

TOWN OF WARREN, RHODE ISLAND

B - 2

**Statement of Revenues and Other Financing Sources,
Expenditures and Other Financing Uses
For the year ended June 30, 2013**

	General Fund	RIDOT TIP Water St. Project	COPS Technology Grant	EPA STAG	Other Governmental Funds	Total Governmental Funds
Revenues						
General property taxes	\$ 22,052,524	\$ -	\$ -	\$ -	\$ -	\$ 22,052,524
Interest and investment income	304,505				116	304,621
Licenses, fees, permits and fines	1,410,561				20,045	1,430,606
Water and sewer use fees	22,398					22,398
Transfer Station fees	195,743					195,743
Intergovernmental	538,595	50,110	311,156	10,985	488,787	1,377,633
Other	77,589				146,073	223,672
Total revenues	24,601,925	50,110	311,156	10,985	633,021	25,607,197
Expenditures						
Current:						
General government	3,505,639			10,985	498,854	4,015,478
Town offices	764,360					764,360
Financial administration	232,448					232,448
Public safety	2,173,629		310,872		183,371	2,667,772
Fire safety	456,201				2,109	458,310
Waste water treatment	1,101,290				-	1,101,290
Highway department	1,394,766					1,394,766
Grants and contributions	286,906					286,906
Education	11,748,790					11,748,790
Transfer Station	393,139					393,139
Costs of collection	354					354
Debt Service:						
Principal	1,294,338					1,294,338
Interest and other costs	379,849					379,849
Capital:						
Capital and special appropriations	1,080,243	9,830			1,745,371	2,835,444
Total expenditures	24,811,852	9,830	310,872	10,985	2,429,705	27,573,244
Excess of revenues over (under) expenditures before transfers	(209,927)	40,280	284	-	(1,786,684)	(1,966,047)
Other financing sources/uses						
Transfers in	23,737				372,258	395,995
Transfers out	(372,258)				(23,737)	(395,995)
Net other financing sources/uses	(348,521)	-	-	-	348,521	-
Net Change in Fund Balances	(558,448)	40,280	284	-	(1,448,163)	(1,966,047)
Fund balance - beginning of the year, restated	6,650,680	(40,280)	(1,233)	-	2,262,816	8,872,183
Fund balance - end of the year	\$ 6,092,432	\$ -	\$ (949)	\$ -	\$ 814,653	\$ 6,906,136

See Notes to Financial Statements

TOWN OF WARREN, RHODE ISLAND***Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds (B-2) to the Statement of Activities (A-2)
For the year ended June 30, 2013***

Net change in fund balances - total governmental funds (B-2)	\$ (1,966,047)
 The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences.	1,244,657
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds.	(148,662)
 Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(438,938)</u>
 Change in Net Position of Governmental Activities in the Statement of Activities (A-2)	<u>\$ (1,308,990)</u>

TOWN OF WARREN, RHODE ISLAND

**Statement of Net Position
Fiduciary Funds
June 30, 2013**

	Private- Purpose Trusts	OPEB Trust Fund	Agency Funds
ASSETS			
Cash	\$ 17,524	\$ 14,942	\$ 84,565
Investments	594,394	728,058	
Accounts receivable			
 Total Assets	<u>611,918</u>	<u>743,000</u>	<u>\$ 84,565</u>
 LIABILITIES			
Accounts payable			
Deposits Held in Custody for Others			84,565
 Total Liabilities	<u>-</u>	<u>-</u>	<u>\$ 84,565</u>
 NET POSITION			
Held in Trust for private purposes	<u>\$ 611,918</u>	<u>\$ 743,000</u>	

See Notes to Financial Statements

TOWN OF WARREN, RHODE ISLAND**Statement of Changes in Net Position
Fiduciary Funds
For the year ended June 30, 2013**

	Private- Purpose Trusts	OPEB Trust Fund
ADDITIONS:		
Investment income	\$ 6,262	\$ 3,122
Total additions	<u>6,262</u>	<u>3,122</u>
DEDUCTIONS:		
Portfolio management fees	<u>9,633</u>	
Total deductions	<u>9,633</u>	-
CHANGE IN NET POSITION	(3,371)	3,122
Net Position - beginning	615,289	739,878
Net Position - ending	<u><u>\$ 611,918</u></u>	<u><u>\$ 743,000</u></u>

See Notes to Financial Statements

TOWN OF WARREN, RHODE ISLAND

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town complies with generally accepted accounting principles (GAAP). Generally accepted accounting principles (GAAP) includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The Town has elected not to follow subsequent private-sector guidance. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

As a general rule the effect of Interfund activity has been eliminated from the government-wide financial statements. The exceptions to this rule are the charges between the transfer station enterprise fund and the general fund, as elimination of these charges would improperly distort the direct costs and operating revenues reported for the functions concerned.

