501)	(32,328)	-	-	-	-	(63,829)
Net cash (used) by non-capital financing activities	(25,501)	(36,178)	(95,179)	-	-	-	(156,858)
Cash flows from investing activities:							
Interest and dividends in investment	-	167	781	42	94	695	1,779
Net cash provided by investing activities	-	167	781	42	94	695	1,779
Net increase (decrease) in cash and cash equivalents (including restricted cash and equivalents)	-	(38,138)	(94,931)	42	(42,757)	695	(175,089)
Cash and cash equivalents at beginning of year (including restricted cash and equivalents)	-	192,238	816,232	40,846	127,333	659,972	1,836,621
Cash and cash equivalents at end of year (including restricted cash and equivalents)	\$ -	\$ 154,100	\$ 721,301	\$ 40,888	\$ 84,576	\$ 660,667	\$ 1,661,532

(CONTINUED)

**NON-MAJOR ENTERPRISE FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012**

Reconciliation of operating income to net cash provided (used) by operating activities:	On-Site Revolving Loan Fund	Sewer Infrastructure Replacement Fund	Sewer Renewal & Replacement Fund	Water Renewal & Replacement Fund	Water Restricted Emergency Fund	Water Infrastructure Replacement Fund	Totals
Operating income(loss)	\$ (118,100)	\$ (7,186)	\$ (4,268)	\$ -	\$ (47,444)	\$ (6,500)	\$ (183,498)
Adjustments to reconcile operating income to Net Cash provided (used) by operating activities							
Depreciation and amortization							
Changes in assets and liabilities:							
(Increase) decrease in other receivable	49,701	-	-	-	-	6,500	56,201
(Increase) decrease in accrued interest receivable	93,900	-	-	-	-	-	93,900
Increase(decrease) in accounts payable and accrued expense	-	5,059	3,735	-	4,593	-	13,387
Total adjustments	\$ 25,501	\$ (2,127)	\$ (533)	\$ -	\$ (42,851)	\$ -	\$ (20,010)
Net cash provided (used) by operating activities							

(CONCLUDED)

CITY OF WARWICK, RHODE ISLAND

TRUST FUNDS

PENSION TRUST FUNDS:

Four trust funds held for the City employees and one school department fund held for the school employees

PRIVATE PURPOSE TRUST FUNDS:

Private Purpose Trust Funds are all trust arrangements under which principal and income benefit individuals, private organizations, or other governments. The following is a list of Private Purpose Trust Funds:

Neighbors Helping Neighbors – To account for charitable donations and expenses related to local community programs.

Employee Benefit Trust Fund – To account for money held for various municipal union employee benefits.

Jeanette Cram Scholarship Fund – Established to assist student majoring in various fields.

CITY OF WARWICK, RHODE ISLAND

**COMBINING STATEMENT OF NET ASSETS
PENSION TRUST FUNDS
JUNE 30, 2012**

	Police and Fire Pension I	Police II Pension	Fire Pension II	City Employees Pension	Other School Department Employees	Total
Assets						
Cash and cash equivalents	\$ (261,628)	\$ 614,375	\$ 1,003,711	\$ 242,095	\$ 3,023,131	\$ 4,621,684
Investments, at fair value:						
Equity Pool	7,016,306	15,374,508	2,988,806	9,763,251	-	35,142,871
Equity small cap funds	8,353,564	18,710,704	3,428,376	11,966,417	-	42,459,061
Fixed income pool	24,372,827	53,418,045	10,373,763	33,617,124	5,903,410	127,685,169
Index funds	12,431,342	27,477,524	5,306,740	17,369,323	-	62,584,929
Multi asset manager funds	9,664,656	20,428,222	4,085,528	12,784,916	-	46,963,322
International equity funds	2,200,689	4,638,314	1,091,060	2,932,953	-	10,863,016
Mutual funds	-	-	-	-	22,497,256	22,497,256
Total investments	64,039,384	140,047,317	27,274,273	88,433,984	28,400,666	348,195,624
Receivables:						
Accrued interest receivable	8	87	90	81	-	266
Contribution receivable	7,369	7,412	7,333	1,268,039	-	1,290,153
Internal balance	28,239	-	-	-	-	28,239
Total receivables	35,616	7,499	7,423	1,268,120	-	1,318,658
Total Assets	63,813,372	140,669,191	28,285,407	89,944,199	31,423,797	354,135,966
Liabilities						
Accounts payable and accrued expenses	51,153	104,822	20,689	68,274	-	244,938
Internal balance	-	14,119	14,120	-	-	28,239
Total liabilities	51,153	118,941	34,809	68,274	-	273,177
Net Assets						
Held in trust for pension benefits	\$ 63,762,219	\$ 140,550,250	\$ 28,250,598	\$ 89,875,925	\$ 31,423,797	\$ 353,862,789

CITY OF WARWICK, RHODE ISLAND

**COMBINING STATEMENT OF CHANGES IN NET ASSETS
PENSION TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

	Police and Fire Pension I	Police II Pension	Fire Pension II	City Employees Pension	Other School Department Employees	Total
Additions:						
Contributions- Employer	\$ 13,503,973	\$ 2,750,667	\$ 1,998,729	\$ 5,013,957	\$ 2,544,951	\$ 25,812,277
Plan members	393,072	1,375,334	999,364	1,631,087	780,856	5,179,713
Total contributions	13,897,045	4,126,001	2,998,093	6,645,044	3,325,807	30,991,990
Investment earnings:						
Net appreciation (decrease) in fair value of investments	218,369	1,486,858	181,561	733,334	(674,120)	1,946,002
Interest and dividends	(1,008)	1,273	1,008	1,310	622,427	625,010
Less Investment expense	(238,798)	(513,262)	(97,962)	(324,309)	-	(1,174,331)
Net investment earnings	(21,437)	974,869	84,607	410,335	(51,693)	1,396,681
Total additions	13,875,608	5,100,870	3,082,700	7,055,379	3,274,114	32,388,671
Deductions:						
Benefits paid	19,330,851	6,566,137	218,607	7,226,696	6,837,785	40,180,076
Administrative and other expenses	25,068	14,483	8,515	(2,841)	75,395	120,620
Total deductions	19,355,919	6,580,620	227,122	7,223,855	6,913,180	40,300,696
Changes in net assets	(5,480,311)	(1,479,750)	2,855,578	(168,476)	(3,639,066)	(7,912,025)
Net assets - beginning of year	69,242,530	142,030,000	25,395,020	90,044,401	35,062,863	361,774,814
Net assets - end of the year	\$ 63,762,219	\$ 140,550,250	\$ 28,250,598	\$ 89,875,925	\$ 31,423,797	\$ 353,862,789

**COMBINING STATEMENT OF NET ASSETS
PRIVATE PURPOSE TRUST FUNDS
JUNE 30, 2012**

	Employee Benefit Trust Fund	Neighbors Helping Neighbors	Jeanette Cram Scholarship Fund	Totals
Assets				
Cash and cash equivalents	\$ 82,769	\$ 14,344	\$ 28,359	\$ 125,472
Accounts receivable	880	6,750	-	7,630
Total Assets	83,649	21,094	28,359	133,102
Liabilities				
Accounts Payable	-	-	-	-
Total Liabilities	-	-	-	-
Net Assets				
Held in trust for benefits and other purposes	\$ 83,649	\$ 21,094	\$ 28,359	\$ 133,102

**COMBINING STATEMENT OF CHANGES IN NET ASSETS
PRIVATE PURPOSE TRUST FUNDS
YEAR ENDED JUNE 30, 2012**

	Employee Benefit Trust Fund	Neighbors Helping Neighbors	Jeanette Cram Scholarship Fund	Totals
Additions				
Payroll deductions	\$ 6,977	\$ 6,550	\$ -	\$ 13,527
Investment Income	85	12	227	324
Other Income	2,695	16,648	-	19,343
Total Additions	9,757	23,210	227	33,194
Deductions	10,788	25,650	1,004	37,442
Change in Net Assets	(1,031)	(2,440)	(777)	(4,248)
Net Assets, beginning	84,680	23,534	29,136	137,350
Net Assets, ending	\$ 83,649	\$ 21,094	\$ 28,359	\$ 133,102

CITY OF WARWICK, RHODE ISLAND

AGENCY FUNDS

AGENCY FUNDS:

Agency Funds were established to function as clearing mechanisms for cash resources which are collected and disbursed to authorized recipients. The following is a list of Agency Funds included in this section:

Student Activity Funds - To account for monies received and expended for various student activities and groups.

Apponaug Sewer Easement – Established as an interest bearing escrow account to hold funds for contested sewer land easements pending legal opinion.

Treasurers Agent – Established to account for money held in trust for various parties.

Funds in Registry of Probate Court – Established to account for funds held for various estates.

Sewer Line Agency – Established to account for monies held for private parties in connection with various sewer construction projects.

Realty Tax Fund – Established to account for tax revenues generated from sale of realty.

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
YEAR ENDED JUNE 30, 2012**

	Beginning Balance July 1, 2011	Additions	Deductions	Ending Balance June 30, 2012
<u>APPONAU SEWER EASEMENT</u>				
<i>Assets</i>				
Cash and cash equivalents	\$ 47,793		\$ 47,793	\$ -
<i>Liabilities</i>				
Accounts payable and accrued expenditures	\$ 47,793		\$ 47,793	\$ -
Deposit held in custody for others	-	-		-
<i>Total Liabilities</i>	\$ 47,793	\$ -	\$ 47,793	\$ -
<u>TREASURERS AGENT</u>				
<i>Assets</i>				
Cash and cash equivalents	\$ 302,776	\$ 332,363	\$ 362,429	\$ 272,710
Accounts receivable	-	2,383		2,383
<i>Total Assets</i>	\$ 302,776	\$ 334,746	\$ 362,429	\$ 275,093
<i>Liabilities</i>				
Accounts payable and accrued expenditures	\$ 15,197	\$ 168,420	\$ 182,232	\$ 1,385
Deposits held in custody for others	287,579	224,738	238,609	273,708
<i>Total Liabilities</i>	\$ 302,776	\$ 393,158	\$ 420,841	\$ 275,093
<u>FUNDS IN REGISTRY OF PROBATE COURT</u>				
<i>Assets</i>				
Cash and cash equivalents	\$ 214,519	\$ 255,540	\$ 203,577	\$ 266,482
<i>Total Assets</i>	\$ 214,519	\$ 255,540	\$ 203,577	\$ 266,482
<i>Liabilities</i>				
Deposits held in custody for others	\$ 214,519	\$ 255,540	\$ 203,577	\$ 266,482
<i>Total Liabilities</i>	\$ 214,519	\$ 255,540	\$ 203,577	\$ 266,482
<u>SEWER LINE AGENCY</u>				
<i>Assets</i>				
Cash and cash equivalents	\$ 241,236	\$ 246,704	\$ 254,754	\$ 233,186
Accounts receivable		44,298	6,575	37,723
<i>Total Assets</i>	\$ 241,236	\$ 291,002	\$ 261,329	\$ 270,909
<i>Liabilities</i>				
Accounts payable and accrued expenditures	\$ 11,024	\$ 306,434	\$ 308,479	\$ 8,979
Deposit held in custody for others	230,212	69,482	37,764	261,930
<i>Total Liabilities</i>	\$ 241,236	\$ 375,916	\$ 346,243	\$ 270,909

(CONTINUED)

