

# **CITY OF WARWICK, RHODE ISLAND**

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**Scott Avedisian  
Mayor**

**Ernest M. Zmyslinski  
Finance Director**

**Robert W. Dooley  
Director of Business Affairs**

**Prepared by: City's Finance Department**

## **INTRODUCTORY SECTION**

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

**THE CITY OF WARWICK, RHODE ISLAND**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
*For the Fiscal Year Ended June 30, 2007*

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ERNEST M. ZMYSLINSKI  
FINANCE DIRECTOR

## CITY OF WARWICK

FINANCE DEPARTMENT  
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WARWICK, RHODE ISLAND 02886  
(401) 738-2000  
T.D.D. (401) 739-9150

SCOTT AVEDISIAN  
MAYOR

December 31, 2007

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, 2007. 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 20 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 1,685 in the school system, 1,121 of who are teachers. Per 2007 statistics, the average per pupil expenditure amounts to \$14,972. In the graduating class of 2007 approximately 81% 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:

**Schedule of Enrollment**

1997	11,985
1998	12,124
1999	12,065
2000	12,375
2001	12,382
2002	12,205
2003	12,078
2004	12,003
2005	11,709
2006	11,385
2007	10,944

During fiscal 2007, the School Department expended \$153,484,090. Their fiscal 2008 expense appropriation is \$158,567,951. The total fiscal 2008 State Aid for school operations has been budgeted at \$36,752,198.

**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 2007, the Executive and Administrative Divisions expended \$27.4 million, of which \$21.4 million represented debt service. This debt expenditure includes principal and interest on reimbursable enterprise fund debt. The fiscal 2008 budget has been set at \$15.7 million. The decrease results from the reclassification of enterprise fund debt.

*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 258 authorized positions consisting of 178 sworn officers, 23 school crossing guards and 57 civilian personnel. The police station, built in 1975, provides facilities for public safety issues. During fiscal 2007, the Police Department expended \$16.3 million. For fiscal 2008, \$17.2 million has been designated for operations.

*Fire and Rescue:* The City Fire Department and Rescue Service has 230 authorized positions consisting of 218 uniformed fire and rescue personnel and 12 civilian personnel, staffing eight stations throughout the City. In addition, the East Greenwich Fire District provides service to the southeastern section of the City. Fire and Rescue expended \$19.1 million during fiscal 2007 and \$19.4 million was budgeted for fiscal 2008.



*Animal Shelter:* The Animal Shelter consists of 3 employees and is responsible for administering care to the animal population. The fiscal 2007 expenditures totaled \$132,132 with \$215,475 budgeted for fiscal 2008.

*Building Inspector:* The City Building Inspection Department consists of 17 authorized positions responsible for insuring compliance with local and state building code ordinances and laws. The fiscal 2007 expenditures totaled \$867,745; \$951,095 was budgeted for fiscal 2008.

### *Social Services*

*Parks and Recreation:* A staff of 19 maintains two indoor skating rinks, an indoor swimming pool, seven 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 2007 the Department expended \$1.9 million. The fiscal 2008 budget has allotted \$2.0 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 2007 totaled \$2.6 million. These funds supported the acquisition of books and materials as well as an authorized staff of 53. The central library facility serves over 400,000 visitors a year. The fiscal 2008 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 2007 expenditures totaled \$2.0 million, and the fiscal 2008 budget has been set at \$2.2 million.

### *Physical Resources*

*Planning and Community Development:* A staff of 18 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 2007 expenditures for these programs totaled \$849,040, with \$941,535 allocated for fiscal 2008.

*Economic 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 2007 expenditures totaled \$550,033 and \$619,592 has been set aside for fiscal 2008 operations.

*Public Works:* An authorized staff of 148 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 2007 the Department expended \$11.7 million and has been allocated \$12.8 million through the fiscal 2008 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:

<b><u>Year</u></b>	<b><u>City</u></b>
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 Rhode Island Public Expenditure Council, the 2000 median family income of the City of Warwick was \$56,225 compared with \$52,781 for the State of Rhode Island. Median family income in the City increased 3% from 1990.

### **HOUSING**

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

### **ECONOMIC DEVELOPMENT**

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

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

## **MAJOR INITIATIVES**

The City of Warwick maintains a bond rating of A1 as determined by Moody's Investors Service and A+ from Standard & Poors. These ratings are the result of firm and steady financial planning. The administration has been dedicated to preserving and increasing the City's unrestricted fund balance.

This year, Warwick was named the 16<sup>th</sup> safest community in the nation. Additionally, MONEY magazine rated Warwick as one of the best places to live in America, and the Sierra Club named Warwick a "Cool City" for our work on environmental protection and the reduction of global warming.

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. The City remains especially committed to preserving recreational and open space areas. This year the City demonstrated this commitment through the purchase of the Ives Bluff property. The City also continues to renovate its schools through an ongoing improvement program. In the area of public safety, the new Fire Headquarters was completed and has become operational. The structure contains a state of the art emergency management center. Finally, the completion of the Pawtuxet Traffic Calming Project has improved our infrastructure while also increasing public safety.

The City continues to receive additional revenue from the airport related activities. Taxes on airport parking and rental cars generated approximately \$2.5 million in revenue during fiscal 2007. This year, the City received new airport related funding from the Economic Development Commission. This revenue totaled \$810,000. The recently instituted meal tax also generated approximately \$2.2 million for the City.

The City remains committed to maintaining the high quality of public education, allocating approximately 55% of the final 2007 operating budget to education.

## **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, 2007:

<u>Net Direct Bonded Debt</u>	<u>Ratio of Debt to Assessed Value</u>	<u>Debt Per Capita</u>
\$ 63,774,313.	.53%	\$ 729.98
(Please See Statistical Tables For Additional Information)		

**INDEPENDENT AUDIT**

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

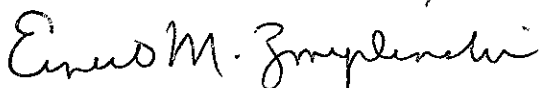
## **CERTIFICATE OF ACHIEVEMENT**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Warwick for its comprehensive annual financial report for the fiscal year ended June 30, 2006. This was the fourth year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

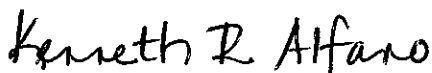
## **ACKNOWLEDGEMENT**

The preparation of this Comprehensive Annual Financial Report would not have been possible without the efficient and dedicated efforts of the staff of the Treasury and Finance Divisions. Their competent efforts are greatly appreciated. Special thanks to Mayor Scott Avedisian, Council President Joseph J. Solomon, 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,