Reporting Entity

The Town of Warren was founded in 1746 and incorporated in 1747. The Town operates under a "council-manager" form of government, with a five member Town Council headed by a Council President and a Town Manager. The Town Manager exercises the executive power of Town government and is responsible to the Town Council for day to day operation of the Town's affairs. All legislative powers of the Town are vested in the Town Council except such powers that are reserved by Charter to the Financial Town Meeting, including the ordering of any tax making appropriations.

With the Town of Warren's Charter Amendments adopted on November 4, 2008, elected officials serve two year terms, elected at large at the regular biennial elections during even number years. The Town Council is granted all powers to enact, amend or repeal ordinances relating to the Town's property, affairs and government, including the power to create offices, departments or agencies of the Town, preserving the public peace, health and safety, establishing personnel policies, giving effect to any vote of the Financial Town Meeting authorizing the issuance of bonds and providing for an annual audit of the Town's accounts.

An act was passed at the January 1991 session of the General Assembly which authorized the Towns of Warren and Bristol to form a regional school district of all the public schools in the Towns of Bristol and Warren to include all grades and programs currently provided and any other grades and programs specified by the regional school committee.

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. 61. Under GASB Statement No. 61, a legally separate entity is required to be included as a component unit if it is fiscally dependent upon the primary government and there is a financial benefit or burden relationship present. The primary government is financially accountable if it appoints the voting majority of the organization's governing board and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A potential component unit has a financial benefit or burden relationship with the primary government if, for example, any one of the following exists:

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

(CONTINUED)

TOWN OF WARREN, RHODE ISLAND

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Recently Issued Accounting Standards

- ✓ GASB Statement No. 60 – Accounting and Financial Reporting for Service Concession Arrangement, effective for the Town's fiscal year ending June 30, 2013. The adoption of this Statement did not have a significant impact on the Town's fiscal 2013 financial statements.
- ✓ GASB Statement No. 61 – The Financial Reporting entity: Omnibus an amendment of GASB Statements No. 14 and No. 34, effective for the Town's fiscal year ending June 30, 2013. The adoption of this Statement did not have a significant impact on the Town's fiscal 2013 financial statements.
- ✓ GASB Statement No. 62 – Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, effective for the Town's fiscal year ending June 30, 2013. The adoption of this Statement did not have a significant impact on the Town's fiscal 2013 financial statements.
- ✓ GASB Statement No. 63 – Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, effective for the Town's fiscal year ending June 30, 2013. The adoption of this Statement did not have a significant impact on the Town's fiscal 2013 financial statements.

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

- ✓ GASB Statement No. 65 – Items Previously Reported as Assets and Liabilities, effective for the fiscal year ending June 30, 2014.
- ✓ GASB Statement No. 66 – Technical Corrections – An Amendment of GASB Statements No 10 and No. 63, effective for the 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 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 fiscal year ending June 30, 2015.
- ✓ GASB Statement No. 69 – Government Combinations and Disposals of Government operations, effective for the Town's fiscal year ending June 30, 2015.
- ✓ GASB Statement No. 70 – Accounting and Financial Reporting for Nonexchange Financial Guarantees, effective for the Town's fiscal year ending June 30, 2014.

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

Basis of Presentation

Government-Wide Financial Statements

The statement of net position 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.

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TOWN OF WARREN, RHODE ISLAND

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues, and expenditure/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 Town or meets the following criteria:

(a) Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, 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 and deferred outflows of resources, liabilities and deferred inflows of resources, 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 Town 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 financial resources to be used for the acquisition or construction of specific capital projects or items.

Permanent Funds

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

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TOWN OF WARREN, RHODE ISLAND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Governmental Funds (Continued)

Proprietary Fund

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.