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
YEAR ENDED JUNE 30, 2012**

	Beginning Balance July 1, 2011	Additions	Deductions	Ending Balance June 30, 2012
<u>REALTY TAX FUND</u>				
<i>Assets</i>				
Cash and cash equivalents	\$ 101,341	\$ 980,249	\$ 996,532	\$ 85,058
<i>Total Assets</i>	<u>\$ 101,341</u>	<u>\$ 980,249</u>	<u>\$ 996,532</u>	<u>\$ 85,058</u>
<i>Liabilities</i>				
Accounts payable and accrued expenditures	\$ 55,751	\$ 539,206	\$ 548,171	\$ 46,786
Due to state governments	45,590	441,043	448,361	38,272
<i>Total Liabilities</i>	<u>\$ 101,341</u>	<u>\$ 980,249</u>	<u>\$ 996,532</u>	<u>\$ 85,058</u>
<u>WINMAN STUDENT ACTIVITY FUND</u>				
<i>Assets</i>				
Cash and cash equivalents	\$ 23,521	\$ 79,436	\$ 78,156	\$ 24,801
<i>Total Assets</i>	<u>\$ 23,521</u>	<u>\$ 79,436</u>	<u>\$ 78,156</u>	<u>\$ 24,801</u>
<i>Liabilities</i>				
Deposits held in custody for others	\$ 23,521	\$ 79,436	\$ 78,156	\$ 24,801
<i>Total Liabilities</i>	<u>\$ 23,521</u>	<u>\$ 79,436</u>	<u>\$ 78,156</u>	<u>\$ 24,801</u>
<u>CAREER CENTER STUDENT ACTIVITY</u>				
<i>Assets</i>				
Cash and cash equivalents	\$ 24,792	\$ 100,882	\$ 80,175	\$ 45,499
<i>Total Assets</i>	<u>\$ 24,792</u>	<u>\$ 100,882</u>	<u>\$ 80,175</u>	<u>\$ 45,499</u>
<i>Liabilities</i>				
Deposit held in custody for others	\$ 24,792	\$ 100,882	\$ 80,175	\$ 45,499
<i>Total Liabilities</i>	<u>\$ 24,792</u>	<u>\$ 100,882</u>	<u>\$ 80,175</u>	<u>\$ 45,499</u>
<u>PILGRIM STUDENT ACTIVITY</u>				
<i>Assets</i>				
Cash and cash equivalents	\$ 99,123	\$ 217,698	\$ 219,216	\$ 97,605
<i>Total Assets</i>	<u>\$ 99,123</u>	<u>\$ 217,698</u>	<u>\$ 219,216</u>	<u>\$ 97,605</u>
<i>Liabilities</i>				
Deposit held in custody for others	\$ 99,123	\$ 217,698	\$ 219,216	\$ 97,605
<i>Total Liabilities</i>	<u>\$ 99,123</u>	<u>\$ 217,698</u>	<u>\$ 219,216</u>	<u>\$ 97,605</u>

(CONTINUED)

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
YEAR ENDED JUNE 30, 2012**

	Beginning Balance July 1, 2011	Additions	Deductions	Ending Balance June 30, 2012
<u>GORTON STUDENT ACTIVITY</u>				
<u>Assets</u>				
Cash and cash equivalents	\$ 16,518	\$ 51,534	\$ 46,418	\$ 21,634
<i>Total Assets</i>	<u>\$ 16,518</u>	<u>\$ 51,534</u>	<u>\$ 46,418</u>	<u>\$ 21,634</u>
<u>Liabilities</u>				
Deposit held in custody for others	\$ 16,518	\$ 51,534	\$ 46,418	\$ 21,634
<i>Total Liabilities</i>	<u>\$ 16,518</u>	<u>\$ 51,534</u>	<u>\$ 46,418</u>	<u>\$ 21,634</u>
<u>TOLL GATE STUDENT ACTIVITY</u>				
<u>Assets</u>				
Cash and cash equivalents	\$ 162,049	\$ 153,878	\$ 171,377	\$ 144,550
<i>Total Assets</i>	<u>\$ 162,049</u>	<u>\$ 153,878</u>	<u>\$ 171,377</u>	<u>\$ 144,550</u>
<u>Liabilities</u>				
Deposit held in custody for others	\$ 162,049	\$ 153,878	\$ 171,377	\$ 144,550
<i>Total Liabilities</i>	<u>\$ 162,049</u>	<u>\$ 153,878</u>	<u>\$ 171,377</u>	<u>\$ 144,550</u>
<u>ALDRICH STUDENT ACTIVITY</u>				
<u>Assets</u>				
Cash and cash equivalents	\$ 39,098	\$ 66,409	\$ 64,112	\$ 41,395
<i>Total Assets</i>	<u>\$ 39,098</u>	<u>\$ 66,409</u>	<u>\$ 64,112</u>	<u>\$ 41,395</u>
<u>Liabilities</u>				
Deposit held in custody for others	\$ 39,098	\$ 66,409	\$ 64,112	\$ 41,395
<i>Total Liabilities</i>	<u>\$ 39,098</u>	<u>\$ 66,409</u>	<u>\$ 64,112</u>	<u>\$ 41,395</u>
<u>WARWICK VETERANS STUDENT ACTIVITY</u>				
<u>Assets</u>				
Cash and cash equivalents	\$ 88,485	\$ 163,739	\$ 160,898	\$ 91,326
<i>Total Assets</i>	<u>\$ 88,485</u>	<u>\$ 163,739</u>	<u>\$ 160,898</u>	<u>\$ 91,326</u>
<u>Liabilities</u>				
Deposit held in custody for others	\$ 88,485	\$ 163,739	\$ 160,898	\$ 91,326
<i>Total Liabilities</i>	<u>\$ 88,485</u>	<u>\$ 163,739</u>	<u>\$ 160,898</u>	<u>\$ 91,326</u>

(CONTINUED)

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
YEAR ENDED JUNE 30, 2012

	Beginning Balance July 1, 2011	Additions	Deductions	Ending Balance June 30, 2012
<u>TOTAL AGENCY FUNDS</u>				
<i>Assets</i>				
Cash and cash equivalents	\$ 1,361,251	\$ 2,648,432	\$ 2,685,437	\$ 1,324,246
Accounts receivable		46,681	6,575	40,106
<i>Total Assets</i>	<u>\$ 1,361,251</u>	<u>\$ 2,695,113</u>	<u>\$ 2,692,012</u>	<u>\$ 1,364,352</u>
<i>Liabilities</i>				
Accounts payable and accrued expenditures	\$ 129,766	\$ 1,014,060	\$ 1,086,675	\$ 57,151
Due to state governments	45,590	441,043	448,361	38,272
Deposit held in custody for others	1,185,895	1,383,336	1,300,302	1,268,929
<i>Total Liabilities</i>	<u>\$ 1,361,251</u>	<u>\$ 2,838,439</u>	<u>\$ 2,835,338</u>	<u>\$ 1,364,352</u>

(CONCLUDED)

THE CITY OF
WARWICK, RHODE ISLAND

OTHER COMBINING SCHEDULES

COMBINING BALANCE SHEET
GENERAL FUND
JUNE 30, 2012

	General Fund	Rescue Service Fees Fund	Total General Fund
Assets			
Cash and cash equivalents	\$ 11,621,214	\$ 2,892,964	\$ 14,514,178
Accounts Receivable			
Real estate and personal property taxes receivable (net)	5,619,056	-	5,619,056
Due from federal and state governments	3,026,006	-	3,026,006
Other receivables	68,630	3,534,716	3,603,346
Due from other funds	13,778,887	(3,317,580)	10,461,307
Other assets	4,323,685	-	4,323,685
Total assets	<u>\$ 38,437,478</u>	<u>\$ 3,110,100</u>	<u>\$ 41,547,578</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable and accrued expenditures	\$ 3,281,295	\$ 7,619	\$ 3,288,914
Due to federal and state governments	142,426	-	142,426
Due to other funds	14,351,828	-	14,351,828
Deferred revenue:			
Taxes collected in advance	58,038	-	58,038
Uncollected property taxes	4,530,157	-	4,530,157
Other	-	3,102,481	3,102,481
Other liabilities	4,279,899	-	4,279,899
Total liabilities	<u>26,643,643</u>	<u>3,110,100</u>	<u>29,753,743</u>
Fund Balances (Deficits)			
Non-Spendable	217,244	-	217,244
Restricted	-	-	-
Committed for education	2,872,057	-	2,872,057
Committed for other	450,556	-	450,556
Assigned	-	-	-
Unassigned	8,253,978	-	8,253,978
Total fund balances (deficits)	<u>11,793,835</u>	<u>-</u>	<u>11,793,835</u>
Total liabilities and fund balances (deficits)	<u>\$ 38,437,478</u>	<u>\$ 3,110,100</u>	<u>\$ 41,547,578</u>

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GENERAL FUND
YEAR ENDED JUNE 30, 2012

	General Fund	Rescue Service Fees Fund	Total General Fund
Revenues			
General property taxes	\$ 212,007,763	\$ -	\$ 212,007,763
Interest on taxes	1,392,844	-	1,392,844
Intergovernmental revenue	6,380,036	-	6,380,036
Charges for service	4,471,568	3,470,288	7,941,856
Investment income	-	232	232
Other revenues	9,092,705	80	9,092,785
Total revenues	<u>233,344,916</u>	<u>3,470,600</u>	<u>236,815,516</u>
Expenditures			
<i>Current:</i>			
Executive and administrative	4,339,614	-	4,339,614
Public Safety	39,752,220	1,132,218	40,884,438
Recreation	1,512,971	-	1,512,971
Public libraries	2,458,403	-	2,458,403
Social services	1,233,356	-	1,233,356
Planning and economic development	950,645	-	950,645
Public Works	10,954,141	-	10,954,141
Employee benefits, fixed costs and capital	46,057,032	-	46,057,032
Total expenditures	<u>107,258,382</u>	<u>1,132,218</u>	<u>108,390,600</u>
Excess of revenues over (under) expenditures before other financing sources (uses)	<u>126,086,534</u>	<u>2,338,382</u>	<u>128,424,916</u>
Other financing sources (uses)			
Transfers in	2,767,988	(2,338,382)	429,606
Transfers out	(125,661,048)		(125,661,048)
Net other financing sources (uses)	<u>(122,893,060)</u>	<u>(2,338,382)</u>	<u>(125,231,442)</u>
Net change in fund balance	3,193,474	-	3,193,474
Fund balance, at beginning of year	<u>8,600,361</u>	<u>-</u>	<u>8,600,361</u>
Fund balance, at end of year	<u>\$ 11,793,835</u>	<u>\$ -</u>	<u>\$ 11,793,835</u>

CITY OF WARWICK, RHODE ISLAND

**PROPRIETARY FUNDS
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2012**

INTERNAL SERVICE FUNDS				
	Workers Compensation Fund	Healthcare Management School Department	Healthcare Management City	Total
Assets				
Cash and cash equivalents	\$ 701,535	\$ -	\$ -	\$ 701,535
Other receivable	66,000	-	-	66,000
Deposits with Agent	-	4,784,407	1,328,464	6,112,871
<i>Total assets</i>	<u>767,535</u>	<u>4,784,407</u>	<u>1,328,464</u>	<u>6,880,406</u>
Liabilities				
Accounts payable and accrued expenses	51,421	-	-	51,421
Accrued claims - IBNR	-	898,979	799,254	1,698,233
Due to General Fund	-	-	-	-
<i>Total liabilities</i>	<u>51,421</u>	<u>898,979</u>	<u>799,254</u>	<u>1,749,654</u>
Net Assets				
Unrestricted	<u>\$ 716,114</u>	<u>\$ 3,885,428</u>	<u>\$ 529,210</u>	<u>\$ 5,130,752</u>

CITY OF WARWICK, RHODE ISLAND

PROPRIETARY FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2012

	INTERNAL SERVICE FUNDS			
	Workers Compensation Fund 303	Healthcare Management School Department	Healthcare Management City	Total
Operating revenues:				
Revenues				
Proceeds from reinsurance	\$ -	\$ -	\$ 348,847	\$ 348,847
Worker's compensation	276,539	-	-	276,539
Health Insurance Premiums	-	19,975,114	17,230,643	37,205,757
Dental Insurance Premiums	-	1,265,240	-	1,265,240
Total revenues	276,539	21,240,354	17,579,490	39,096,383
Expenditures				
Claims - Healthcare	-	19,521,461	17,226,457	36,747,918
Claims - Dental	-	1,048,789	-	1,048,789
Stop loss insurance coverage	-	1,033,720	-	1,033,720
Administrative fees	-	-	442,785	442,785
Worker's compensation claims	253,092	-	-	253,092
Total expenditures	253,092	21,603,970	17,669,242	39,526,304
Operating Income (Loss)	23,447	(363,616)	(89,752)	(429,921)
Non-Operating Revenues (Expense)				
Interest Income	738	-	8,886	9,624
Total non-operating revenue (expense)	738	-	8,886	9,624
Change in net asses	24,185	(363,616)	(80,866)	(420,297)
Net Assets - Beginning of year	691,929	4,249,044	610,076	5,551,049
Net Assets - End of year	\$ 716,114	\$ 3,885,428	\$ 529,210	\$ 5,130,752