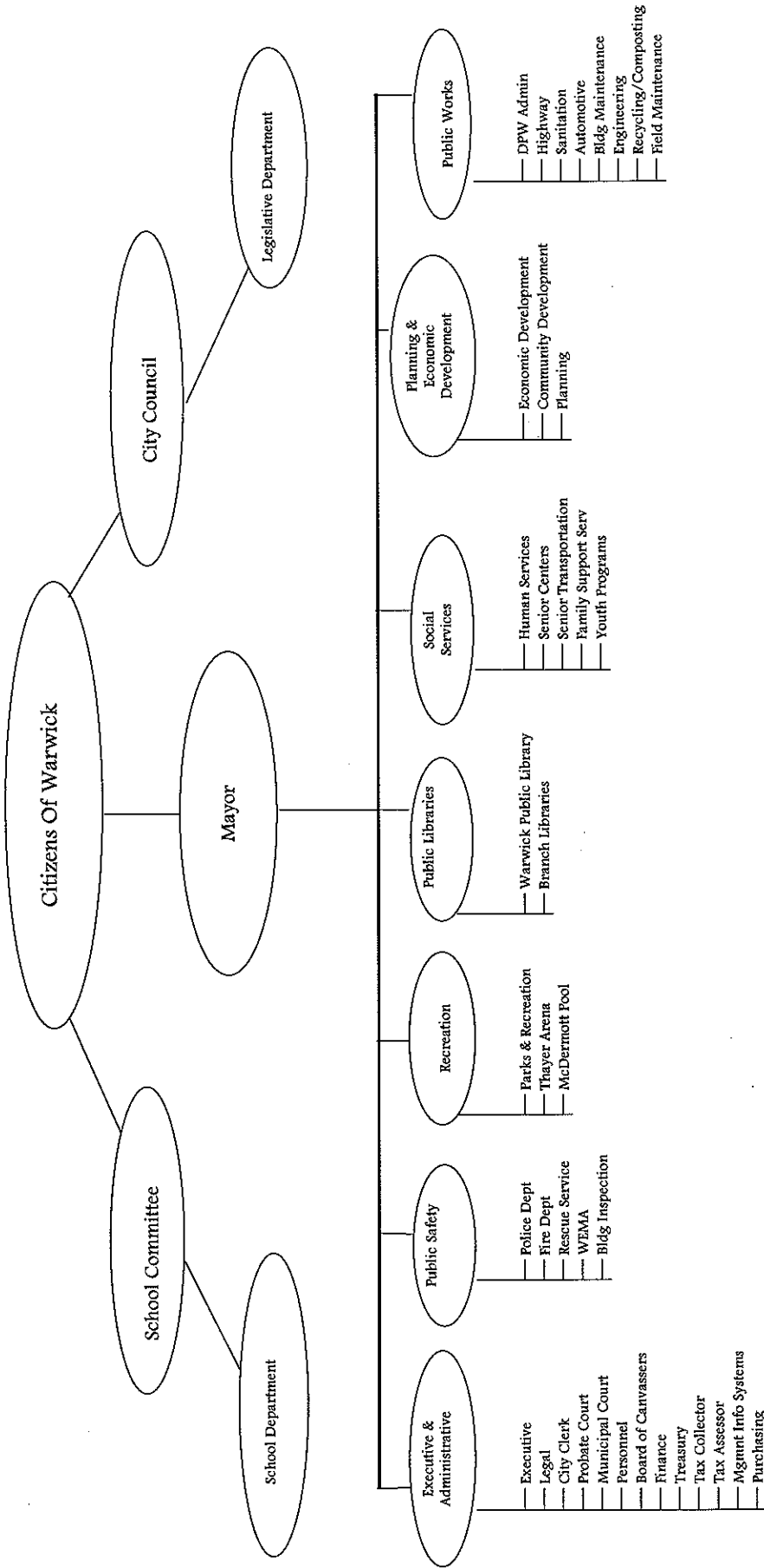


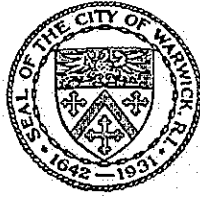
Ernest M. Zmyslinksi  
Finance Director



Kenneth R. Alfano  
Controller

# THE CITY OF WARWICK, RHODE ISLAND GOVERNMENT ORGANIZATIONAL CHART





## **CITY OF WARWICK, RHODE ISLAND**

### **MAYOR**

Scott Avedisian

### **CITY COUNCIL**

Joseph J. Solomon, Council President

Robert Cushman

John DelGiudice

Charles J. Donovan, Jr.

Raymond E. Gallucci

Steve Merolla

Bruce Place

Helen Taylor

Donna M. Travis

### **SCHOOL COMMITTEE**

Christopher E. Friel, Chairman

Joyce L. Andrade

Paul Cannistra

Bethany Furtado

Lucille Mota-Costa

### **FINANCE DEPARTMENT**

Ernest M. Zmyslinski, Finance Director

David C. Olsen, City Treasurer

Kenneth R. Alfano, City Controller

### **SCHOOL ADMINISTRATION**

Robert J. Shapiro, Superintendent

Robert W. Dooley, Director of Business Affairs

Steven Janelle, School Controller

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Warwick  
Rhode Island

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2006

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



*Oliver S. Cox*

President

*Jeffrey R. Emen*

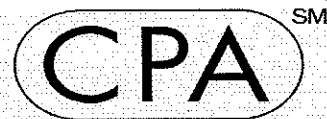
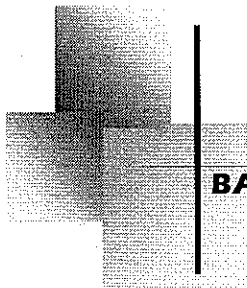
Executive Director



## **FINANCIAL SECTION**

This Section Contains the Following Subsections:

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



America Counts on CPAs

**BACON & COMPANY, CPA'S, LLC**

875 Centerville Road  
Bldg. 3, Unit 10  
Warwick, RI 02886

Phone: 401-586-6565  
Fax: 401-826-1710

***INDEPENDENT AUDITORS' REPORT***

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Warwick, Rhode Island, as of and for the year ended June 30, 2007, 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 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, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2007 on our consideration of the City of Warwick, Rhode Island's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts 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.

The Management's Discussion and Analysis, budgetary comparison information and supplementary pension information on pages 3 through 16 and 78 through 90 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

*Bacon & Company, CPAs, LLC*

Warwick, Rhode Island  
December 31, 2007

## **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, 2007. 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 2006 and 2007 fiscal years.

### **FINANCIAL HIGHLIGHTS**

The assets of the City of Warwick exceeded its liabilities at the close of the fiscal year by \$129,595,980 (*net assets*).

The City's total net assets decreased by \$11,248,734 during fiscal 2007, due primarily to an increase in the City's liabilities following the accrual of a \$7.4 million net pension obligation in accordance with GASB27. The City is funding the Police I and Fire pension plan over a 40 year period, however GASB27 now requires the maximum amortization period to be 30 years. This additional liability reflects the difference between the 30 and 40 year amortizations.

At the close of the current fiscal year, the City's governmental funds reported *combined* ending fund balances of \$20,078,166, a decrease of \$3,528,470 from those of the prior year. This was primarily due to a decrease in various reserves.

Fiscal 2007 operating results for the general fund reflected a budgetary surplus of \$849,160. The transfer of certain reserves to revenue has resulted in a decrease in total fund balance of \$3,822,169, resulting in an ending fund balance of \$14,456,995. The fund's ending unreserved undesignated fund balance decreased by \$3,524,142 to a total of \$8,743,482 or 3.13% of the total 2007 final budgeted expenditures.

The City's overall investment in capital assets (net of accumulated depreciation) grew by \$2.1 million during this year. Key components were various school improvement projects, the completion of a new aquatic center, and a massive sewer construction program.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

## Required Components of the Annual Financial Report

### Figure A-1

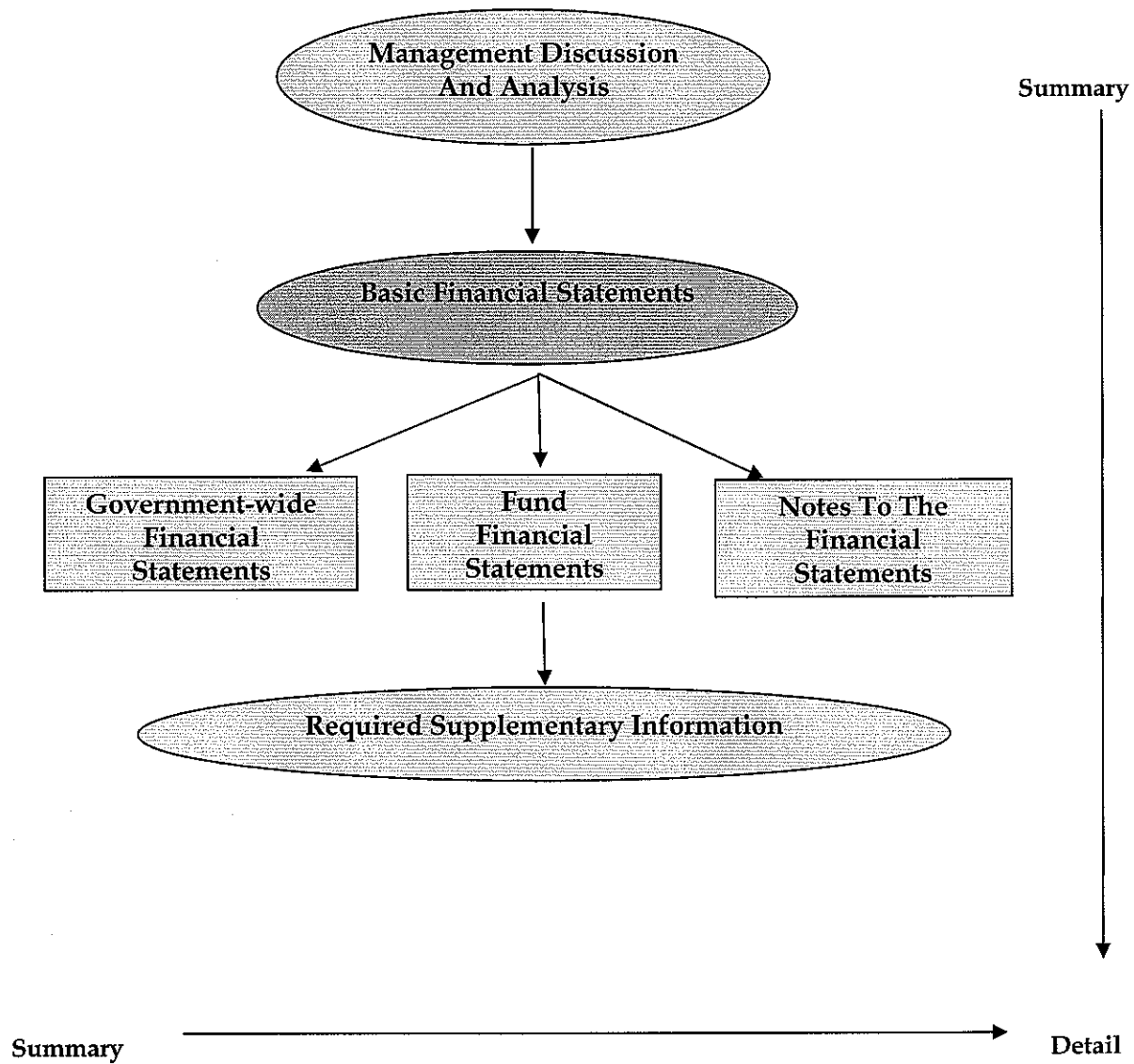


Figure A-1 shows how the required parts of this annual report are arranged and relate to one another.