Fiduciary Funds (Not included in government wide statements)

Agency Funds

Agency funds account for assets held by the Town in a purely custodial capacity. The reporting entity includes three agency funds. Since agency funds are custodial in nature (i.e. assets equal liabilities), they do not involve the measurement of results of operations. The agency funds are as follows:

- Unclaimed estates in Probate Court
- Performance Bond Funds

Private-purpose Trust Funds

Private-purpose trust funds are used to account for resources legally held in trust for use by parties outside of the Town, and can not be used at the Town's discretion or to support the Town's general operations. These trusts are for the benefit of local educational organizations, social benefit groups, and other private parties.

OPEB Trust Fund

The Other Postemployment Benefits (OPEB) trust fund is used to account for payments of postemployment benefits (health insurance) that the Town provides to qualified retirees in accordance with union contract provisions.

Major and Non-Major Funds

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

<u>Fund</u>	<u>Brief Description</u>
Major:	
General Fund:	See above for description
RI DOT TIP Water St. Project:	To account for RI DOT grant award and expenditures.
COPS Technology Grant:	To account for COPS Technology grant award and expenditures.
EPA STAG Fund:	To account for EPA grant award and expenditures.

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TOWN OF WARREN, RHODE ISLAND

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Major and Non-Major Funds (Continued)

Non-Major:

Special Revenue Funds:	Enterprise Zone, Senior Center, Kee Farm Preservation, Road Duty, Rec. Department Donation, State Paving Grant, Fire Legislative Grant, Gun Buy Back, RI DOT Highway Safety Grant, WPD RI Senatorial Grant, Recycling Grant, Planning Challenge Grant, Champlain Foundation, Historical Street Signs, Community Gardens, ACO Donations, Diesel Equipment Repair, Cops that Care, Social Services Donations, Marijuana Grant, Warren Beautification Donation, Animal Rescue, Revaluation Fund, Animal Spading, Police Bicycle Patrol Grant, Byrnes Justice Grant, Youth Tobacco Enforcement, AFIS Live Scan Fed. Grant, RI State Byrnes Justice Grant, Road Salt Storage Project, RI JAG Byrne Stimulus Grant, Memorial Tree Fund, Strategic Plan Energy Conserv., Sewer Project – EPA, Stormwater Permitting, Recreational Trails Grant, Summer Concerts, RI EME Grant, Project Playground, Jamiel's Park Chafee, Safe Routes to School, Substance Abuse, Fire Inspections, Jamiel's Park DEM Grant, Fire State Meds Plan, Warren Arts Initiative, FEMA Flood Event, Community Development Block Grant, Industrial Pretreatment, Veterans Honor Roll, Government Center, Parker Avenue Clean Up, Ship Shape, Holiday Committee, Town Beach Stormwater, Narcotics, and Employee Charity Fund.
Capital Project Funds:	RICWFA 2005A Bond Fund, RICWFA 2011A Bond Fund
Permanent Funds:	Sara B. Burtis Fund, Police Trust, and Town Trust.

Measurement Focus

On the government-wide Statement of Net Position and the Statement of Activities both governmental and business-like activities are presented using the economic resources 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 Town considers property taxes as available if they are collected within 60 days after year end.
- (b) The proprietary fund and private purpose trust funds utilize "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. Fund equity is classified as net assets.
- (c) Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

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TOWN OF WARREN, RHODE ISLAND

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic 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. The major revenue sources that is susceptible to accrual is property tax revenue. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within 60 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, agency funds, and private purpose trust 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.

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

Assets, Liabilities, and Fund Equity

Cash

Cash and cash equivalents are carried at cost. Cash equivalents are all highly liquid investments with a maturity of three months or less when purchased. Substantially, all of the Town's cash and cash equivalents are held in public deposit institutions, except for \$1,590 in unsecured petty cash. The Town pools cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. Cash in excess of current requirements is invested in short-term treasury securities or as disclosed as part of the Town's investments.

Investments

The Town invests in various types of investments, which are stated at fair value. There are no investments reported at amortized cost.

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TOWN OF WARREN, RHODE ISLAND

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Fund Equity (Continued)

Accounts Receivable

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. The allowance for uncollectible accounts receivable amounted to \$278,400 at June 30, 2013. Major receivable balances for the governmental activities include property taxes (19% of balance) and intergovernmental grants and aid (71% of balance). 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 receivable are based upon historical trends and the periodic aging of accounts receivable.

Accounts Payable

Payable balances consist primarily of payables to vendors. Accrued expenses consist primarily of accrued salaries and benefits to employees.