CITY OF WARWICK, RHODE ISLAND**SCHEDULE OF TAX COLLECTIONS
JUNE 30, 2012**

Assessment of	Balance Uncollected July 1, 2011	Current Year Assessment	Additions & Adjustments	Tax Titles	Authorized Abatements	Amounts to Be Collected	Current Year Collections	Balance Uncollected June 30, 2012
2011	\$ -	\$ 216,867,072	\$ 35,545	\$ (304,998)	\$ (1,288,715)	\$ 215,308,904	\$ 209,632,671	\$ 5,676,233
2010	4,341,352		1,564	(2,844)	(748,330)	3,591,742	2,608,911	982,831
2009	728,463		1,885	(28)	(170,618)	559,702	(28,652)	588,354
2008	663,577		1,036	180	(75,897)	588,896	30,975	557,921
2007	835,189				(208,392)	626,797	(50,869)	677,666
2006	442,219				(1,162)	441,057	(27,270)	468,327
2005	188,958				(155)	188,803	(153,684)	342,487
2004	187,450					187,450	(149,711)	337,161
2003	273,295				(239)	273,056	2,536	270,520
2002	263,993					263,993	1,573	262,420
2001	294,822					294,822	1,205	293,617
2000	374,967					374,967	1,569	373,398
1999	1,391,220					1,391,220	385	1,390,835
1998	1,395,294					1,395,294	91	1,395,203
1997	396,173					396,173	224	395,949
1996	433,608					433,608		433,608
1995	400,362					400,362	869	399,493
1994	437,665					437,665	897	436,768
1993	469,618					469,618	844	468,774
1992	663,444					663,444	735	662,709
1991	766,007					766,007	621	765,386
1990	847,441					847,441	515	846,926
prior	1,693,011					1,693,011		1,693,011
Totals	\$ 17,488,128	\$ 216,867,072	\$ 40,030	\$ (307,690)	\$ (2,493,508)	\$ 231,594,032	\$ 211,874,435	19,719,597

less allowance (14,100,541)
Tax receivables, net \$ 5,619,056

**Schedule of most recent property net assessed property value
by category as of December 31, 2010**

	<u>Valuations</u>	<u>Levy</u>
Real property	\$ 8,850,106,683	\$ 178,253,732
Motor vehicles (excise)	668,140,506	23,117,663
Other personal property	462,434,140	16,360,920
Total real and personal property	9,980,681,329	217,732,315
Less:		
Hold harmless, state exemptions, state phase-out, adjustments	13,342,221	865,243
Net assessed value	\$ 9,967,339,108	\$ 216,867,072

Reconciliation of current year property tax revenue:

Current year collections	\$ 211,874,435
Adjustments/refunds in transit	(359,678)
Revenue received 60 days subsequent to fiscal year ended June 30, 2012	1,088,899
Prior year revenue 60 days subsequent to prior year ended June , 2011	(595,893)
Current year property tax revenue	\$ 212,007,763

CITY OF WARWICK, RHODE ISLAND**ANALYSIS OF PRIOR YEARS TAX COLLECTIONS
JUNE 30, 2012**

Tax Years	Collections (refunds netted)	Less Prior Year 60 Day Collections	Less Adjustments For Refunds and Redemptions in Transit	Plus Current Year 60 Day Collections (net of refunds)	Net Total	
2011	\$ 209,632,671	\$ -	\$ (355,816)	\$ 1,023,363	\$ 210,300,218	
2010	2,608,911	(985,706)	(1,564)	47,534	1,669,175	
2009	(28,652)	(7,442)	(1,885)	6,002	(31,977)	
2008	30,975	(6,046)	(1,037)	5,641	29,533	
2007	(50,869)	43,613	-	2,404	(4,852)	
2006	(27,270)	44,944	624	832	19,130	
2005	(153,684)	161,499	-	888	8,703	
2004	(149,711)	154,378	-	1,236	5,903	
2003	2,536	(163)	-	109	2,482	
2002	1,573	(608)	-	139	1,104	
2001	1,205	(156)	-	66	1,115	
2000	1,569	(206)	-	685	2,048	
1999	385	-	-	-	385	
1998	91	-	-	-	91	
1997	224	-	-	-	224	
1996	-	-	-	-	-	
1995	869	-	-	-	869	
1994	897	-	-	-	897	
1993	844	-	-	-	844	
1992	735	-	-	-	735	
1991	621	-	-	-	621	
1990	515	-	-	-	515	
1989	-	-	-	-	-	
	\$ 211,874,435	\$ (595,893)	\$ (359,678)	\$ 1,088,899	\$ -	\$ 212,007,763
Total Tax Collection					\$	212,007,763

\$ 1,707,546
Prior Year Collections

THE CITY OF
WARWICK, RHODE ISLAND

STATISTICAL SECTION

Statistical Section

This part of the City's comprehensive annual financial report presents information to supplement and provide multi-year trend information to enable readers to gain a better understanding of the City's financial health.

Financial Trends: Schedules 1 through 5 contain trend information to help the reader understand changes in financial performance over time.

Revenue capacity: Schedules 6 through 8 contain information to help the reader assess the factors affecting the City's ability to generate its property taxes.

Debt capacity: Schedules 9 through 12 contain information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Demographic information: Schedules 13 through 15 contain demographic information to help the reader understand the environment in which the City's financial activities take place.

Operating information: Schedules 16 contain information about the City's operations and resources.

CITY OF WARWICK, RHODE ISLAND
NET ASSETS BY COMPONENT
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)
(Unaudited)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental Activities										
Invested in capital assets, net of related debt	\$79,552,755	\$76,707,132	\$70,288,544	\$71,961,458	\$66,647,101	\$67,828,026	\$64,184,519	\$64,258,323	\$62,802,492	\$61,079,076
Restricted	4,389,902	4,330,187	4,528,548	3,333,193	3,550,462	3,201,119	1,947,766	1,433,298	1,331,626	2,159,153
Unrestricted	5,233,818	8,106,875	10,091,930	369,491	(6,573,588)	(28,569,229)	(45,907,021)	(62,378,508)	(82,266,981)	(96,854,156)
Total Governmental Activities Net Assets	89,176,475	89,144,194	84,909,022	75,664,142	63,623,975	42,459,916	20,225,264	3,313,113	(18,132,863)	(33,615,927)
Business-type Activities										
Invested in capital assets, net of related debt	60,023,623	61,877,678	62,200,140	52,998,122	56,492,614	55,465,549	63,148,905	67,391,392	72,213,574	79,287,133
Restricted	-	-	-	1,593,899	2,142,194	2,987,060	3,010,672	3,094,095	3,094,452	3,194,281
Unrestricted	(1,032,723)	(691,907)	911,348	10,410,660	7,337,197	9,025,008	4,542,008	5,450,484	4,268,908	4,415,400
Total Business-type Activities Net Assets	58,990,900	61,185,771	63,111,488	65,002,681	65,972,005	67,477,617	70,701,585	75,935,971	79,576,934	86,896,814
Primary Government										
Invested in capital assets, net of related debt	139,576,378	138,584,810	132,488,684	124,959,580	123,139,715	123,293,575	127,333,424	131,649,715	135,016,066	140,366,209
Restricted	4,389,902	4,330,187	4,528,548	4,927,092	5,692,656	6,188,179	4,958,438	4,527,393	4,426,078	5,353,434
Unrestricted	4,201,095	7,414,968	11,003,278	10,780,151	763,609	(19,544,221)	(41,365,013)	(56,928,024)	(77,998,073)	(92,438,756)
Total Primary Government Net Assets	\$148,167,375	\$150,329,965	\$148,020,510	\$140,666,823	\$129,595,980	\$109,937,533	\$90,926,849	\$79,249,084	\$61,444,071	\$53,280,887

Source: City of Warwick Comprehensive Annual Financial Report

CITY OF WARWICK, RHODE ISLAND
CHANGE IN NET ASSETS
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)
(Unaudited)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses:										
Governmental Activities:										
Executive & Administration	\$5,818,251	\$7,243,204	\$8,393,738	\$7,378,518	\$8,703,429	\$7,542,904	\$8,069,697	\$9,031,312	\$8,068,528	\$7,189,863
Public Safety	55,599,535	57,810,035	65,014,851	65,817,448	77,889,776	89,302,039	89,041,058	89,614,158	94,727,477	96,094,909
Recreation	3,695,254	3,396,139	4,092,981	3,168,229	3,338,239	3,358,547	3,330,999	3,353,999	3,593,994	3,627,775
Public Libraries	4,532,198	4,908,468	4,033,048	3,833,107	4,095,289	4,443,880	4,420,849	4,333,950	4,906,998	4,958,759
Social Services	2,781,989	2,817,879	2,693,806	2,860,603	2,719,927	2,973,994	2,875,875	2,658,015	2,290,428	2,254,293
Planning & E/D	2,131,408	2,778,799	1,737,103	3,563,021	3,221,363	3,314,008	3,405,639	3,856,439	2,790,778	2,777,531
Public Works	17,982,040	19,709,308	20,347,768	21,271,907	21,757,520	22,574,947	21,994,345	21,609,069	20,766,889	22,147,778
Education	145,433,755	146,855,093	147,447,982	163,926,829	168,839,482	175,918,003	174,286,188	171,897,294	175,633,555	170,207,856
Cafeteria Operations	2,549,202	2,658,550	2,800,341	2,916,762	2,841,531	2,908,848	3,005,016	2,647,559	-	-
Interest on Long Term Debt	3,018,153	3,222,417	3,090,420	3,672,548	3,009,586	2,902,909	2,360,516	2,347,813	1,906,529	2,296,097
<i>Total Governmental Activities Expenses:</i>	<i>243,541,785</i>	<i>251,399,892</i>	<i>259,652,038</i>	<i>278,408,972</i>	<i>296,416,142</i>	<i>315,240,079</i>	<i>312,790,182</i>	<i>311,349,608</i>	<i>314,685,176</i>	<i>311,554,861</i>
Business-type activities:										
Sewer	8,502,258	9,847,286	10,933,427	13,240,766	13,484,307	14,231,646	15,215,618	15,759,558	24,390,931	14,704,964
Sewer Assessment	5,127	-	-	-	-	-	-	-	-	-
Water	6,998,808	7,537,358	7,483,735	7,669,925	8,252,959	9,681,133	9,646,628	9,427,381	10,522,632	10,118,651
Non Major Enterprise Funds	311,745	360,938	433,085	-	-	-	-	-	-	-
<i>Total Business-type Activities Expenses:</i>	<i>15,817,938</i>	<i>17,745,582</i>	<i>18,850,247</i>	<i>20,910,691</i>	<i>21,737,266</i>	<i>23,912,779</i>	<i>24,862,246</i>	<i>25,186,939</i>	<i>34,913,563</i>	<i>24,823,615</i>
Total Primary Government Expenses:	\$259,359,723	\$269,145,474	\$278,502,285	\$299,319,663	\$318,153,408	\$339,152,858	\$337,652,428	\$336,536,547	\$349,598,739	\$336,378,476