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

Figure A- 2

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

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

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

## Government-wide Statements

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

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

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

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

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

## Fund Financial Statements

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

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

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



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

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

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

The basic governmental fund financial statements can be found on pages 19-22 of this report.

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

The basic proprietary fund financial statements can be found on pages 23-26 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 27-28 of this report.

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

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

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

### **Net Assets**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The City's combined net assets (government and business-type activities) totaled \$129,595,980 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, 2007**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Totals</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
Current Assets	\$50,077,855	\$49,096,539	\$25,335,644	\$27,591,477	\$75,413,499	\$76,688,016
Capital Assets	137,148,101	139,483,288	193,866,230	189,550,497	331,014,331	329,033,785
Other Noncurrent Assets	3,280,125	3,124,650	43,507,050	42,171,551	46,787,175	45,296,201
<b>Total Assets:</b>	<b>\$190,506,081</b>	<b>\$191,704,477</b>	<b>\$262,708,924</b>	<b>\$259,313,525</b>	<b>\$453,215,005</b>	<b>\$451,018,002</b>
Current Liabilities	\$33,653,134	\$27,519,662	\$12,957,542	\$13,542,175	\$46,610,676	\$41,061,837
Long-term Liabilities	93,228,972	88,342,782	183,779,377	180,768,669	277,008,349	269,111,451
<b>Total Liabilities:</b>	<b>\$126,882,106</b>	<b>\$115,862,444</b>	<b>\$196,736,919</b>	<b>\$194,310,844</b>	<b>\$323,619,025</b>	<b>\$310,173,288</b>
Net Assets:						
Invested in capital assets net of related debt	\$66,647,101	\$72,153,648	\$56,492,614	\$52,998,122	\$123,139,715	\$125,151,770
Restricted	3,550,462	3,335,462	2,142,194	1,593,899	5,692,656	4,929,361
Unrestricted	(6,573,588)	352,923	7,337,197	10,410,660	763,609	10,763,583
<b>Total Net Assets</b>	<b>\$63,623,975</b>	<b>\$75,842,033</b>	<b>\$65,972,005</b>	<b>\$65,002,681</b>	<b>\$129,595,980</b>	<b>\$140,844,714</b>

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 accrual of a net pension obligation per GASB27.

## Changes in Net Assets

During fiscal 2007, the government's total net assets decreased by \$11,248,734, as indicated below:

### City of Warwick's Changes in Net Assets

	Governmental Activities		Business-type Activities		Totals	
	2007	2006	2007	2006	2007	2006
<b>Revenues:</b>						
Program Revenue:						
Charges for Services	\$18,272,945	\$19,603,124	\$21,887,010	\$21,921,312	\$40,159,955	\$41,524,436
Operating Grants/Contrib.	54,912,922	51,182,760	121,916	9,511	55,034,838	51,192,271
Capital Grants/Contrib	1,442,541	700,043	-	-	1,442,541	700,043
General Revenue:					-	-
Property Taxes	177,362,772	169,988,651			177,362,772	169,988,651
Interest on Property Taxes	1,484,500	1,502,221			1,484,500	1,502,221
State Aid & In Lieu of Tax	24,398,225	22,172,675			24,398,225	22,172,675
Investment Earnings	1,456,165	1,196,230	847,664	871,061	2,303,829	2,067,291
Tax Titles	7,823	61,804			7,823	61,804
Miscellaneous	4,710,191	2,811,911			4,710,191	2,811,911
<b>Total Revenues:</b>	<b>284,048,084</b>	<b>269,219,419</b>	<b>22,856,590</b>	<b>22,801,884</b>	<b>306,904,674</b>	<b>292,021,303</b>
<b>Expenses:</b>						
Executive & Admin	\$8,703,429	\$7,378,518			\$8,703,429	\$7,378,518
Public Safety	77,889,776	65,817,448			77,889,776	65,817,448
Recreation	3,338,239	3,168,229			3,338,239	3,168,229
Public Libraries	4,095,289	3,833,107			4,095,289	3,833,107
Social Services	2,719,927	2,860,603			2,719,927	2,860,603
Planning & E/D	3,221,363	3,563,021			3,221,363	3,563,021
Public Works	21,757,520	21,271,907			21,757,520	21,271,907
Education	168,839,482	163,926,829			168,839,482	163,926,829
Cafeteria Operations	2,841,531	2,916,762			2,841,531	2,916,762
Interest on Long Term Debt	3,009,586	3,672,548			3,009,586	3,672,548
Sewer			13,484,307	13,240,766	13,484,307	13,240,766
Water			8,252,959	7,669,925	8,252,959	7,669,925
<b>Total Expenses:</b>	<b>296,416,142</b>	<b>278,408,972</b>	<b>21,737,266</b>	<b>20,910,691</b>	<b>318,153,408</b>	<b>299,319,663</b>
Change in Net Assets						
Before Transfers	(12,368,058)	(9,189,553)	1,119,324	1,891,193	(11,248,734)	(7,298,360)
Transfers	150,000		(150,000)			
Change in Net Assets	(12,218,058)	(9,189,553)	969,324	1,891,193	(11,248,734)	(7,298,360)
Net Assets – beg. of year	75,842,033	85,031,586	65,002,681	63,111,488	140,844,714	148,143,074
<b>Net Assets – end of year</b>	<b>\$63,623,975</b>	<b>\$75,842,033</b>	<b>\$65,972,005</b>	<b>\$65,002,681</b>	<b>\$129,595,980</b>	<b>\$140,844,714</b>

**Governmental activities.** Governmental activities decreased the City's net assets by \$12,218,058.

Key elements of this decrease are as follows:

1. Total Governmental Funds reported a combined decrease in fund balance of \$3.5 million.
2. The City accrued an additional net pension obligation in the amount of \$7.4 million in accordance with GASB27. The increased liability was due to the fact that 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. The liability represents the additional funding necessary to move from a 40 year to a 30 year amortization period. The School Department's net pension obligation also increased by \$465,000.
3. Fixed Asset additions totaled approximately \$7.9 million, while fiscal 2007 depreciation expense amounted to \$10.2 million. This resulted in a net asset decrease of \$2.3million.
4. Revenue accruals increased net assets by \$745,000.

**Business-type activities.** Business-type activities increased the City's net assets by \$969,324. The key elements for this increase are as follows:

1. Sewer and Industrial Pretreatment both had operating surpluses which totaled \$1.1 million, \$85,900 respectively.
2. The Water Department reflected an operating deficit of \$550,305.
3. Net assets of the Sewer Assessment Fund increased by \$643,618.

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

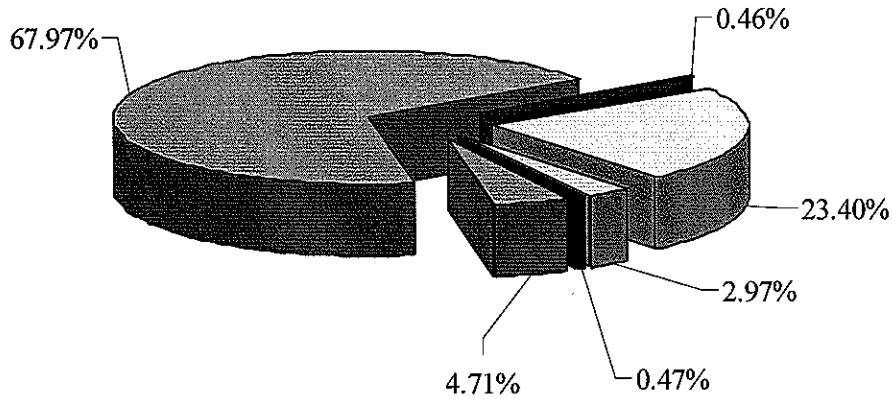
As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$20,078,166, a decrease of \$3,528,470 in comparison with the prior year. Much of this can be attributed to the fact that as of June 30<sup>th</sup>, the balances in many of the reserve accounts, namely the reserves for encumbrances, claims and judgments, and education, had been expended or reduced. \$16,253,738 or 81% of this total amount represents unreserved fund balance, which is available for spending at the government's discretion. The unreserved portion of the fund balance has increased by \$3,398,223 from that of the prior year. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed.