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 and payable in quarterly installments on the August 1, November 1, February 1, and May 1 following the levy date. Taxes due and unpaid after the respective due dates are subject to interest and penalties. The Town has the ultimate right to foreclose on property for which taxes have not been paid by the following July 1 when the next year's tax is levied. Property taxes levied are recorded as receivables in the fiscal year of the levy. Property tax revenues are recorded in accordance with the modified accrual basis of accounting.

Inventory

The Town maintains an "inventory" of fuel for use by the Town owned vehicles in various departments and buses used by the Regional School District. Inventory is maintained on a periodic system and is stated at cost (first in, first out method of inventory valuation). Inventories in the Governmental Funds are recorded as expenditures when consumed.

Prepays

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid assets. Prepaid expenditures recorded in governmental type funds do not reflect current appropriate resources and, thus, an equivalent portion of the fund balance is non spendable.

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TOWN OF WARREN, RHODE ISLAND

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Fund Equity (Continued)

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.

Government-Wide Statements

In the government-wide financial statements, long-lived assets are accounted for as capital assets. 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. Estimated historical cost was used to value the majority of the assets acquired prior to June 30, 1993.

Capital assets are defined by the Town as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of two years.

Infrastructure assets, (such as sidewalks, curbs, drainage systems, and road improvements) acquired by the Town have been capitalized and reported within the financial statements.

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:

Buildings and land improvements	25 - 40 years
Infrastructure	25 - 40 years
Equipment and Heavy machinery	10 - 20 years
Motor vehicles	5 - 10 years
Office equipment	5 - 10 years
Other assets	5 - 10 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 in the same manner as in the government-wide statements.

Unearned Revenues

Represent funds received in advance of being owed or receivables which will be collected and included in revenues of future fiscal years. In the General Fund, unavailable property tax revenue relate to property tax receivables which are assessed on December 31.

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TOWN OF WARREN, RHODE ISLAND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Fund Equity (Continued)

Interfund Transactions

Interfund activity within and among the funds of the Town 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 or 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.

Equity Classifications

Government-Wide Statements

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

- (a) Net investment in capital assets - 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 position - Consists of net position 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 position - All other net assets that do not meet the definition of "restricted" or "net investment in capital assets".

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TOWN OF WARREN, RHODE ISLAND

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013**

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Assets, Liabilities, and Fund Equity (Continued)

Fund Financial Statements

Governmental fund equity is classified as fund balance in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Fund balance is classified as 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. At the end of each fiscal year, the Finance Director will report the portion of the fund balance that is not in spendable form as Non-Spendable on the annual financial statements.
- **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 Town's restricted fund balance amounts are considered to have been spent when an expenditure has been incurred satisfying such restriction. At the end of each fiscal year, the Finance Director will report restricted fund balance amounts that have applicable legal restrictions per GASB No. 54.
- **Committed** – the Town Council, as the Town'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 Town 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. At the end of each fiscal year, the Finance Director will report committed fund balances that have been committed by self-imposed actions by the Town of Warren's Town Council.
- **Assigned** – the amount of fund balance that includes the portion of the spendable fund balance that reflects funds intended to be used by the government for specific purpose assigned by information operational planning. The assigned fund balance represents a "plan" for spending the amount, but it is not restricted or committed. The authority to "assign" fund balance has not been delegated by the Town Council.
- **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. At the end of each fiscal year, the Finance Director will report the portion of the unassigned fund balance.

The Town maintains a formal spending policy in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. It shall be the Finance Director's responsibility to ensure the Town's expenditures are appropriately classified based on the restrictions (both external and internal) of the revenue and fund balance(s) in accordance with the definitions listed above. See Note 9 for current year classification of fund balance.

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TOWN OF WARREN, RHODE ISLAND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Fund Equity (Continued)

Compensated Absences

Employees are granted vacation and sick leave in varying amounts. Upon retirement, termination or death, certain employees are compensated for unused vacation and sick leave (subject to certain limitations) at their current rates of pay. The amount recorded is the unused days earned at the current rate of pay. For governmental activities the general fund is used to satisfy this liability as it becomes due.

Town

Town employees are entitled to vacation based on length of service. Up to two weeks of vacation days are allowed to carry over to succeeding years.

Town employees are entitled to 1.5 days sick leave per month worked. Sick leave may be accumulated to a maximum of 180 days. Upon retirement or termination, employees have a vested interest in 75% of their accumulated sick time.

Full time Town employees retiring between the ages of 62 and 65 will continue to receive medical insurance coverage until age 65. Full-time Town employees retiring at age 65 will have applicable medical coverage paid for by the Town for a period of three years.