CITY OF WARWICK, RHODE ISLAND
CHANGE IN NET ASSETS
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)
(Unaudited)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Program Revenues:										
Governmental Activities:										
Charges for Services:										
Executive & Administration	\$2,657,356	\$3,663,100	\$3,966,917	\$3,939,444	\$3,442,464	\$2,858,476	\$2,209,444	\$2,246,025	\$2,123,034	\$2,110,147
Public Safety	6,191,758	5,004,575	6,476,278	6,696,573	7,016,618	7,467,293	6,970,909	7,371,438	6,906,078	7,122,121
Recreation	682,084	485,560	722,964	806,442	792,374	828,017	900,225	894,380	957,604	962,086
Public Libraries	45,196	45,480	45,629	68,389	36,325	47,159	40,736	37,070	32,495	33,369
Social Services	288,085	99,752	91,821	80,482	79,007	100,956	126,658	139,649	135,116	137,727
Planning & E/D	1,340,512	1,338,976	2,008,862	2,503,643	1,798,343	1,599,877	1,681,609	2,081,026	1,573,526	1,995,266
Public Works	355,765	468,147	473,820	335,980	350,139	299,049	332,001	364,942	356,417	325,721
Education	1,384,899	1,330,313	1,228,659	3,397,605	3,006,444	2,778,367	3,497,123	3,776,975	4,522,161	1,970,205
Cafeteria Operations	1,622,975	1,655,212	1,728,102	1,774,566	1,751,231	1,542,363	1,368,341	1,045,893	-	-
Operating Grants/Contributions	49,198,187	50,716,742	51,120,778	51,182,760	54,912,922	55,130,733	51,258,003	53,474,747	51,863,051	53,699,759
Capital Grants/Contributions	373,200	5,250	32,337	700,043	1,442,541	3,600,000	-	-	1,066,557	152,292
Total Governmental Activities Program Revenues:	64,140,017	64,813,107	67,896,167	71,485,927	74,628,408	76,252,290	68,385,049	71,432,145	69,536,039	68,508,693
Business-type Activities:										
Charges for Services:										
Sewer	5,259,383	4,789,483	6,502,475	8,406,658	8,539,892	10,396,217	12,352,153	16,494,263	14,058,609	13,320,223
Sewer Assessment	4,862,965	5,259,468	5,327,729	5,834,912	6,072,270	6,078,049	5,646,954	5,414,375	5,193,582	5,962,350
Water	7,523,297	9,397,493	8,146,911	7,679,742	7,274,848	8,008,749	8,767,956	7,918,224	10,482,771	9,771,177
Non-major Enterprise Funds	394,525	389,022	571,662	-	-	-	-	-	-	-
Operating Grants/Contributions	-	-	-	9,511	121,916	39,153	-	-	-	-
Capital Grants/Contributions	-	-	-	-	-	326,620	1,238,170	541,403	2,694,761	3,073,848
Total Business-type Activities Program Revenues:	18,040,170	19,835,466	20,548,777	21,930,823	22,008,926	24,848,788	28,005,233	30,368,265	32,429,723	32,127,598
Total Primary Government Program Revenues:	\$82,180,187	\$84,648,573	\$88,444,944	\$93,416,750	\$96,637,334	\$101,101,078	\$96,390,282	\$101,800,410	\$101,965,762	\$100,636,291
Net (Expense) Revenue										
Governmental Activities	(\$179,401,768)	(\$186,586,785)	(\$191,755,871)	(\$206,923,045)	(\$221,787,734)	(\$238,987,789)	(\$244,405,133)	(\$239,917,463)	(\$245,149,137)	(\$243,046,168)
Business-type Activities	2,222,232	2,089,884	1,698,530	1,020,132	271,660	936,009	3,142,987	5,181,326	(2,483,840)	7,303,983
Total Primary Government Net Expense	(\$177,179,536)	(\$184,496,901)	(\$190,057,341)	(\$205,902,913)	(\$221,516,074)	(\$238,051,780)	(\$241,262,146)	(\$234,736,137)	(\$247,632,977)	(\$235,742,185)

CITY OF WARWICK, RHODE ISLAND
CHANGE IN NET ASSETS
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)
(Unaudited)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Revenues and Other Changes in Net Assets										
Governmental Activities										
Property Taxes	\$154,499,750	\$161,663,212	\$161,450,920	\$169,988,651	\$177,362,772	\$185,975,551	\$195,204,676	\$201,516,576	\$205,826,048	\$213,334,334
Interest on Property Taxes	1,539,331	223,682	240,711	1,502,221	1,484,500	1,591,941	1,728,716	(1,273,017)	1,571,198	1,737,961
State Aid & In Lieu of Tax	17,309,307	18,110,616	18,163,665	22,172,675	24,398,225	23,579,703	21,121,217	17,352,666	6,817,475	6,896,729
Investment Earnings	273,371	1,479,305	1,778,330	1,196,230	1,456,165	950,750	156,876	59,581	2,319	(21,741)
Tax Titles	20,907	73,383	47,530	61,804	7,823	33,212	20,334	155,168	97,308	78,373
Insurance Proceeds									496,997	39,914
Miscellaneous	3,005,576	5,004,306	5,701,306	2,811,911	4,710,191	5,650,040	4,470,760	5,194,338	5,016,367	5,479,807
Transfers					150,000	50,000	100,000	-	-	17,727
<i>Total Governmental Activities:</i>	<i>176,648,242</i>	<i>186,554,504</i>	<i>187,382,462</i>	<i>197,733,492</i>	<i>209,569,676</i>	<i>217,831,197</i>	<i>222,802,579</i>	<i>223,005,312</i>	<i>219,827,712</i>	<i>227,563,104</i>
Business-type Activities										
Investment Earnings	116,222	104,987	227,187	871,061	847,664	619,603	180,981	34,442	20,424	8,917
Insurance Proceeds									6,104,379	24,707
Transfers					(150,000)	(50,000)	(100,000)		-	(17,727)
<i>Total Business-type Activities:</i>	<i>116,222</i>	<i>104,987</i>	<i>227,187</i>	<i>871,061</i>	<i>697,664</i>	<i>569,603</i>	<i>80,981</i>	<i>34,442</i>	<i>6,124,803</i>	<i>15,897</i>
<i>Total Primary Government:</i>	<i>\$176,764,464</i>	<i>\$186,659,491</i>	<i>\$187,609,649</i>	<i>\$198,604,553</i>	<i>\$210,267,340</i>	<i>\$218,400,800</i>	<i>\$222,883,560</i>	<i>\$223,039,754</i>	<i>\$225,952,515</i>	<i>\$227,579,001</i>
Change in Net Assets										
Governmental Activities	(\$2,753,526)	(\$32,281)	(\$4,373,409)	(\$9,189,553)	(\$12,218,058)	(\$21,156,592)	(\$21,602,554)	(\$16,912,151)	(\$25,321,425)	(\$15,483,064)
Business-type Activities	2,338,454	2,194,871	1,925,717	1,891,193	969,324	1,505,612	3,223,968	5,215,768	3,640,963	7,319,880
<i>Total Primary Government:</i>	<i>(\$415,072)</i>	<i>\$2,162,590</i>	<i>(\$2,447,692)</i>	<i>(\$7,298,360)</i>	<i>(\$11,248,734)</i>	<i>(\$19,650,980)</i>	<i>(\$18,378,586)</i>	<i>(\$11,696,383)</i>	<i>(\$21,680,462)</i>	<i>(\$8,163,184)</i>

Source: City of Warwick Comprehensive Annual Financial Report

- (1) In Fiscal 2006 Non-Major Enterprise Funds were combined within Sewer and Water.
(2) In Fiscal 2011 Cafeteria Operations were combined with Education

CITY OF WARWICK, RHODE ISLAND
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)
(Unaudited)

	Fiscal Year										
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund											
Reserved	\$2,436,641	\$1,985,164	\$3,796,141	\$4,807,974	\$4,882,583	\$1,717,250	\$3,961,677	\$3,225,420	\$7,945,894	\$0	\$0
Non-Spendable										\$216,869	\$217,244
Restricted										\$0	\$0
Committed										\$2,401,774	\$3,322,613
Assigned										\$0	\$0
Unreserved/Unassigned;	7,373,171	7,913,711	12,341,007	11,844,497	13,396,581	12,739,745	7,899,627	5,916,723	6,862,566	5,981,718	8,253,978
Total General Fund	\$9,809,812	\$9,898,875	\$16,137,148	\$16,652,471	\$18,279,164	\$14,456,995	\$11,861,304	\$9,142,143	\$14,808,460	\$8,600,361	\$11,793,835
All Other Governmental Funds											
Reserved	\$3,796,403	\$6,237,067	\$4,877,255	\$3,683,117	\$5,862,678	\$2,107,178	\$1,107,800	\$1,749,289	\$1,471,318		
Restricted										\$9,587,064	\$7,754,049
Committed											
Assigned										\$46,950	\$40,656
Unassigned/Unassigned in:											
Special Revenue Funds	1,362,453	1,926,740	1,593,814	1,872,634	2,129,260	1,529,175	(585,186)	653,589	2,565,535	(13)	
Capital Project Funds	5,603,416	6,197,356	(1,905,179)	5,758,721	(2,664,466)	1,984,818	1,344,428	383,425	2,420,408	(888,044)	(628,477)
Total All Other Governmental Funds	\$10,762,272	\$14,361,163	\$4,565,890	\$11,314,472	\$5,327,472	\$5,621,171	\$1,867,042	\$2,786,303	\$6,457,261	\$8,745,957	\$7,166,228
Total All Other Governmental Funds	20,572,084	24,260,038	20,703,038	27,966,943	23,606,636	20,078,166	13,728,346	11,928,446	21,265,721	17,346,318	18,960,063

Source: City of Warwick Comprehensive Annual Financial Report

Note: GASB54 was implemented in 2011. Fund balance classifications were adjusted accordingly.

CITY OF WARWICK, RHODE ISLAND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues										
General Property Taxes	154,766,488	161,966,558	161,536,866	169,763,615	177,052,585	185,121,502	194,214,398	202,494,106	204,577,041	212,007,763
Interest On Taxes	1,500,420	1,270,919	1,143,870	1,202,023	1,209,003	1,200,872	1,376,875	1,228,767	1,357,578	1,392,844
Intergovernmental Revenue	62,956,734	64,893,052	65,246,999	67,275,837	72,167,517	72,909,688	63,643,865	62,224,022	53,821,511	52,037,242
State Contribution to Pension Plan	3,303,239	3,808,127	3,948,000	4,460,664	5,848,558	7,045,104	6,319,011	5,928,125	5,747,000	6,251,800
Charges for Services	11,703,450	12,502,945	13,962,944	16,308,269	15,798,638	15,494,679	12,531,573	12,844,595	11,657,310	11,606,395
Investment Income	268,139	205,510	625,983	1,178,496	1,435,007	934,228	152,401	58,314	2,093	1,474
Contributions and Private Grants	500,713	39,641	89,228	166,177	532,283	181,631	187,375	139,515	106,860	164,652
Other Revenue	5,408,414	7,404,245	7,856,048	7,831,481	9,228,876	9,785,620	11,126,985	11,581,585	9,909,777	10,309,384
<i>Total Revenues</i>	<i>240,407,597</i>	<i>252,090,997</i>	<i>254,409,938</i>	<i>268,186,562</i>	<i>283,272,467</i>	<i>292,673,324</i>	<i>289,552,483</i>	<i>296,499,029</i>	<i>287,179,170</i>	<i>293,771,554</i>
Expenditures										
Executive and Administration	3,925,108	4,814,023	5,316,960	5,028,234	6,185,376	4,734,433	4,872,291	5,816,066	4,957,805	4,519,720
Public Safety	36,403,115	37,019,975	42,461,213	40,717,156	44,501,008	42,122,827	41,233,284	40,755,519	42,308,559	43,062,869
Recreation	2,604,336	4,548,564	2,872,391	2,265,365	2,598,519	6,262,255	1,812,641	1,780,946	1,895,427	1,576,349
Public Libraries	2,463,530	2,828,316	2,580,004	2,647,206	2,764,806	2,888,316	2,588,469	2,571,020	2,631,152	2,580,684
Social Services	2,226,501	2,134,076	2,094,469	2,180,058	2,059,600	2,189,436	2,079,240	1,854,240	1,393,507	1,262,235
Planning and Economic Development	1,888,260	2,423,356	2,002,003	3,321,767	2,940,637	2,793,048	2,716,404	3,242,502	2,578,289	2,169,881
Public Works	11,796,885	13,140,675	13,059,114	14,938,720	12,708,971	12,021,107	11,687,121	12,491,980	14,237,550	12,423,819
Employee Benefits, Fixed Costs, & Capital	26,291,236	28,664,462	31,608,948	34,811,318	39,097,834	38,889,504	40,692,687	41,079,075	43,757,666	46,057,032
Education	144,469,828	145,227,159	144,366,527	151,894,602	161,925,679	166,893,833	165,475,272	163,419,363	169,004,878	165,316,678
Cafeteria Operations*	2,549,202	2,658,550	2,800,341	2,916,762	2,841,531	2,908,848	3,005,016	2,647,559	-	-
State Contribution to Pension Plan	3,303,239	3,808,127	3,948,000	4,460,664	5,848,558	7,045,104	6,319,011	5,928,125	5,747,000	6,251,800
Other	-	-	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-	-	-
Debt Service-Principal	6,473,793	5,988,683	5,603,242	6,328,283	6,255,060	7,165,403	6,444,241	6,920,994	5,965,182	5,226,115
Debt Service-Interest	2,722,722	3,085,831	3,111,185	3,151,446	3,045,599	3,080,272	2,313,451	2,300,365	2,169,590	1,726,854
Bond Issuance Costs/Paying Agent Fees	-	-	-	-	-	-	-	-	200,420	1,500
<i>Total Expenditures</i>	<i>247,117,755</i>	<i>256,341,797</i>	<i>261,824,397</i>	<i>274,661,581</i>	<i>292,773,178</i>	<i>298,994,386</i>	<i>291,239,128</i>	<i>290,807,754</i>	<i>296,847,025</i>	<i>292,175,536</i>
Excess of Revenues Over (Under) Expenditures										
Before Other Financing Sources (Uses)	(6,710,158)	(4,250,800)	(7,414,459)	(6,475,019)	(9,500,711)	(6,321,062)	(1,686,645)	5,691,275	(9,667,855)	1,596,018