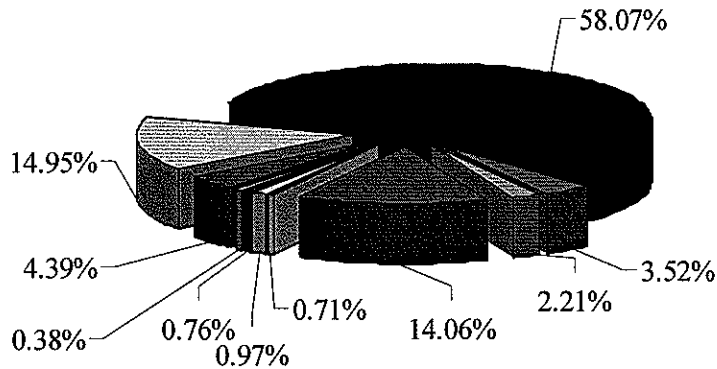
The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$12,739,745. Total fund balance was \$14,456,995. As a measure of the general fund liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 4.6% of total general fund budgeted expenditures. During fiscal 2007, the unreserved fund balance of the City's general fund decreased by \$656,836. This is a 4.9% decrease from the prior year unreserved fund balance.

## General Fund Revenues Fiscal 2007



General Property Taxes 177,052,585	Interest on Taxes 1,209,003
Intergovernmental Revenue 60,959,813	Charges For Services 7,743,022
Investment Income 1,236,739	Other Revenue 12,281,397

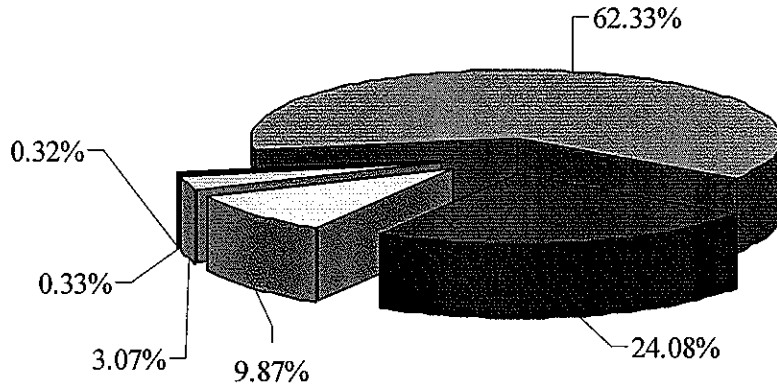
## General Fund Expenditures Fiscal 2007



Exec & Admin 5,828,943	Public Safety 37,152,104
Recreation 1,868,651	Public Libraries 2,572,464
Social Services 1,996,870	Planning & E/D 1,009,310
Public Works 11,596,584	Benefits/Fixed Costs 39,501,610
School 153,484,090	Debt 9,294,103

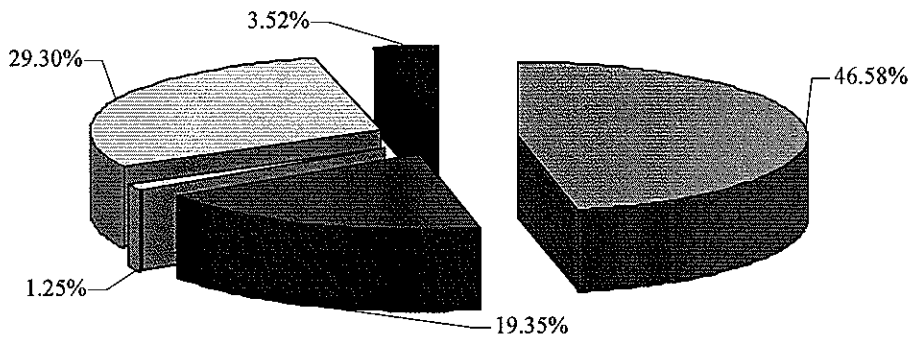
*Note: Transfers to and from other funds have been integrated into their respective categories.*

## Warwick Public Schools Fiscal 2007 Expenditures



Salaries 95,695,177	Benefits 36,967,603
Purchased Services 15,157,062	Supplies & Materials 4,709,458
Capital Outlay 505,516	Other 493,926

## Business-type Activities Fiscal 2007 Expenses



Sewer 13,238,816
Sewer Assessment 5,500,000
Pretreatment 354,900
Water 8,328,090
Other 1,000,585

**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 \$39,964,936. The funds invested in capital assets totals \$42,923,150, restricted funds total \$2,142,194, and unrestricted net assets totaled (\$5,100,408). 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. The growth of assessment revenue has proceeded much more slowly than originally anticipated. As a result, the General Fund has been responsible for advancing funds to pay these debt charges.

Net assets for the Water Department totaled \$11,822,746. Of this, \$13,281,558 represents the investment in capital assets while the unrestricted portion totaled (\$1,458,812). Currently all assets are invested in capital. This year reflected a decrease in Water's available cash reserves. The Department cut back on the funding for the infrastructure replacement program, but continued to fund the restricted emergency fund and renewal and replacement fund.

Unrestricted net assets in the workers compensation internal service fund amounted to \$334,336. Net assets decreased by \$38,860 due to increases in the claim reserve.

### **General Fund Budgetary Highlights**

The City's original budget was increased by \$6.32 million during fiscal 2007. Additional appropriations were made at the end of the year and were made possible by additional revenue receipts and a transfer of the prior year education reserve. The two main supplemental appropriations are highlighted below:

- Funds were transferred from the legal reserve to fund a settlement in the amount of \$608,641.
- The school budget was increased by a total of \$7,788,171. This transfer represented the transfer of their fiscal 2006 surplus (\$2,471,492), additional funds to support teachers' retroactive payroll (\$5,000,000) and additional State Aid (\$316,679). The City side of the budget was reduced accordingly to reflect the transfer of these funds.

### **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, 2007, amounted to \$331,014,331 (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 investment in capital assets (net of accumulated depreciation) increased by approximately \$2.1 million.

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

1. City infrastructure additions totaling \$ 1.8 million.
2. School building renovations - \$1.1 million
3. Sewer construction – \$10.6 million in new sewer construction.

### City of Warwick's Capital Assets

	Governmental Activities		Business-type Activities		Totals	
	2007	2006	2007	2006	2007	2006
Land	\$14,280,138	\$13,600,138	-	-	\$14,280,138	\$13,600,138
Land Improvements	9,986,483	9,867,410	-	-	9,986,483	9,867,410
Buildings	98,311,432	96,768,091	3,602,174	3,602,174	101,913,606	100,370,265
Infrastructure	194,174,566	192,402,248	233,715,581	222,936,662	427,890,147	415,338,910
Equipment	18,106,220	17,818,471	3,267,629	2,813,382	21,373,849	20,631,853
Licensed Vehicles	24,766,469	23,337,530			24,766,469	23,337,530
Construction in Progress	5,259,081	3,163,093	15,694,200	17,518,078	20,953,281	20,681,171
Subtotal:	364,884,389	356,956,981	256,279,584	246,870,296	621,163,973	603,827,277
Less Accumulated Depreciation:	(227,736,288)	(217,473,693)	(62,413,354)	(57,319,799)	(290,149,642)	(274,793,492)
<b>Total:</b>	<b>\$137,148,101</b>	<b>\$139,483,288</b>	<b>\$193,866,230</b>	<b>\$189,550,497</b>	<b>\$331,014,331</b>	<b>\$329,033,785</b>

Additional information on the City's capital assets can be found in Note 2 of the notes to the financial statements of this report.

**Long-term debt.** At the end of the fiscal year, the City had total bonds and loans outstanding of \$214,944,963. It is broken down as follows:

▪ General Fund Bonds Payable	\$ 65,316,412.
▪ Water Bonds Payable	\$ 3,198,415.
▪ Sewer Bonds Payable	\$ 23,040,173.
▪ Sewer SRF Loans Payable	\$123,389,963.