Police

Police are entitled to vacation based on length of service. Police can accumulate vacation days up to 120 days and may be carried over. Any vacation time in excess of 120 days not used or redeemed will be forfeited.

Police are entitled to 1.5 days of sick leave for each month in which they work a minimum number of hours. Sick leave may be accumulated to a maximum of 180 days. 75 % of the days in excess of 180 days on June 30 of each year will be paid in the form of a lump sum cash payment. Upon retirement or termination, police have a vested interest in their accumulated sick time based on prorated schedule.

Reconciliation of Government-wide and Fund Financial Statements

The governmental fund balance sheet includes reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that "long-term liabilities are not due and payable in the current period and therefore are not reported in the funds." The details of this (\$14,630,332) difference are as follows:

Bonds payable	(\$12,599,318)
Accrued expenses	(450,000)
Compensated absences	<u>(1,581,014)</u>
 Total	 <u>(\$14,630,332)</u>

(CONTINUED)

TOWN OF WARREN, RHODE ISLAND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Fund Equity (Continued)

Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance and the Government-wide Statement of Activities

Another element of that reconciliation states that "the issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net assets." The details of this \$1,244,657 difference are as follows:

Change in interest accrued	\$ (31,641)
Increase in compensated absences	(18,040)
Principal repayments	<u>1,294,338</u>
Net adjustment	<u>\$1,244,657</u>

Another element of that reconciliation states that, "Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds." The details of this (\$148,662) difference are as follows:

Deferred revenue - beginning	\$ 358,627
Deferred revenue - ending	<u>(507,289)</u>
Net difference	<u>(\$ 148,662)</u>

Another element of that reconciliation states that "Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds." The detail of this (\$438,938) difference is the accrual for OPEB liabilities (net) and accrued expenses.

2. BUDGETARY AND LEGAL COMPLIANCE

Budgetary Data

The Town Council adopts an annual budget for the General Fund. The Town Council is authorized to transfer budgeted amounts within and among departments and to authorize emergency expenditures. Any revisions that alter total expenditures must be approved by the taxpayers by a vote at the Financial Town Meeting. Management cannot make any transfers without prior Council approval. The governing Council made no supplemental budgetary appropriation during the fiscal year. The budget for the General Fund is presented in the Statement of Revenues, Expenditures, and Changes in Fund Balances-Budgeted and Actual. All annual appropriations lapse at fiscal year end unless specifically approved for carryover to the following year by the taxpayers by a vote at a Financial Town Meeting. The budget for the General Fund is appropriated at the individual account level, also known as the line item level.

(CONTINUED)

TOWN OF WARREN, RHODE ISLAND

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

2. **BUDGETARY AND LEGAL COMPLIANCE (Continued)**

Budgetary Data (Continued)

The Town does not budget for the combined Special Revenue Funds or the Capital Project Funds, since budgetary control is maintained on an individual basis. Since grant periods may differ from the Town's fiscal year, a comparison of budgetary information may not be meaningful and has not been presented in the accompanying financial statements.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of funds are recorded in order to preserve that portion of the applicable appropriation, is employed in the General Fund Budget. Encumbrances do not constitute expenditures or liabilities.

Excess of Expenditures Over Appropriations

For the year ended June 30, 2013, expenditures exceeded budget at the department level as follows:

<u>Department</u>	<u>Excess</u>
Finance administration	\$11,159
Fire safety	\$1,776
Highway department.....	\$54,014

3. **CASH AND INVESTMENTS**

Deposits

Deposits are in various financial institutions and are carried at cost, which approximates market value. The carrying amount of deposits is separately displayed on the balance sheet as "Cash" and includes \$1,590 of petty cash.

At year-end, the Town's carrying amount of deposits was \$5,351,612 and the bank balance was \$5,238,360. Of the bank balance, \$772,335 was covered by Federal Depository Insurance. The remaining balance, \$4,466,025 was collateralized with securities held by the pledging financial institution, or its trust department or agent but not in the Town's name.

Custodial and Credit Risk-Deposits

Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The collateralization of certificates of deposit or repurchase agreements must be in an amount of at least 102% of market value to the amount of the deposit is the Town's investment policy for custodial credit risk.

Credit Risk. As of June 30, 2013, the Town's investments in Money Markets are not rated, as the fund invests in short-term obligations.

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