CITY OF WARWICK, RHODE ISLAND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Other Financing Sources (Uses)										
Transfers From Other Funds	106,204,261	108,633,349	113,255,478	116,360,126	125,495,249	131,403,144	136,243,765	133,734,780	129,552,412	127,682,960
Transfers To Other Funds	(106,551,389)	(109,055,549)	(113,581,839)	(116,731,115)	(125,726,008)	(131,626,361)	(136,357,020)	(133,996,780)	(129,552,412)	(127,665,233)
Proceeds From Bonds	11,000,000	-	11,500,000	2,500,000		201,926	-	3,908,000	6,047,524	
Proceeds From Capital Lease	-	1,116,000	3,504,725		6,203,000	-	-	-	-	
<i>Total Other Financing Sources (Uses)</i>	<i>10,652,872</i>	<i>693,800</i>	<i>14,678,364</i>	<i>2,129,011</i>	<i>5,972,241</i>	<i>(21,291)</i>	<i>(113,255)</i>	<i>3,646,000</i>	<i>6,047,524</i>	<i>17,727</i>
Net Change in Fund Balances	3,942,714	(3,557,000)	7,263,905	(4,346,008)	(3,528,470)	(6,342,353)	(1,799,900)	9,337,275	(3,620,331)	1,613,745
Debt Service As A Percentage of Noncapital Expenditures	3.85%	3.70%	3.44%	3.59%	3.27%	3.49%	3.01%	3.20%	2.79%	2.42%

* During fiscal 2011, Cafeteria Operations were combined with Education.

Source: City of Warwick Comprehensive Annual Financial Report

CITY OF WARWICK, RHODE ISLAND
ASSESSED VALUE & ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

Real Property						
Fiscal Year	Residential	Commercial	Less Tax-Exempt Property	Total Taxable Assessed Value	Estimated Actual Value	Tax Rate Res/Comm
2003	3,095,621,600	1,286,381,700	48,964,100	4,333,039,200	5,777,385,600	\$26.89 / \$35.85
2004	3,111,897,200	1,307,742,200	48,449,100	4,371,190,300	7,285,317,167	\$27.83 / \$37.11
2005	6,220,219,600	2,076,887,200	70,960,000	8,226,146,800	14,956,630,545	\$14.81/ \$22.22
2006	6,241,260,800	2,098,104,400	69,168,000	8,270,197,200	8,270,197,200	\$15.46/ \$23.18
2007	6,281,527,400	2,129,669,100	67,760,000	8,343,436,500	9,481,177,841	\$15.95/ \$23.93
2008	8,079,072,500	3,212,249,600	66,586,000	11,224,736,100	14,682,454,022	\$12.75/ \$19.13
2009	8,082,766,300	3,188,308,100	94,720,900	11,176,353,500	11,176,353,500	\$13.41/ \$20.12
2010	8,097,688,900	3,203,401,900	64,803,000	11,236,287,800	9,135,193,333	\$14.14/ \$21.21
2011	6,286,650,600	2,808,766,770	64,485,000	9,030,932,370	9,030,932,370	\$17.48/ \$26.22
2012	6,261,960,200	2,641,178,770	53,032,287	8,850,106,683	8,850,106,683	\$17.69/ \$26.53

Personal Property						
Tangible						
Fiscal Year	Tangible Personal Property	Less Tax-Exempt Property	Total Tangible Taxable Assessed Value	Estimated Actual Value	Tax Rate Tangible/ Inventory	
2003	505,710,630	2,000	505,708,630	505,708,630	\$35.85/ \$19.10	
2004	522,734,110	8,000	522,726,110	522,726,110	\$37.82/ \$15.92	
2005	595,492,890	30,030	595,462,860	595,462,860	\$29.62/ \$12.73	
2006	626,759,280	12,000	626,747,280	626,747,280	\$30.91/ \$9.55	
2007	678,223,300	19,830	678,203,470	678,203,470	\$31.90/ \$6.37	
2008	672,374,200	12,000	672,362,200	672,362,200	\$25.50/ \$3.18	
2009	464,491,800	12,000	464,479,800	464,479,800	\$26.82/ \$0.00	
2010	468,844,000	2,000	468,842,000	468,842,000	\$28.28/ \$0.00	
2011	449,384,970	12,000	449,372,970	449,372,970	\$34.96/ \$0.00	
2012	462,434,140		462,434,140	462,434,140	\$35.38/ \$0.00	

Notes:

(1) Fiscal 2008 reflects the results of a full revaluation and fiscal 2011 reflects the most recent statistical revaluation

Source: Tax Assessor's Official Tax Certification List

CITY OF WARWICK, RHODE ISLAND
ASSESSED VALUE & ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year	Personal Property			Total Motor Vehicle Taxable Assessed Value	Estimated Actual Value	Tax Rate Motor Vehicles
	Motor Vehicles	Less Tax-Exempt Property	Less State M/V Phaseout			
2003	618,834,373	17,971,143	258,692,872	342,170,358	342,170,358	\$34.60
2004	657,795,263	17,751,203	269,352,802	370,691,258	370,691,258	\$34.60
2005	635,241,587	16,206,433	266,395,881	352,639,273	352,639,273	\$34.60
2006	705,512,480	16,780,014	276,222,602	412,509,864	412,509,864	\$34.60
2007	760,806,808	16,121,945	347,776,394	396,908,469	396,908,469	\$34.60
2008	762,431,180	15,453,410	354,906,174	392,071,596	392,071,596	\$34.60
2009	777,437,990	14,629,711	357,954,774	404,853,505	404,853,505	\$34.60
2010	706,836,093	13,698,497	357,188,715	335,948,881	335,948,881	\$34.60
2011	742,645,169	12,867,015	363,655,976	366,122,178	366,122,178	\$34.60
2012	680,792,673	12,652,167	13,342,221	654,798,285	654,798,285	\$34.60

Fiscal Year	Total All		Ratio
	Assessed Value	Estimated Actual Value	
2003	5,180,918,188	6,625,264,588	78.20%
2004	5,264,607,668	8,178,734,535	64.37%
2005	9,174,248,933	15,904,732,678	57.68%
2006	9,309,454,344	9,309,454,344	100.00%
2007	9,418,548,439	10,556,289,780	89.22%
2008	12,289,169,896	15,746,887,818	78.04%
2009	12,045,686,805	12,045,686,805	100.00%
2010	12,041,078,681	9,939,984,214	121.14%
2011	9,846,427,518	9,846,427,518	100.00%
2012	9,967,339,108	9,967,339,108	100.00%

Notes:

- (1) Fiscal 2008 reflects the results of a full revaluation and fiscal 2011 reflects the most recent statistical revaluation
(2) Inventory Tax was phased out after fiscal 2008

Source: City of Warwick Tax Assessor - Official Tax Certification List

CITY OF WARWICK, RHODE ISLAND
PROPERTY TAX RATES
(PER \$1000 OF ASSESSED VALUE)
LAST TEN FISCAL YEARS
(Unaudited)

<u>Fiscal Year</u>	<u>General Fund</u>	<u>Fiscal Year</u>	<u>General Fund</u>
2003	Real Estate Residential 26.89	2008	Real Estate Residential 12.75
	Real Estate Commercial 35.85		Real Estate Commercial 19.13
	Tangible Personal Property 35.85		Tangible Personal Property 25.50
	Manufacturers' Machinery 19.10		Manufacturers' Machinery 3.18
	Motor Vehicles 34.60		Motor Vehicles 34.60
2004	Real Estate Residential 27.83	2009	Real Estate Residential 13.41
	Real Estate Commercial 37.11		Real Estate Commercial 20.12
	Tangible Personal Property 37.82		Tangible Personal Property 26.82
	Manufacturers' Machinery 15.92		Manufacturers' Machinery -
	Motor Vehicles 34.60		Motor Vehicles 34.60
2005	Real Estate Residential 14.81	2010	Real Estate Residential 14.14
	Real Estate Commercial 22.20		Real Estate Commercial 21.21
	Tangible Personal Property 29.62		Tangible Personal Property 28.28
	Manufacturers' Machinery 12.73		Manufacturers' Machinery -
	Motor Vehicles 34.60		Motor Vehicles 34.60
2006	Real Estate Residential 15.46	2011	Real Estate Residential 17.48
	Real Estate Commercial 23.18		Real Estate Commercial 26.22
	Tangible Personal Property 30.91		Tangible Personal Property 34.96
	Manufacturers' Machinery 9.55		Manufacturers' Machinery -
	Motor Vehicles 34.60		Motor Vehicles 34.60
2007	Real Estate Residential 15.95	2012	Real Estate Residential 17.69
	Real Estate Commercial 23.93		Real Estate Commercial 26.53
	Tangible Personal Property 31.90		Tangible Personal Property 35.38
	Manufacturers' Machinery 6.37		Manufacturers' Machinery -
	Motor Vehicles 34.60		Motor Vehicles 34.60

Source: City of Warwick Tax Assessor - Official Tax Certification List

**CITY OF WARWICK, RHODE ISLAND
PRINCIPAL TAXPAYERS**

June 30, 2012

(Unaudited)

Taxpayer	Taxable Assessed Value*	Rank	Percentage of Total Taxable Assessed Value
Narragansett Electric Co.	114,499,960	1	1.15%
GLL Rhode Island Mall LP	56,383,300	2	0.57%
CAR WAR LLC	51,289,900	3	0.51%
Metropolitan Life Insurance Co	47,718,360	4	0.48%
Warwick Mall LLC	39,223,000	5	0.39%
DDRTC Warwick Center LLC	35,742,000	6	0.36%
Aimco Warwick LLC	35,396,400	7	0.36%
Warwick Associates	32,284,400	8	0.32%
Cowesett Hills Apartments LLC	31,393,100	9	0.31%
Target Corporation	26,702,600	10	0.27%
	470,633,020		4.72%

Total Assessed Value 2012 9,967,339,108

Source: City of Warwick Tax Assessor

Information from 2002 was unavailable

* Based Upon Assessed Values From December 31, 2011

**CITY OF WARWICK, RHODE ISLAND
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**

Fiscal Year Ended	Original Tax Levy	Cumulative Adjustments	Total Adjusted Levy	Collected within the Fiscal Year of the Levy		Cumulative Collections in Subsequent Years	Total Collections to Date	
				Amount	Percentage of Original Levy		Amount	Percentage of Adjusted Levy
2003	154,467,467	(313,946)	154,153,521	152,466,406	98.7%	1,419,220	153,885,626	99.8%
2004	162,075,109	203,256	162,278,365	160,736,584	99.2%	1,265,473	162,002,057	99.8%
2005	161,867,391	(767,738)	161,099,653	160,009,037	98.9%	750,951	160,759,988	99.8%
2006	171,526,009	(1,435,118)	170,090,892	168,617,003	98.3%	1,058,262	169,675,265	99.8%
2007	178,109,831	(499,355)	177,610,476	175,814,548	98.7%	1,341,607	177,156,155	99.7%
2008	187,228,328	(1,636,596)	185,591,732	183,684,242	98.1%	1,230,080	184,914,322	99.6%
2009	195,989,706	(1,035,556)	194,954,150	192,642,378	98.3%	1,760,614	194,402,992	99.7%
2010	204,173,334	(1,452,240)	202,721,094	200,662,928	98.3%	1,474,769	202,137,697	99.7%
2011	208,897,991	(2,904,403)	205,993,588	203,384,663	97.4%	1,669,176	205,053,839	99.5%
2012	216,867,072	(1,559,709)	215,307,363	210,300,217	97.0%	-	210,300,217	97.7%

Note: This table has been revised to include information pertaining to 60 day collections and cumulative adjustments.