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 2007, the City of Warwick's general fund general obligation debt reflects a net decrease of \$4,858,335. This decrease was entirely due to debt principal repayments. No new general fund debt was issued during fiscal 2007. Enterprise Debt increased during fiscal 2007 with Sewer issuing \$9,500,000 in loans from the RI Clean Water Finance Agency. The new funds will be used to continue the Authority's comprehensive sewer construction program. Water debt decreased by \$221,308.



The City's bond ratings are as follows:

Moody's .....A1  
Standard & Poors.....A+

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 \$282,556,453. As of June 30, 2007 the City's current outstanding general fund debt falls under the debt limitation by \$217,240,041.

Additional information on the City's long-term debt can be found in Note 6 of the notes to the financial statements and in the statistical tables.

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

- Warwick's unemployment rate is 4.85%. This matches the State's average rate of 4.82%, and compares slightly higher than the national rate of 4.53%.
- Median income in Warwick was \$56,225 compared to the State's median income of \$52,781.
- 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 2007-08 fiscal year.

- The City's contribution to School operations will increase from \$145.7 million (original FY07 budget) to \$ 158.6 million or 8.8%.
- The City continued to participate in a self-insurance program for health care coverage.
- To control tax increases, \$4.0 million was drawn from the City's fund balance to provide additional funding for the fiscal 2008 budget.

Currently, the unreserved undesignated fund balance in the general fund totals \$ 8,743,482. The City has maintained its commitment toward ensuring a steady growth for the City surplus, while at the same time has chosen to utilize part of this surplus to ease the burden on its taxpayers. Fiscal 2008 tax rates reflected the completion of a full revaluation. While assessed property values increased according to current market values, property tax rates fell accordingly. The City's tax rate for residential property decreased from \$15.95 to \$12.75, or 20%. The commercial and industrial tax rate decreased 20% from \$23.93 to \$19.13. The tangible personal property rate decreased from \$31.90 to \$25.50, or 20% and the inventory rate decreased from \$6.37 to \$3.18, or 50.1%. Per Rhode Island law, the inventory tax is being phased out, as is the motor vehicle tax which remained at \$34.60.

### **Requests for Information**

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

## **BASIC FINANCIAL STATEMENTS**

## **Government Wide Financial Statements**

# CITY OF WARWICK, RHODE ISLAND

## Statement of Net Assets

June 30, 2007

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Assets:</b>			
<b>Current assets:</b>			
Cash and cash equivalents	\$ 16,811,658	\$ 13,439,062	\$ 30,250,720
Restricted cash and cash equivalents	-	2,133,781	2,133,781
Investments	4,906,465	-	4,906,465
Accrued interest receivable	2,378,999	75,791	2,454,790
Restricted accrued interest receivable	-	8,413	8,413
Real estate and personal property tax receivable, net	2,249,874	-	2,249,874
Water and sewer user fees receivable, net	-	5,968,803	5,968,803
Sewer assessments receivable	-	2,983,638	2,983,638
Due from federal and state government	9,897,199	7,765,874	17,663,073
Internal balances	7,179,011	(7,179,011)	-
Inventories	-	26,388	26,388
Other receivables, net	6,654,649	112,905	6,767,554
<b>Total current assets</b>	<u>50,077,855</u>	<u>25,335,644</u>	<u>75,413,499</u>
<b>Noncurrent assets:</b>			
Sewer assessments receivable	-	41,565,709	41,565,709
Capital assets: (Note 2)			
Land	14,280,138	-	14,280,138
Depreciable buildings, property, equipment, infrastructure, net	117,608,882	178,172,030	295,780,912
Construction in progress	5,259,081	15,694,200	20,953,281
Capital assets, net	<u>137,148,101</u>	<u>193,866,230</u>	<u>331,014,331</u>
Other assets, net	3,280,125	1,941,341	5,221,466
<b>Total noncurrent assets</b>	<u>140,428,226</u>	<u>237,373,280</u>	<u>377,801,506</u>
<b>Total assets</b>	<u>190,506,081</u>	<u>262,708,924</u>	<u>453,215,005</u>
<b>Liabilities:</b>			
<b>Current liabilities:</b>			
Accounts payable and accrued liabilities	17,686,068	2,254,099	19,940,167
Accrued interest payable	968,986	1,337,975	2,306,961
Accrued compensated absences	465,686	-	465,686
Accrued retroactive payroll	2,407,740	-	2,407,740
Due to federal and state government	128,806	-	128,806
Unearned revenues:			
Taxes and assessments collected in advance	1,282,874	1,522,409	2,805,283
Other	3,753,631	-	3,753,631
Long-term debt - due within one year (Note 6)	6,959,343	7,843,059	14,802,402
<b>Total current liabilities</b>	<u>33,653,134</u>	<u>12,957,542</u>	<u>46,610,676</u>
<b>Noncurrent liabilities:</b>			
Unearned revenue	-	41,565,709	41,565,709
Other liabilities	3,058,889	-	3,058,889
Long-term debt - due in more than one year (Note 6)	67,205,883	141,907,811	209,113,694
Accrued retroactive payroll	5,000,267	-	5,000,267
Accrued compensated absences	9,683,883	305,857	9,989,740
Net pension obligation	8,280,050	-	8,280,050
<b>Total noncurrent liabilities</b>	<u>93,228,972</u>	<u>183,779,377</u>	<u>277,008,349</u>
<b>Total liabilities</b>	<u>126,882,106</u>	<u>196,736,919</u>	<u>323,619,025</u>
<b>Net Assets:</b>			
Invested in capital assets, net of related debt	66,647,101	56,492,614	123,139,715
Restricted for:			
Debt service payments	-	2,142,194	2,142,194
Specific projects and programs	3,550,462	-	3,550,462
Unrestricted	<u>(6,573,588)</u>	<u>7,337,197</u>	<u>763,609</u>
<b>Total net assets</b>	<u>\$ 63,623,975</u>	<u>\$ 65,972,005</u>	<u>\$ 129,595,980</u>

*The accompanying notes are an integral part of the basic financial statements.*

**CITY OF WARWICK, RHODE ISLAND**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2007**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities:</b>						
Executive and administration	\$ 8,703,429	\$ 2,500	\$ -	\$ (5,258,465)	\$ -	\$ (5,258,465)
Public safety	77,889,776	737,116	163,563	(69,972,479)	-	(69,972,479)
Recreation	3,338,239	-	-	(2,545,865)	-	(2,545,865)
Public libraries	4,095,289	809,858	-	(3,249,106)	-	(3,249,106)
Social services	2,719,927	484,551	-	(2,156,369)	-	(2,156,369)
Planning and economic development	3,221,363	1,638,770	570,000	785,750	-	785,750
Public works	21,757,520	115,425	708,978	(20,582,978)	-	(20,582,978)
Education	168,839,482	50,131,002	-	(115,702,036)	-	(115,702,036)
Cafeteria operations	2,841,531	993,700	-	(96,600)	-	(96,600)
Interest on long-term debt	3,009,586	-	-	(3,009,586)	-	(3,009,586)
<b>Total governmental activities</b>	<b>296,416,142</b>	<b>54,912,922</b>	<b>1,442,541</b>	<b>(221,787,734)</b>	<b>-</b>	<b>(221,787,734)</b>
<b>Business-Type Activities:</b>						
Sewer	13,484,307	121,916	-	-	1,249,771	1,249,771
Water	8,252,959	-	-	-	(978,111)	(978,111)
<b>Total business-type activities</b>	<b>21,737,266</b>	<b>121,916</b>	<b>-</b>	<b>-</b>	<b>271,660</b>	<b>271,660</b>
<b>Total</b>	<b>\$ 318,153,408</b>	<b>\$ 55,034,838</b>	<b>\$ 1,442,541</b>	<b>(221,787,734)</b>	<b>271,660</b>	<b>(221,516,074)</b>
<b>General Revenues:</b>						
Property taxes				177,362,772	-	177,362,772
Interest on property taxes				1,484,500	-	1,484,500
State aid and in lieu of taxes				24,398,225	-	24,398,225
Investment earnings				1,456,165	847,664	2,303,829
Tax titles				7,823	-	7,823
Miscellaneous				4,710,191	-	4,710,191
<b>Transfers</b>				150,000	(150,000)	-
				209,569,676	697,664	210,267,340
<b>Total general revenues and transfers</b>						
				(12,218,058)	969,324	(11,248,734)
<b>Change in net assets</b>						
				75,842,033	65,002,681	140,844,714
<b>Net assets - beginning of year, as restated</b>						
				\$ 63,623,975	\$ 65,972,005	\$ 129,595,980
<b>Net assets - end of year</b>						

The accompanying notes are an integral part of the basic financial statements

## **Governmental Fund Financial Statements**

# CITY OF WARWICK, RHODE ISLAND

## Balance Sheet Governmental Funds June 30, 2007

	<i>General Fund</i>	<i>School Unrestricted Fund</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
<b>ASSETS</b>				
Cash	\$13,330,296	\$ 1,652,578	\$ 1,387,607	\$16,370,481
Investments	534,817	-	4,371,648	4,906,465
Accounts receivable:				
Real estate and personal property taxes receivable (net)	2,249,874	-	-	2,249,874
Due from federal and state governments	3,246,306	127,533	6,523,360	9,897,199
Other receivables	924,212	812,099	5,331,877	7,068,188
Due from other funds	9,544,571	14,917,768	1,643,433	26,105,772
Advance to other funds	672,947	-	-	672,947
Other assets	2,841,115	-	-	2,841,115
<b>Total assets</b>	<u>\$33,344,138</u>	<u>\$17,509,978</u>	<u>\$19,257,925</u>	<u>\$70,112,041</u>
 <b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable and accrued expenditures	\$ 2,725,832	\$13,307,131	\$ 1,464,971	\$17,497,934
Due to federal and state governments	118,806	-	10,000	128,806
Due to other funds	10,662,855	4,065,768	3,940,005	18,668,628
Advance from other funds	-	672,947	-	672,947
Deferred revenues:				
Taxes collected in advance	1,282,874	-	-	1,282,874
Uncollected property taxes	1,087,782	-	-	1,087,782
Other	75,175	12,009	7,548,831	7,636,015
Other liabilities	2,933,819	125,070	-	3,058,889
<b>Total liabilities</b>	<u>18,887,143</u>	<u>18,182,925</u>	<u>12,963,807</u>	<u>50,033,875</u>
 <b>Fund balances (deficits)</b>				
Reserved for:				
Encumbrances	444,303	-	1,303,929	1,748,232
Claims and judgments	600,000	-	-	600,000
Advance to School Unrestricted Fund	672,947	-	-	672,947
Revolving loans	-	-	803,249	803,249
Unreserved:				
Designated for subsequent year budget	3,996,263	-	-	3,996,263
Undesignated	8,743,482	(672,947)	-	8,070,535
Unreserved, reported in:				
Special revenue funds	-	-	2,202,122	2,202,122
Capital project funds	-	-	1,984,818	1,984,818
<b>Total fund balances (deficits)</b>	<u>14,456,995</u>	<u>(672,947)</u>	<u>6,294,118</u>	<u>20,078,166</u>
 <b>Total liabilities and fund balances</b>	<u>\$33,344,138</u>	<u>\$17,509,978</u>	<u>\$19,257,925</u>	<u>\$70,112,041</u>

*The accompanying notes are an integral part of the basic financial statements.*

**CITY OF WARWICK, RHODE ISLAND**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Government-Wide Statement of Net Assets**  
**June 30, 2007**

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**Total Fund Balances - Total Governmental Funds**

**\$ 20,078,166**

**Amounts reported for Governmental Activities in the Statement of Net Assets are different because:**

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet. (Note 2)

137,148,101

Accrued interest receivable on property taxes is reported as revenue in Government-Wide financial statements in the period earned. In Governmental Funds financial statements, interest on property taxes is reported when received.

2,378,999

Other receivables are not available to pay for current period expenditures and, therefore, are deferred in Governmental Funds financial statements.

3,129,419

Delinquent taxes are recognized as revenue in the period for which levied in the Government-Wide financial statements, but are reported as deferred revenue (a liability) in Governmental Funds financial statements.

1,087,782

Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in Governmental Funds Balance Sheet.

(968,986)

The Internal Service Fund is used by management to charge the costs of Workers' Compensation claims. The assets and liabilities of the Internal Service Fund are included in Governmental Activities in the Government-Wide Statement of Net Assets.

334,336

Long-term liabilities (including bonds payable, capital leases, compensated absences, accrued retroactive payroll, and net pension obligations) are due and not payable in the current period and therefore are not reported in the Governmental Funds Balance Sheet. (Note 6)

(100,002,852)

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

439,010

**Net Assets - Governmental Activities**

**\$ 63,623,975**

*The accompanying notes are an integral part of the basic financial statements.*



**CITY OF WARWICK, RHODE ISLAND**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
**Governmental Funds**  
*For the Fiscal Year Ended June 30, 2007*

	<i>General Fund</i>	<i>School Unrestricted Fund</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
<b>Revenues</b>				
General property taxes	\$177,052,585	\$ -	\$ -	\$177,052,585
Interest on taxes	1,209,003	-	-	1,209,003
Intergovernmental revenue	24,081,081	36,886,522	11,199,914	72,167,517
State contribution to pension plan	-	5,848,558	-	5,848,558
Charges for services	5,913,358	2,766,091	7,119,189	15,798,638
Investment income	1,236,739	-	198,268	1,435,007
Contributions and private grants	-	-	532,283	532,283
Other revenue	8,571,146	172,564	485,166	9,228,876
<b>Total revenues</b>	<u>218,063,912</u>	<u>45,673,735</u>	<u>19,534,820</u>	<u>283,272,467</u>
<b>Expenditures</b>				
Current:				
Executive and administration	5,828,942	-	356,434	6,185,376
Public safety	37,152,104	-	7,348,904	44,501,008
Recreation	1,868,651	-	729,868	2,598,519
Public libraries	2,572,464	-	192,342	2,764,806
Social services	1,996,870	-	62,730	2,059,600
Planning and economic development	1,009,310	-	1,931,327	2,940,637
Public works	11,432,885	-	1,276,086	12,708,971
Employee benefits, fixed costs and capital	39,097,834	-	-	39,097,834
Education	-	153,528,742	8,396,937	161,925,679
Cafeteria operations	-	-	2,841,531	2,841,531
State contribution to pension plan	-	5,848,558	-	5,848,558
Debt service	-	-	9,300,659	9,300,659
<b>Total expenditures</b>	<u>100,959,060</u>	<u>159,377,300</u>	<u>32,436,818</u>	<u>292,773,178</u>
<b>Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)</b>	<u>117,104,852</u>	<u>(113,703,565)</u>	<u>(12,901,998)</u>	<u>(9,500,711)</u>
<b>Other financing sources (uses)</b>				
Transfers from other funds	2,082,262	113,125,355	10,287,632	125,495,249
Transfers to other funds	(123,009,283)	(94,737)	(2,621,988)	(125,726,008)
Proceeds from capital lease	-	-	6,203,000	6,203,000
<b>Total other financing sources (uses)</b>	<u>(120,927,021)</u>	<u>113,030,618</u>	<u>13,868,644</u>	<u>5,972,241</u>
<b>Net change in fund balances</b>	<u>(3,822,169)</u>	<u>(672,947)</u>	<u>966,646</u>	<u>(3,528,470)</u>
<b>Fund balances - July 1, 2006</b>	18,279,164	20,159	5,321,612	23,620,935
Adjustments to prior years	-	(20,159)	5,860	(14,299)
<b>Restated fund balances - July 1, 2006</b>	<u>18,279,164</u>	<u>-</u>	<u>5,327,472</u>	<u>23,606,636</u>
<b>Fund balances - June 30, 2007</b>	<u>\$ 14,456,995</u>	<u>\$ (672,947)</u>	<u>\$ 6,294,118</u>	<u>\$ 20,078,166</u>

*The accompanying notes are an integral part of the basic financial statements.*

**CITY OF WARWICK, RHODE ISLAND**  
**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and**  
**Changes in the Fund Balances to Government-Wide Statement of Activities**  
**For the Year Ended June 30, 2007**

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**Net Changes in Fund Balances - Total Governmental Funds** \$ (3,528,470)

**Amounts reported for Governmental Activities in the Statement of Activities are different because:**

Governmental Funds financial statements report capital outlay as expenditures. However, in the Government-Wide Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period. 7,971,347

Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities, but does not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in Governmental Funds financial statements. (10,266,909)

The loss on the disposal of capital assets is recorded on the Government-Wide Statement of Activities, but is not recorded on the Governmental Fund financial statements since it does not require the use of current financial resources. (39,624)

Long-term compensated absences, accrued retroactive payroll and net pension obligations are reported in the Government-Wide Statement of Activities, but do not require the use of current financial resources. Therefore, compensated absences, accrued retroactive payroll and net pension obligations are not reported as expenditures in Governmental Funds financial statements until due and paid. (7,748,573)

Bond and lease proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Government-Wide Statement of Net Assets. Repayment of bond and lease principal is an expenditure in Government Funds, but the payments reduce long-term liabilities in the Government-Wide Statement of Net Assets.