Source: City of Warwick Finance Department - Comprehensive Annual Financial Reports

CITY OF WARWICK, RHODE ISLAND
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year	Governmental Activities		Business-type Activities				Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Capital Leases	General Obligation Bonds	RICWFA Loans	Sewer BAN	Capital Leases			
2003	69,827,645	2,902,000	16,857,355	87,863,133	15,000,000	-	177,450,133	8.71%	\$2,038.74
2004	65,171,217	2,816,000	15,173,783	104,515,674	15,000,000	-	187,676,674	9.21%	\$2,156.24
2005	72,369,424	5,109,725	14,720,576	120,260,838	15,000,000	-	212,460,563	10.39%	\$2,431.87
2006	70,174,747	3,634,725	28,225,254	120,055,206	-	-	222,089,932	11.04%	\$2,584.70
2007	65,316,412	8,662,725	26,238,588	123,389,963	-	-	223,607,688	11.12%	\$2,602.36
2008	60,851,033	6,306,818	24,963,967	127,795,468	-	-	219,917,286	10.93%	\$2,559.41
2009	56,854,016	3,736,393	23,725,984	120,531,506	-	-	204,847,899	10.18%	\$2,384.03
2010	55,841,597	1,844,974	22,316,403	113,952,310	-	-	193,955,284	7.47%	\$2,288.29
2011	54,910,724	2,622,487	20,209,276	106,003,585	-	-	183,746,072	7.42%	\$2,222.59
2012	50,934,288 *	1,372,808	18,860,712	100,302,275	-	-	171,470,083	6.82%	\$2,074.10

* Excludes cumulative RIHEBC Bond principal repayments in the amount of \$507,500 which were paid to US Bank Sinking Fund Account.

Source: City of Warwick Finance Department - Comprehensive Annual Financial Reports
Long Term Debt Amortization Schedules

CITY OF WARWICK, RHODE ISLAND
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
(Unaudited)

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Less; Amounts Reimbursed By State</u>	<u>Net Bonded Debt</u>	<u>Percentage of Estimated Actual Taxable Value Of Property</u>	<u>Per Capita</u>
2003	69,827,645	1,248,910	68,578,735	0.85%	\$787.91
2004	65,171,217	1,388,508	63,782,709	0.72%	\$732.81
2005	72,369,424	1,465,965	70,903,459	0.77%	\$811.58
2006	70,174,747	1,563,909	68,610,838	0.66%	\$798.50
2007	65,316,412	1,542,099	63,774,313	0.53%	\$742.21
2008	60,851,033	1,505,114	59,345,919	0.48%	\$690.67
2009	56,854,016	1,472,550	55,381,466	0.56%	\$644.53
2010	55,841,597	1,377,090	54,464,507	0.45%	\$642.57
2011	54,910,724	1,387,236	53,523,488	0.54%	\$647.42
2012	50,934,288 *	1,337,132	49,597,156	0.50%	\$599.93

* Excludes cumulative RIHEBC Bond principal repayments in the amount of \$507,500 which were paid to US Bank Sinking Fund Account.

Source: City of Warwick Finance Department and Tax Assessor's Office

State Reimbursement relates to School Housing Aid and Library Debt Reimbursement.

**CITY OF WARWICK, RHODE ISLAND
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS**

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt Limit	155,427,546	157,938,230	275,227,468	279,283,630	282,556,453	368,675,097	361,370,604	361,232,360	295,392,826	299,020,173
Total Net Debt Applicable To Limit	69,827,645	65,171,217	72,369,424	70,174,747	65,316,412	60,851,033	56,854,016	55,841,597	54,910,724	50,934,288
Legal Debt Margin	85,599,901	92,767,013	202,858,044	209,108,883	217,240,041	307,824,064	304,516,588	305,390,763	240,482,102	248,085,885
Total Net Debt Applicable To The Limit As A Percentage of Debt Limit	44.93%	41.26%	26.29%	25.13%	23.12%	16.51%	15.73%	15.46%	18.59%	17.03%

Legal Debt Margin Calculation for Fiscal Year 2012	
Assessed Value:	9,967,339,108
Debt Limit (3% of total assessed value)	299,020,173
Debt Applicable to limit:	
General Obligation Bonds-Governmental	50,934,288
Legal Debt Margin	248,085,885

Source: City of Warwick Finance Department

**THE CITY OF WARWICK
PLEDGED-REVENUE COVERAGE
LAST EIGHT FISCAL YEARS**

Sewer Revenue Bonds

Fiscal Year	Sewer Charges and Other	Less Operating Expenses	Net Available Revenue	Principal	Debt Service Interest	Coverage
2005	11,763,679	4,038,078	7,725,601	0	5,468	141283.38%
2006	15,082,662	4,765,154	10,317,508	0	189,952	5431.63%
2007	14,341,775	4,460,088	9,881,687	853,000	408,242	783.49%
2008	16,482,480	5,303,709	11,178,771	1,113,000	498,354	693.75%
2009	18,045,494	5,701,591	12,343,903	1,725,000	792,526	490.32%
2010	18,040,847	5,437,372	12,603,475	2,089,000	855,929	427.97%
2011	19,651,826	5,670,495	13,981,331	2,166,120	861,179	461.84%
2012	19,635,273	5,786,957	13,848,316	2,190,120	834,082	457.92%

The Warwick Sewer Authority has Issued the following revenue bonds:

December 31, 2004	\$20,000,000
December 15, 2005	\$5,000,000
December 21, 2006	\$9,500,000
December 12, 2007	\$6,942,000
April 30, 2008	\$4,000,000
October 6, 2009	\$1,169,026 *
June 26, 2012	\$2,400,000

Debt Service only includes Principal and Interest related to Sewer Revenue Bonds.

Principal Payments on Revenue Bonds began in fiscal 2007

Debt Payments relating to Sewer General Obligation Debt has not been included.

Sewer Charges and Other includes Interest Income and Transfer from Sewer Assessment.

Sewer Charges and Other does not include capital asset transfer from Emergency Operations

Operating Expenses do not include Depreciation, Debt Interest Expense, or Loss on Disposal of Assets.

* SRF/Stimulus Loan-Shown Net of \$178,601.10 Principal Forgiveness

Source: City of Warwick Finance Department

**THE CITY OF WARWICK
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
(Unaudited)**

Fiscal Year	Population	Personal Income	Median Family Income	Per Capita Personal Income	School Enrollment	Unemployment Rate
2003	87,039	2,037,582,990	\$56,225	\$23,410	12,078	5.70%
2004	87,039	2,037,582,990	\$56,225	\$23,410	12,003	5.50%
2005	87,365	2,045,214,650	\$56,225	\$23,410	11,709	5.30%
2006	85,925	2,011,504,250	\$56,225	\$23,410	11,385	5.50%
2007	85,925	2,011,504,250	\$56,225	\$23,410	10,944	4.85%
2008	85,925	2,011,504,250	\$58,087	\$23,410	10,818	5.60%
2009	85,925	2,011,504,250	\$59,445	\$23,410	10,525	9.18%
2010	84,760	2,597,724,480	\$75,029	\$30,648	10,507	11.50%
2011	82,672	2,477,762,512	\$72,337	\$29,971	10,277	10.30%
2012	82,672	2,515,047,584	\$73,504	\$30,422	9,977	10.12%

Sources: US Census Bureau, Population Finder and FactFinder
US Census Bureau, 2008-2010 American Community Survey
US Census Bureau, 2006-2010 American Community Survey (5 Year Estimates)
US Dept of Labor, Bureau of Labor Statistics

**THE CITY OF WARWICK
PRINCIPAL EMPLOYERS
June 30, 2012
(Unaudited)**

Employer	Employees	Rank	Percentage of Total City Employment
City of Warwick/Warwick School Dept*	2198	1	4.71%
Kent County Memorial Hospital	1850	2	3.96%
United Parcel Service, Inc.	1000	3	2.14%
Community College of RI	752	4	1.61%
Chelo's Restaurants	730	5	1.56%
Inskip Automotive Group	525	6	1.12%
Kenney Manufacturing	500	7	1.07%
Kent County ARC	500	8	1.07%
Stop & Shop	450	9	0.96%
Wal-Mart	450	10	0.96%

**Source: R.I. Economic Development Corporation-February 2011/2010 Reports
R.I. Department of Labor and Training-Total Employment Statistics**

(Historical data for nine years prior was unavailable)

*School Employees include Professional Only)

CITY OF WARWICK
FULL TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS
(Unaudited)

Function	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Municipal Administration	86	86	87	91	95	95	95	92	90	89
Public Safety										
Police Civilians	75	75	77	77	74	79	79	81	84	83
Officers	164	163	163	163	180	178	178	178	178	178
Fire Civilians	11	11	11	12	12	12	12	12	12	12
Firefighters/Officers	209	209	209	217	218	218	218	214	213	213
Municipal	16	16	17	17	18	18	17	16	16	16
Social Services	22	22	22	23	27	25	29	30	31	28
Library/Recreation	67	67	66	67	72	72	73	88	88	87
Developmental Resources	16	16	17	19	20	21	20	20	17	15
Public Works										
Administration	3	3	3	4	4	5	5	5	6	6
Maintenance/Automotive	39	39	39	42	46	46	42	27	27	27
Engineering	4	4	4	4	7	7	7	7	6	6
Sanitation/Recycling	23	24	24	24	25	25	27	28	27	26
Highway	62	61	61	62	64	65	64	64	64	66
Water	35	35	35	35	37	37	37	38	38	36
Sewer	32	32	32	33	36	35	33	33	34	33

Source : City of Warwick Finance Department - Personnel Supplements
Note: This count is based upon budgeted positions; not all were filled

**THE CITY OF WARWICK
OPERATING INDICATORS BY FUNCTION
LAST NINE FISCAL YEARS**

(Unaudited)

Function	2004	2005	2006	2007	2008	2009	2010	2011	2012
Legislative and Executive									
Number of Resolutions	198	186	194	212	201	222	214	158	122
Number of Ordinances	48	48	72	62	37	47	38	32	21
Number of Meetings	22	22	22	22	22	22	22	22	29
Board of Elections									
Number of Registered Voters	56,734	49,306	52,017	56,555	58,122	59,928	61,133	60,239	60,315
Purchasing									
Number of bid contracts	383	377	323	378	312	301	317	329	301
Number of purchase orders issued	5,568	5,015	5,086	4,818	3,855	3,152	3,374	3,549	3,665
Building Department									
Number of permits issued	5,464	5,000	5,774	5,388	5,468	4,152	5,210	4,709	4,521
Permit Value	83,989,758	127,211,666	98,359,758	83,667,292	115,293,674	47,712,906	53,664,975	59,519,775	63,980,377
Public Safety									
Calls for Service	86,187	80,565	79,026	96,124	89,145	78,136	90,509	93,796	84,669
Arrests	3,907	3,804	3,061	1,993	3,970	3,559	3,290	3,284	3,325
Accidents	6,001	6,093	5,510	5,217	4,838	4,929	4,653	4,607	4,374
Parking Violations	16,528	13,490	13,933	14,853	15,520	12,455	10,973	12,477	12,085
EMS Responses	10,278	10,719	10,314	9,554	10,785	10,411	9,953	10,932	9,637
Highway and Sanitation									
Miles of Streets-Local Paved	395	395	395	395	400	398	398	398	400
Miles of Streets-State Paved	69	69	69	69	70	68	68	68	70
Miles of Streets-Private Paved	19	19	19	19	20	19	19	19	20
Refuse Collected (Annual Tonnage)	31,787	31,376	30,700	29,607	29,622	25,897	27,050	24,747	23,797
Recyclables Collected (Annual Tonnage)	10,746	10,734	11,252	11,146	10,981	9,372	8,939	8,801	8,940
Public Skating Admissions-Thayer Arena	6,197	5,568	6,660	4,568	7,651	6,193	6,137	6,578	6,940
McDermott Pool Monthly Passes	533	575	844	1,070	1,068	953	1,082	1,225	1,119
Library									
Registered Borrowers	43,524	44,187	45,045	42,623	40,921	40,169	45,451	40,827	39,336
Print Materials	207,955	204,746	217,429	218,009	211,267	194,376	185,293	180,516	166,323
Non-Print	9,857	9,862	10,083	13,329	14,731	15,861	11,920	22,827	13,168
Circulation	415,406	461,922	426,635	372,530	367,197	386,078	445,656	494,773	521,543
Programs	781	685	877	877	863	894	864	841	574
Program Attendance	13,055	10,809	12,202	17,017	14,883	13,061	15,013	14,942	11,119
Water									
Total Connections	26,300	26,850	27,100	26,993	27,102	27,109	27,132	26,657	26,827
New Connections	200	550	250	56	42	34	25	14	42
Water Main Breaks	101	116	134	117	31	29	28	47	21
Average Daily Consumption (Gallons)	8.3M	6.57M	6.74M	7.768M	7.51M	6,314M	5.554M	5.513M	6.248M
Wastewater									
Average Daily Sewer Treatment (Gallons)	4.486M	5.073M	5.326M	5.315M	4.76M	5.13M	4.82M	5.41M	4.71M
Accounts Billed	n/a	14,313	16,844	18,007	18,696	19,769	20,133	20,532	20,999

Source: Various City Departments

THE CITY OF WARWICK
CAPITAL ASSET STATISTICS BY FUNCTION
LAST NINE FISCAL YEARS
(Unaudited)

Function	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Government									
City Hall	2	2	2	2	2	2	2	2	2
Human Services	8	8	8	8	8	8	8	8	8
Public Works	2	2	2	2	2	2	2	2	2
Public Safety									
Police Stations	1	1	1	1	1	1	1	1	1
Fire Stations	9	9	9	9	9	9	9	9	9
Highway									
Streets (miles)	483	483	483	483	490	490	490	490	490
Streetlights	8,834	8,834	8,834	8,834	8,834	8,834	8,834	8,834	8,834
Traffic Lights (City)	27	27	27	27	27	27	27	27	27
Library									
Main	1	1	1	1	1	1	1	1	1
Branches	3	3	3	3	3	3	3	3	3
Recreation									
Parks	9	9	9	9	9	9	9	9	9
Bathing Beaches	6	6	6	6	6	6	6	6	6
Ice Arenas	2	2	2	2	2	2	2	2	2
Pools	2	2	2	2	2	2	2	2	2
Water/Wastewater									
Fire Hydrants	1,769	1,769	1,769	1,769	1,769	1,769	1,772	1,772	1,772
Max Daily Capacity (Gallons)-Water	12.57M	13.26M	13.3M	13.3M	13.3M	13.3M	13.3M	13.3M	13.3M
Max Daily Capacity (Gallons)-Sewer	7.7M	7.7M	7.7M	7.7M	7.7M	7.7M	7.7M	7.7M	7.7M
Education									
Elementary Schools	20	20	20	20	20	17	17	17	17
Middle Schools	3	3	3	3	3	3	3	3	3
High Schools	3	3	3	3	3	3	3	3	3
Career/Technical	1	1	1	1	1	1	1	1	1

Source: Various City Departments

(Historical data for ten years prior was unavailable)

THE CITY OF
WARWICK, RHODE ISLAND

SINGLE AUDIT SECTION

CITY OF WARWICK, RHODE ISLAND

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012**

Federal Grantor Pass-Through Grantor Program title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
U.S. Department of Agriculture			
Passed through State of RI Department of Education			
National School Lunch Program	10.555	**	\$ 1,194,731
School Breakfast Program	10.553	N/A	169,331
Fresh Fruit and Vegetable Program	10.582	2725-17602-030	31,354
Total U.S. Department of Agriculture			1,395,416
U.S. Department of Housing and Urban Development			
Direct Program			
Community Development Block Grant/Entitlements Grant	14.218	Various	1,280,575
Total U.S. Department of Housing and Urban Development			1,280,575
U.S. Department of Justice			
Direct Programs			
National Asset Seizure and Forfeiture Act	16.000	N/A	82,274
FBI Task Force	16.000	N/A	3,489
DEA Reimbursement	16.000	N/A	15,909
ARRA - Edward Byrne Memorial Justice Assistance Grant Program	16.804	2009-SU-B9-1866	33,527
Edward Byrne Memorial Justice Assistance Grant Program	16.738	Various	61,845
Bulletproof Vest Partnership Program	16.607	N/A	46,324
Enforcing Underage Drinking	16.727	N/A	8,924
Passed through the RI Public Safety Grant Administration:			
ARRA - Edward Byrne Memorial Justice Assistance Grant Program	16.738	2009-SU-B9-0016	4,722
Edward Byrne Memorial Justice Assistance Grant Program	16.738	Various	18,226
Total U.S. Department of Justice			275,240
U.S. Environmental Protection Agency			
Direct Program:			
State Clean Diesel Grant Program	66.040	N/A	78,218
ARRA State Clean Diesel Grant Program	66.040	N/A	103,744
Climate Showcase Communities Grant Program	66.041	N/A	151,427
Total U.S. Environmental Protection Agency			333,389
U.S. Department of Education			
Passed through State of RI Department of Education			
Title I Grants to Local Educational Agencies	84.010	2725-11702-201	1,453,985
ARRA - Title I Grants to Local Educational Agencies	84.389	4572-10102-101	37,323
Special Education - Grants to States	84.027	2525-13202-201	2,599,647
Special Education - Preschool Grants	84.173	2725-13502-201	104,811
ARRA - Special Education - Grants to States	84.391	4572-10202-101	340,879
Career and Technical Education - Basic Grants to States	84.048	2725-15302-201	222,775
Education for Homeless Children & Youth	84.196	Various	27,377
Education Technology State Grants	84.318	2725-12902-240	83,831
ARRA - Education Technology State Grants	84.386	Various	164,016
English Language State Grants	84.365	2725-16502-201	27,383
Improving Teacher Quality State Grants	84.367	2725-16402-201	553,688
ARRA - State Fiscal Stabilization Fund - Race to the Top Incentive Grants	84.395	Various	531,547
ARRA - Education Jobs Fund	84.410	4572-13102-101	1,556,263
Total U.S. Department of Education			7,703,525

** Includes food commodities with a value of \$111,450

(CONTINUED)

CITY OF WARWICK, RHODE ISLAND

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012**

Federal Grantor Pass-Through Grantor Program title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
U.S. Department of Transportation			
Passed through State of RI Department of Transportation			
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	Various	119,987
Total U.S. Department of Transportation			<u>119,987</u>
U.S. Department of Homeland Security			
Passed through State of RI Emergency Management Agency			
State Domestic Preparedness Equipment Support Program	97.004	Various	373,580
Homeland Security Grant Program	97.067	Various	40,000
Direct Programs			
Assistance to Firefighters	97.044	EMW-2011-FH-00384	89,566
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	N/A	1,010,522
Total U.S. Department of Homeland Security			<u>1,513,668</u>
U.S. Department of Energy			
Passed through State of RI Energy Resource Management			
ARRA - State Energy Program	81.041	DE-EE0000371	274,851
State Energy Program	81.041	DE-EE0000946	47,904
Total U.S. Department of Energy			<u>322,755</u>
Total Expenditures of Federal Awards			<u>\$ 12,944,555</u>

(CONCLUDED)

CITY OF WARWICK, RHODE ISLAND

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

JUNE 30, 2012

1. GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of the City of Warwick, Rhode Island. All federal awards received from federal agencies and expended by the City are included on the Schedule of Expenditures of Federal Awards. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basis financial statements. An example is the National School Lunch Program where the schedule of federal expenditures includes \$111,450 for the value of food commodities received. These commodities are not recorded in the basic financial statements.

2. BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting.

3. DETERMINATION OF MAJOR PROGRAMS

The determination of major federal awards programs was based upon the overall level of expenditures for all federal programs for the City of Warwick. As such, the threshold for determining Type A programs are defined as those with program expenditures greater than \$300,000 or 3 percent of total expenditures when the total expenditures are over \$10,000,000. Accordingly, Type A programs were those programs with expenditures greater than \$388,336. For the fiscal year ended, the following programs were considered to be major programs:

Improving Teacher Quality State Grants.....	84.367
IDEA Part B.....*	84.027
ARRA IDEA.....*	84.391
IDEA Preschool.....*	84.173
ARRA Education Jobs Fund.....	84.410
ARRA State Fiscal Stabilization Fund – Race to the Top Incentive Grants	84.395
National School Lunch Program.....**	10.555
School Breakfast Program.....**	10.553
ARRA State Clean Diesel Grant Program.....***	66.040
State Clean Diesel Grant Program.....***	66.040
Climate Showcase Communities Grant Program.....***	66.041

* - These programs are in a cluster and therefore considered one program for compliance requirements (** denotes a second cluster, *** denotes a third cluster).

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

To the Honorable Mayor and
Members of the City Council
City of Warwick
Warwick, Rhode Island

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Warwick, Rhode Island as of and for the year ended June 30, 2012, which collectively comprise the City of Warwick's basic financial statements and have issued our report thereon dated January 31, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the City of Warwick is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Warwick's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Warwick, Rhode Island's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Warwick's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we considered to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs (noted as item 2012-1) to be a material weakness.

A *significant deficient* deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the City of Warwick, in a separate letter titled *Communication of Matters Prescribed by Statement on Auditing Standards #115* dated January 31, 2013.

The City of Warwick's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City of Warwick's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Mayor, City Council, School Committee, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Brian P.C.

Providence, Rhode Island
January 31, 2013

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Honorable Mayor and
Members of the City Council
City of Warwick
Warwick, Rhode Island

Compliance

We have audited the City of Warwick, Rhode Island's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Warwick's major federal programs for the year ended June 30, 2012. The City of Warwick's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Warwick's management. Our responsibility is to express an opinion on the City of Warwick's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal programs occurred. An audit includes examining, on a test basis, evidence about the City of Warwick's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Warwick's compliance with those requirements.

As described in item 2012-2 in the accompanying schedule of findings and questioned costs, the City of Warwick did not comply with the requirements regarding allowable costs that are applicable to its IDEA Part B and Improving Teacher Quality State Grant programs. Compliance with such requirements is necessary, in our opinion, for the City of Warwick, to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the City of Warwick complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of the City of Warwick is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Warwick's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Warwick's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as Item 2012-3 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit the attention to those charged with governance.

The City of Warwick's responses to the finding identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City of Warwick's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the Mayor, City Council, School Committee, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Brian P.C.

Providence, Rhode Island
January 31, 2013

CITY OF WARWICK, RHODE ISLAND

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012**

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expressed an unqualified opinion on the financial statements of the City of Warwick, Rhode Island.
2. One deficiency in internal control over financial reporting has been identified and is described in Part B as item 2012-1. We consider this item to be a material weakness.
3. No instances of noncompliance material to the financial statements of the City of Warwick were disclosed during the audit.
4. One material weakness in internal control over compliance with requirements applicable to major federal programs was identified and is listed as Item 2012-3 in Part C.
5. The auditor's report on compliance for the major federal award program for the City of Warwick, Rhode Island expresses a qualified opinion.
6. Audit findings relative to the major federal award programs for the City of Warwick, Rhode Island are reported in Part C of this schedule.