This amount represents lease proceeds. (6,203,000)

This amount represents long-term debt payments. 6,633,335

Accrued interest expense on long-term debt is reported in the Government-Wide Statement of Activities, but does not require the use of current financial resources. Therefore, accrued interest expense is not reported as an expenditure in the Governmental Funds financial statements. The following amount represents the change in accrued interest expense from the prior year. 301,545

The Internal Service Fund is used by management to charge the costs of Workers' Compensation claims. The net revenues (expenses) of the Internal Service Fund is reported with Governmental Activities in the Government-Wide financial statements. (38,860)

Bonds issued at a premium provide current financial resources to Governmental Funds, but increase the long-term liabilities in the Statement of Net Assets. Bond issuance costs are expenditures to Governmental Funds, but are deferred assets in the Statement of Net Assets. (43,807)

Revenues in the Statement of Activities that are not available in Governmental Funds are not reported as revenue in the Governmental Funds. 744,958

**Change in Net Assets - Governmental Activities** \$ (12,218,058)

*The accompanying notes are an integral part of the basic financial statements.*

**CITY OF WARWICK, RHODE ISLAND**

*Statement of Net Assets*

*Proprietary Funds*

*June 30, 2007*

	Business-Type Activities Enterprise Funds					Governmental Activities
	Sewer Fund	Sewer Assessment Fund	Water Fund	Other Enterprise Funds	Total	Internal Service Fund
<b>ASSETS</b>						
<b>Current assets:</b>						
Cash and cash equivalents	\$ 2,297,393	\$ 557,591	\$ 3,500,352	\$ 7,083,726	\$ 13,439,062	\$ 441,177
Restricted cash and cash equivalents	2,133,781	-	-	-	2,133,781	-
Accounts receivable, net:						
Water and sewer user fees	3,021,626	-	2,398,668	548,509	5,968,803	-
Sewer assessments	-	2,983,638	-	-	2,983,638	-
Due from federal and state government	7,765,874	-	-	-	7,765,874	-
Accrued interest	-	-	-	75,791	75,791	-
Restricted accrued interest	8,413	-	-	-	8,413	-
Other receivables	40,245	-	-	72,660	112,905	66,000
Due from other funds	34,806	81	-	4,238,811	4,273,698	9,500
Inventory	-	-	26,388	-	26,388	-
Total current assets	<u>15,302,138</u>	<u>3,541,310</u>	<u>5,925,408</u>	<u>12,019,497</u>	<u>36,788,353</u>	<u>516,677</u>
<b>Non-current assets:</b>						
Sewer assessments receivable	-	41,565,709	-	-	41,565,709	-
Construction in progress	15,359,475	-	160,132	174,593	15,694,200	-
Depreciable capital assets, net	164,608,727	-	13,449,990	113,313	178,172,030	-
Other assets, net	1,899,236	-	42,105	-	1,941,341	-
Total noncurrent assets	<u>181,867,438</u>	<u>41,565,709</u>	<u>13,652,227</u>	<u>287,906</u>	<u>237,373,280</u>	<u>-</u>
<b>Total assets</b>	<u>197,169,576</u>	<u>45,107,019</u>	<u>19,577,635</u>	<u>12,307,403</u>	<u>274,161,633</u>	<u>516,677</u>
<b>LIABILITIES</b>						
<b>Current liabilities:</b>						
Accounts payable						
and accrued expenses	1,398,919	-	834,317	20,863	2,254,099	182,341
Accrued interest payable	1,304,308	-	33,667	-	1,337,975	-
Due to other funds	7,811,999	-	3,538,651	102,059	11,452,709	-
Advanced collections	-	1,522,409	-	-	1,522,409	-
Current portion of long term debt	7,636,231	-	206,828	-	7,843,059	-
Total current liabilities	<u>18,151,457</u>	<u>1,522,409</u>	<u>4,613,463</u>	<u>122,922</u>	<u>24,410,251</u>	<u>182,341</u>
<b>Non-current liabilities:</b>						
Accrued compensated absences	133,305	-	153,493	19,059	305,857	-
Unearned revenue	-	41,565,709	-	-	41,565,709	-
Bonds and loans payable	138,919,878	-	2,987,933	-	141,907,811	-
Total noncurrent liabilities	<u>139,053,183</u>	<u>41,565,709</u>	<u>3,141,426</u>	<u>19,059</u>	<u>183,779,377</u>	<u>-</u>
<b>Total liabilities</b>	<u>157,204,640</u>	<u>43,088,118</u>	<u>7,754,889</u>	<u>141,981</u>	<u>208,189,628</u>	<u>182,341</u>
<b>NET ASSETS</b>						
Investment in capital assets -						
net of related debt	42,923,150	-	13,281,558	287,906	56,492,614	-
Restricted	2,142,194	-	-	-	2,142,194	-
Unrestricted	(5,100,408)	2,018,901	(1,458,812)	11,877,516	7,337,197	334,336
Total net assets	<u>\$ 39,964,936</u>	<u>\$ 2,018,901</u>	<u>\$ 11,822,746</u>	<u>\$ 12,165,422</u>	<u>\$ 65,972,005</u>	<u>\$ 334,336</u>

*The accompanying notes are an integral part of the basic financial statements.*

**CITY OF WARWICK, RHODE ISLAND**  
*Statement of Revenues, Expenses and Changes in Net Assets*  
*Proprietary Funds*  
*For the Fiscal Year Ended June 30, 2007*

	<i>Business-Type Activities</i> <i>Enterprise Funds</i>				<i>Governmental</i> <i>Activities</i>	
	<i>Sewer Fund</i>	<i>Sewer Assessment Fund</i>	<i>Water Fund</i>	<i>Other Enterprise Funds</i>	<i>Total</i>	<i>Internal Service Fund</i>
<b>Operating revenues</b>						
Assessments and user fees	\$ 7,670,003	\$ 3,053,277	\$ 7,154,996	\$ 361,430	\$ 18,239,706	\$ -
Other revenues	475,637	3,018,993	119,852	32,822	3,647,304	9,500
<b>Total operating revenues</b>	<u>8,145,640</u>	<u>6,072,270</u>	<u>7,274,848</u>	<u>394,252</u>	<u>21,887,010</u>	<u>9,500</u>
<b>Operating expenses</b>						
Contract services	124,386	-	246,053	-	370,439	-
Salaries and benefits	2,190,490	-	2,502,792	283,823	4,977,105	-
Materials and supplies	420,461	-	102,924	171,291	694,676	-
Depreciation and amortization	4,709,403	-	651,069	10,633	5,371,105	-
Operations	1,574,751	-	4,490,110	51,413	6,116,274	-
Workers' compensation claims	-	-	-	-	-	450,277
Miscellaneous	-	-	-	3,200	3,200	-
<b>Total operating expenses</b>	<u>9,019,491</u>	<u>-</u>	<u>7,992,948</u>	<u>520,360</u>	<u>17,532,799</u>	<u>450,277</u>
<b>Operating income (loss)</b>	<u>(873,851)</u>	<u>6,072,270</u>	<u>(718,100)</u>	<u>(126,108)</u>	<u>4,354,211</u>	<u>(440,777)</u>
<b>Nonoperating revenues (expenses)</b>						
Interest income	240,856	71,348	159,020	376,440	847,664	21,158
Operating grants	121,916	-	-	-	121,916	-
Loss on disposal of capital assets	(100,177)	-	-	-	(100,177)	-
Interest expense	(3,969,148)	-	(135,142)	-	(4,104,290)	-
<b>Total nonoperating revenues (expenses)</b>	<u>(3,706,553)</u>	<u>71,348</u>	<u>23,878</u>	<u>376,440</u>	<u>(3,234,887)</u>	<u>21,158</u>
<b>Income (loss) before transfers</b>	<u>(4,580,404)</u>	<u>6,143,618</u>	<u>(694,222)</u>	<u>250,332</u>	<u>1,119,324</u>	<u>(419,619)</u>
Transfers in	5,833,363	-	343,917	357,845	6,535,125	380,759
Transfers out	(150,000)	(5,500,000)	(200,000)	(835,125)	(6,685,125)	-
<b>Change in net assets</b>	<u>1,102,959</u>	<u>643,618</u>	<u>(550,305)</u>	<u>(226,948)</u>	<u>969,324</u>	<u>(38,860)</u>
<b>Total net assets - beginning of year</b>	<u>38,861,977</u>	<u>1,375,283</u>	<u>12,373,051</u>	<u>12,392,370</u>	<u>65,002,681</u>	<u>373,196</u>
<b>Total net assets - end of year</b>	<u>\$ 39,964,936</u>	<u>\$ 2,018,901</u>	<u>\$ 11,822,746</u>	<u>\$ 12,165,422</u>	<u>\$ 65,972,005</u>	<u>\$ 334,336</u>