7. The programs tested as major programs were:

Improving Teacher Quality State Grants.....	84.367
IDEA Part B.....*	84.027
ARRA IDEA.....*	84.391
IDEA Preschool.....*	84.173
ARRA Education Jobs Fund.....	84.410
ARRA State Fiscal Stabilization Fund – Race to the Top Incentive Grants	84.395
National School Lunch Program.....**	10.555
School Breakfast Program.....**	10.553
ARRA State Clean Diesel Grant Program.....***	66.040
State Clean Diesel Grant Program.....***	66.040
Climate Showcase Communities Grant Program.....***	66.041

* - These programs are in a cluster and therefore considered one program for compliance requirements (** denotes a second cluster, *** denotes a third cluster).

8. The threshold for distinguishing Type A and B programs is described in Note 3 to the Schedule of Expenditures of Federal Awards.
9. The City of Warwick qualified as a low-risk auditee for the year ended June 30, 2012.

(Continued)

CITY OF WARWICK, RHODE ISLAND

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012**

B. FINANCIAL STATEMENT FINDINGS

CURRENT YEAR FINDINGS:

2012-1: The Warwick Education Department currently does not have policies and procedures for reconciling cash and interfund balances on a periodic basis. We noted that the School Department currently records virtually all transactions utilizing the interfund account rather than recording transactions through the cash account. In addition, we noted that the School Unrestricted General Fund cash account was not being reconciled on a monthly basis. Failure to reconcile the interfund and cash account on a periodic basis (preferably monthly) increases the risk of intentional or unintentional errors and irregularities from incurring and going undetected for extended periods of time which in turn could result in financial statement misstatement.

PRIOR YEAR FINDINGS:

2011-1: The general ledger accounting records should include all accounts and funds which are included in the City's annual financial statements. During our audit we noted that the general ledger does not include the school Student Activity Funds or the school's long-term debt obligations. We believe that all accounts and funds should be maintained within the general ledger system rather than being recorded in external systems and worksheets. Maintaining all such accounts and funds within the general ledger will reduce the risk of financial statement misstatement.

As of June 30, 2011 the City and School have each implemented a Healthcare Management Fund (internal service funds) and incorporated these activities into the city-wide financial statements. These funds were created to report the financial activity, assets, liabilities, and net assets related to the self-insured health insurance programs administered by the City and School Department. Prior to June 30, 2011 the activity of these programs was reported in the general fund and School funds, but did not include all of the assets, liabilities, expenses and net assets of these activities. As a result, the June 30, 2010 reported assets and liabilities of these programs have been restated by +\$5,002,933 and +\$828,412, respectively, with a corresponding increase in the net assets of these programs of \$4,174,521 being recognized. Going forward, the City and School should ensure that the complete activity of these funds is reflected in the general ledger and annual financial statements.

(Continued)

CITY OF WARWICK, RHODE ISLAND

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012**

B. FINANCIAL STATEMENT FINDINGS (CONTINUED)

CITY MANAGEMENT RESPONSE TO FINDING 2011-1

Based upon the auditor's recommendation, the City did establish an internal service fund to record activity relating to our medical healthcare self-insurance programs. Prior to the establishment of this fund, the City recorded all escrow funds held by the health insurers as assets on the General Fund. These funds have always been a part of the City's unassigned fund balance. It is important to note that these escrow funds currently represent 94% of the healthcare fund's total equity. This year, our reporting was expanded to recognize the year end fund balance (an asset) held by our healthcare administrator, WB Community Health, as well as the total of the outstanding incurred but not reported year end medical claims (a liability) as provided by Blue Cross. When considering the recent history of these accounts (as related to city activity only), it is our opinion that the net asset difference which results from their inclusion is relatively immaterial when calculating the overall net asset total for the governmental funds. In terms of the June 30, 2010 net asset adjustment in the amount \$4,174,521, as referenced above, it should be noted that this is a combination of both City and School healthcare funds. The City's portion of this net asset adjustment was only \$642,961. And of this, \$488,700 was previously recorded as an asset within the General Fund. So the City's net asset component which was not previously recorded within the financial statements amounted to only \$154,261. While we recognize the importance of complete disclosure, we do not agree that an adjustment in this amount is indicative of a material weakness in the City's internal controls. We will maintain and update the newly created healthcare internal service fund and will ask WB Community Health to provide a more comprehensive year end analysis that incorporates final IBNR claim expenditures that they confirm as probable.

STATUS: This finding was cleared is fiscal in 2012 and all funds are now maintained in the general ledger.

2011-2: The Warwick Education Department currently does not have a policies and procedures for reconciling cash and interfund balances on a periodic basis. We noted that the School Department currently records virtually all transactions utilizing the interfund account rather than recording transactions through the cash account. In addition, we noted that the School Unrestricted General Fund cash account was not being reconciled on a monthly basis and that the June 30, 2011 account reconciliation was completed in October 2011. Failure to reconcile the interfund and cash account on a periodic basis (preferably monthly) increases the risk of intentional or unintentional errors and irregularities from incurring and going undetected for extended periods of time which in turn could result in financial statement misstatement.

STATUS: See current year finding 2012-1.

(Continued)

CITY OF WARWICK, RHODE ISLAND

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012**

C. FINDINGS AND QUESTIONED COSTS RELATING TO FEDERAL AWARDS

CURRENT YEAR FINDINGS:

2012-2: IDEA Part B (CFDA # 84.027) Improving Teacher Quality State Grants (CFDA# 84.367)

Criteria: The Warwick School Department may receive direct federal funding as well as federal funding passed through the State of Rhode Island. During our audit we noted instances where payroll records (time and effort reports and/or certifications) supporting cost allocations to federal programs were not being maintained in accordance with the requirements of OMB Circular A-87. The circular requires that payroll costs charged to federally funded programs be supported as follows:

- Salaries and wages for employees working 100% of their time on a single Federal award or cost objective must be supported by periodic certifications. These certifications must be prepared at least semi-annually and must be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee.
- Salaries and wages for employees working on multiple activities or cost objectives must be supported by (a) personnel activity reports that reflect an after-the-fact distribution of the actual activity of the employee, (b) they must account for the total activity for which an employee is compensated, (c) they must be prepared at least monthly and must coincide with one or more pay periods, and (d) they must be signed by the employee.

Condition: The Warwick School Department did not have an adequate policy or procedure requiring employees charged to federally funded programs to maintain time records or complete certifications in accordance with the requirements of OMB Circular A-87. The School Department did not complete the required certifications for those employees working 100% of their time on the IDEA Part B and Improving Teacher Quality State Grants.

Questioned costs: The results of our testing identified known questioned costs of approximately \$16,000 for IDEA Part B.

Recommendation: We recommend that the management of the Warwick School Department develop and enforce a policy requiring all federally funded employees to maintain time records and certifications in accordance with the provisions of OMB Circular A-87 and that policy include an internal audit function requiring someone independent of the federal program to review time records on a periodic basis for compliance.

Corrective Action: The management of the Warwick School Department acknowledges the finding regarding certifications for federally funded programs. Although a procedure is in place to maintain certifications for those employees who are regularly assigned to a federally funded program, there is no formal procedure in place to communicate changes and updates, and no independent validation of the data. Effective immediately, an internal audit procedure will be implemented as follows.

(Continued)

CITY OF WARWICK, RHODE ISLAND

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012**

C. FINDINGS AND QUESTIONED COSTS RELATING TO FEDERAL AWARDS

CURRENT YEAR FINDINGS:

2012-2: IDEA Part B (CFDA # 84.027) Improving Teacher Quality State Grants (CFDA# 84.367) (Continued)

Corrective Action: (Continued)

On a quarterly basis, the Financial Grants Manager will validate the certifications on file by cross-referencing the year-to-date payroll records to the certifications on file with the Grants Program Manager. For those employees who are not regularly assigned to a federally funded program but may be assigned on an as-needed basis to a federally funded program (substitutes, for example), a procedure will be implemented to have these employees sign a form when work is performed on a federally funded program, acknowledging that the work was performed. This procedure will be coordinated through the Grants Program Manager, Human Resources and local school personnel.

2012-3 - Time and Effort Reporting: As noted in finding 2012-2, during the fiscal year ended June 30, 2012 the Warwick School Department did not comply with the requirements governing maintenance of time and effort reports for employees charged to federal programs. We believe that this noncompliance was the result of a deficiency in internal controls. This deficiency in internal controls over compliance is considered to be a material weakness due to the potential effect that the internal control deficiency could have over compliance with federal laws and regulations regarding allowable costs charged to federal grant programs.

PRIOR YEAR FINDINGS:

2011-3: ARRA IDEA (CFDA # 84.391) Mathematics and Science Partnership (CFDA# 84.366)

Criteria: The Warwick School Department may receive direct federal funding as well as federal funding passed through the State of Rhode Island. During our audit we noted instances where payroll records (time and effort reports and/or certifications) supporting cost allocations to federal programs were not being maintained in accordance with the requirements of OMB Circular A-87. The circular requires that payroll costs charged to federally funded programs be supported as follows:

- Salaries and wages for employees working 100% of their time on a single Federal award or cost objective must be supported by periodic certifications. These certifications must be prepared at least semi-annually and must be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee.
- Salaries and wages for employees working on multiple activities or cost objectives must be supported by (a) personnel activity reports that reflect an after-the-fact distribution of the actual activity of the employee, (b) they must account for the total activity for which an employee is compensated, (c) they must be prepared at least monthly and must coincide with one or more pay periods, and (d) they must be signed by the employee.

(Continued)

CITY OF WARWICK, RHODE ISLAND

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012**

C. FINDINGS AND QUESTIONED COSTS RELATING TO FEDERAL AWARDS

PRIOR YEAR FINDINGS (CONTINUED):

2011-3: ARRA IDEA (CFDA # 84.391) Mathematics and Science Partnership (CFDA# 84.366) (Continued)

Condition: The Warwick School Department did not have an adequate policy or procedure requiring employees charged to federally funded programs to maintain time records or complete certifications in accordance with the requirements of OMB Circular A-87. The School Department did not complete the required certifications for those employees working 100% of their time on the ARRA IDEA and the Mathematics and Science Partnership programs.

Questioned costs: The results of our testing identified known questioned costs of approximately \$1,383 for CFDA #84.391 and \$2,910 for CFDA# 84.366.

Recommendation: We recommend that the management of the Warwick School Department develop and enforce a policy requiring all federally funded employees to maintain time records and certifications in accordance with the provisions of OMB Circular A-87 and that policy include an internal audit function requiring someone independent of the federal program to review time records on a periodic basis for compliance.

Corrective Action: The management of the Warwick School Department acknowledges the finding regarding certifications for federally funded programs. Although a procedure is in place to maintain certifications for those employees who are regularly assigned to a federally funded program, there is no formal procedure in place to communicate changes and updates, and no independent validation of the data. Effective immediately, an internal audit procedure will be implemented as follows. On a quarterly basis, the Financial Grants Manager will validate the certifications on file by cross-referencing the year-to-date payroll records to the certifications on file with the Grants Program Manager. For those employees who are not regularly assigned to a federally funded program but may be assigned on an as-needed basis to a federally funded program (substitutes, for example), a procedure will be implemented to have these employees sign a form when work is performed on a federally funded program, acknowledging that the work was performed. This procedure will be coordinated through the Grants Program Manager, Human Resources and local school personnel.

STATUS: See current year finding 2012-2.

2011-4: Time and Effort Reporting – As noted in finding 2011-3, during the fiscal year ended June 30, 2011 the Warwick School Department did not comply with the requirements governing maintenance of time and effort reports for employees charged to federal programs. We believe that this noncompliance was the result of a deficiency in internal controls. This deficiency in internal controls over compliance is considered to be a material weakness due to the potential effect that the internal control deficiency could have over compliance with federal laws and regulations regarding allowable costs charged to federal grant programs.

STATUS: See current year finding 2012-3.

(Concluded)