*The accompanying notes are an integral part of the basic financial statements.*

# CITY OF WARWICK, RHODE ISLAND

## Statement of Cash Flows Proprietary Funds For the Fiscal Year Ended June 30, 2007

	Business-Type Activities Enterprise Funds					Governmental Activities
	Sewer Fund	Sewer Assessment Fund	Water Fund	Other Enterprise Funds	Total	Internal Service Fund
<b>Cash flows from operating activities</b>						
Cash received from customers	\$ 7,668,928	\$ 5,405,200	\$ 6,901,578	\$ 365,059	\$ 20,340,765	\$ -
Cash payments to suppliers for goods and services	(2,153,531)	-	(4,501,693)	(252,167)	(6,907,391)	-
Cash payments to employees for services	(2,193,275)	-	(2,490,456)	(275,658)	(4,959,389)	-
Other operating receipts	-	-	-	36,751	36,751	9,500
Other operating payments	-	-	-	(3,361)	(3,361)	(380,760)
<b>Net cash provided by (used for) operating activities</b>	<u>3,322,122</u>	<u>5,405,200</u>	<u>(90,571)</u>	<u>(129,376)</u>	<u>8,507,375</u>	<u>(371,260)</u>
<b>Cash flows from non-capital financing activities</b>						
Operating grants received	76,247	-	-	-	76,247	-
Interfund cash receipts	3,518,152	119	-	616	3,518,887	-
Interfund cash payments	-	(484,387)	(421,253)	(605,389)	(1,511,029)	(9,500)
Transfers from other funds	5,833,363	-	343,917	357,845	6,535,125	380,759
Transfers to other funds	(150,000)	(5,500,000)	(200,000)	(835,125)	(6,685,125)	-
<b>Net cash provided by (used for) non-capital financing activities</b>	<u>9,277,762</u>	<u>(5,984,268)</u>	<u>(277,336)</u>	<u>(1,082,053)</u>	<u>1,934,105</u>	<u>371,259</u>
<b>Cash flows from capital and related financing activities</b>						
Acquisition and construction of capital assets	(1,641,415)	-	(668,493)	(10,871)	(2,320,779)	-
Loan proceeds	584,583	-	-	-	584,583	-
Principal paid on bonds and loans	(7,930,601)	-	(221,308)	-	(8,151,909)	-
Interest paid on bonds and loans	(3,775,194)	-	(135,163)	-	(3,910,357)	-
<b>Net cash provided by (used for) capital and related financing activities</b>	<u>(12,762,627)</u>	<u>-</u>	<u>(1,024,964)</u>	<u>(10,871)</u>	<u>(13,798,462)</u>	<u>-</u>
<b>Cash flows from investing activities</b>						
Interest and dividends on investments	238,534	71,348	159,020	376,440	845,342	21,158
<b>Net cash provided by investing activities</b>	<u>238,534</u>	<u>71,348</u>	<u>159,020</u>	<u>376,440</u>	<u>845,342</u>	<u>21,158</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	75,791	(507,720)	(1,233,851)	(845,860)	(2,511,640)	21,157
<b>Cash and cash equivalents at beginning of year</b>	<u>4,355,383</u>	<u>1,065,311</u>	<u>4,734,203</u>	<u>7,929,586</u>	<u>18,084,483</u>	<u>420,020</u>
<b>Cash and cash equivalents at end of year</b>	<u>\$ 4,431,174</u>	<u>\$ 557,591</u>	<u>\$ 3,500,352</u>	<u>\$ 7,083,726</u>	<u>\$ 15,572,843</u>	<u>\$ 441,177</u>
<b>Noncash capital and related financing activities:</b>						
Increase in capital assets	\$ 7,877,776	\$ -	\$ -	\$ -	\$ 7,877,776	\$ -
Increase in other assets	121,115	-	-	-	121,115	-
Increase in loans payable	8,915,417	-	-	-	8,915,417	-
Increase in due from state	916,526	-	-	-	916,526	-

(Continued)

The accompanying notes are an integral part of the basic financial statements.

**CITY OF WARWICK, RHODE ISLAND**

*Statement of Cash Flows (Continued)  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2007*

*Reconciliation of operating income (loss)  
to net cash provided by (used for)  
operating activities*

Operating Activities	Business-Type Activities Enterprise Funds					Governmental Activities
	Sewer Fund	Sewer Assessment Fund	Water Fund	Other Enterprise Funds	Total	Internal Service Fund
Operating income (loss)	\$ (873,851)	\$ 6,072,270	\$ (718,100)	\$ (126,108)	\$ 4,354,211	\$ (440,777)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:						
Depreciation and amortization	4,709,403	-	651,069	10,633	5,371,105	-
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable	(608,195)	(1,887,766)	(373,270)	(696)	(2,869,927)	-
Increase (decrease) in allowance for uncollectible accounts	138,479	-	-	4,324	142,803	-
(Increase) decrease in other receivables	(6,995)	-	-	7,432	437	-
(Increase) decrease in accrued interest receivable	-	-	-	(3,503)	(3,503)	-
(Increase) decrease in inventory	-	-	91,324	-	91,324	-
Increase (decrease) in accounts payable and accrued expenses	(36,493)	-	255,910	(30,104)	189,313	69,517
Increase (decrease) in advanced collections	-	(119,022)	-	-	(119,022)	-
Increase (decrease) in unearned revenue	-	1,339,718	-	-	1,339,718	-
Increase (decrease) in accrued compensated absences	(226)	-	2,496	8,646	10,916	-
Total adjustments	4,195,973	(667,070)	627,529	(3,268)	4,153,164	69,517
Net cash provided by (used for) operating activities	\$ 3,322,122	\$ 5,405,200	\$ (90,571)	\$ (129,376)	\$ 8,507,375	\$ (371,260)

*The accompanying notes are an integral part of the basic financial statements.*

**CITY OF WARWICK, RHODE ISLAND***Statement of Fiduciary Net Assets**Fiduciary Funds**June 30, 2007*

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	<i>Pension Trust Funds</i>	<i>Private- Purpose Trust Funds</i>	<i>Agency Funds</i>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,375,937	\$ 30,762	\$ 1,365,918
Investments	347,480,404	136,829	498,899
Accrued interest receivable	13,970	-	-
Other receivables	854,351	-	212,110
Due from other funds	-	5,793	-
<b>Total assets</b>	<b>351,724,662</b>	<b>173,384</b>	<b>2,076,927</b>
 <b>LIABILITIES</b>			
Accounts payable and accrued expenses	315,759	60	164,345
Due to federal and state governments	-	-	117,901
Due to other funds	-	-	273,426
Deposits held in custody for others	-	-	1,521,255
<b>Total liabilities</b>	<b>315,759</b>	<b>60</b>	<b>2,076,927</b>
 <b>NET ASSETS</b>			
Held in trust for pension benefits and other purposes	<u>\$ 351,408,903</u>	<u>\$ 173,324</u>	<u>\$ -</u>

*The accompanying notes are an integral part of the basic financial statements.*

**CITY OF WARWICK, RHODE ISLAND***Statement of Changes in Fiduciary Net Assets**Fiduciary Funds**For the Year Ended June 30, 2007*

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	<i>Pension Trust Funds</i>	<i>Private- Purpose Trust Funds</i>
<b>Additions</b>		
Contributions:		
Employer	\$ 20,342,235	\$ -
Plan member	4,621,903	-
Total contributions	<u>24,964,138</u>	<u>-</u>
Investment income:		
Net appreciation (depreciation) in fair value of investments	45,317,038	-
Interest and dividends	1,759,913	7,710
Less: investment expense	(1,185,082)	-
Net investment income	<u>45,891,869</u>	<u>7,710</u>
Other revenue	<u>154,351</u>	<u>46,990</u>
<b>Total additions</b>	<u>71,010,358</u>	<u>54,700</u>
 <b>Deductions</b>		
Benefits	27,606,201	-
Administrative and other expense	146,437	45,125
<b>Total deductions</b>	<u>27,752,638</u>	<u>45,125</u>
 <b>Change in net assets</b>	<u>43,257,720</u>	<u>9,575</u>
 <b>Net assets - beginning of year</b>	308,151,183	166,206
Adjustments to prior years	-	(2,457)
<b>Net assets - beginning of year, as restated</b>	<u>308,151,183</u>	<u>163,749</u>
 <b>Net assets - end of year</b>	<u>\$ 351,408,903</u>	<u>\$ 173,324</u>

*The accompanying notes are an integral part of the basic financial statements.*