

TOWN OF WARREN, RHODE ISLAND

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

**3. CASH AND INVESTMENTS (Continued)**

***Custodial and Credit Risk-Deposits (Continued)***

***Concentration of Credit Risk.*** The Town places the following limits on the maximum percent of portfolio it may invest in any one specific instrument: the portfolio shall at all times comprise of at least three separate investment instruments; with no one instrument holding more than 50% of total fund principal. Furthermore, at least 30% of the invested funds shall be in instruments that can be redeemed by the Town on demand within one day.

***Investments***

The Town invests in various types of investments which are stated at fair value. The Finance Director has control over the type of investments made. Neither the Town Charter nor any other legally contracted agreements limits the type of investments that may be made.

At June 30, 2013, the Town held the following investments:

<u>Description</u>	<u>Maturity</u>	<u>Market Value</u>
Bank America	11/15/2014	\$ 21,007
General Electric Capital	2/24/2032	15,045
Citigroup, Inc.	05/07/2015	15,824
Cisco Systems Inc	1/15/2020	22,037
E I DU Pont De Nemours & CO	01/15/2020	16,673
Federal Farm Cr	01/12/2016	21,566
JP Morgan Chase and CO	3/25/2020	21,839
Merck & Co., Inc.	03/01/2015	26,698
Common Stocks	N/A	367,527
Mutual funds		97,461
Certificates of Deposit	Various	1,243,241
Total		<u>\$ 1,868,918</u>

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TOWN OF WARREN, RHODE ISLAND

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

**3. CASH AND INVESTMENTS (Continued)**

*Investments (continued)*

**Interest Rate Risk**

It is the policy of the Town to limit the length of its investment maturities in order to manage the exposure to fair value losses arising from increasing interest rates. The Town has investments in corporate bonds which have interest rates that are fixed for long periods and are subject to more variability in their fair value as a result of future changes in interest rates. The Town does not have a formal policy which addresses the interest rate risks associated with its investments. The following investments are subject to interest rate risk:

<u>Description</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Market Value</u>
Bank America	5.125%	11/15/2014	\$ 21,007
General Electric Capital	4.000%	2/24/2032	\$ 15,045
Citigroup, Inc.	4.875%	05/07/2015	\$ 15,824
Cisco Systems Inc	4.450%	1/15/2020	\$ 22,037
E I DU Pont De Nemours & CO	4.625%	01/15/2020	\$ 16,673
Federal Farm Cr	3.680%	01/12/2016	\$ 21,566
JP Morgan Chase and CO	4.950%	3/25/2020	\$ 21,839
Merck & Co., Inc.	4.750%	03/01/2015	\$ 26,698

**Credit Risk**

The Town does not have a formal policy which addresses the credit risks associated with its investments. The following investments are subject to credit risk:

<u>Description</u>	<u>Standard &amp; Poors</u>	<u>Moody's Investor Service</u>
Bank America	A-	BAA2
General Electric Capital	AA+	A1
Citigroup, Inc.	BBB+	Baa3
Cisco Systems Inc	A+	A1
E I DU Pont De Nemours & CO	A	A2
Federal Farm Cr	AA+	Aaa
JP Morgan Chase and CO	A	A2
Merck & Co., Inc.	AA	A1

**Concentration of Credit Risk**

The Town does not have a formal policy that limits the amount that may be invested in any one issuer. All of the Trust Funds' investments are held in an internal investment pool. Net investment income for the year is allocated to each Trust Fund based on the ratio of each fund's fund balance to the total combined fund balance at the beginning of the year. Operating transfers out to Trust beneficiaries are allocated to the Trust Funds for which the withdrawals are allowable. Each withdrawal is allocated to the applicable Trust Funds based on the ratio of each fund's fund balance to the combined fund balance of the applicable funds at the beginning of the year.

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TOWN OF WARREN, RHODE ISLAND

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

**4. CAPITAL ASSETS**

Activity for governmental activity capital assets is summarized below:

	Balances June 30, 2012	Additions	Deductions	Balances June 30, 2013
<b>Governmental activity capital assets</b>				
Land (not being depreciated)	\$ 1,104,141		\$ -	\$ 1,104,141
Construction in progress (not being depreciated)	-			-
Buildings and land improvements	16,338,322			16,338,322
Motor Vehicles	5,294,912			5,294,912
Equipment	9,977,762			9,977,762
Equipment and Trailers	318,830			318,830
Infrastructure	36,606,593			36,606,593
<b>Total Cost</b>	<u>69,640,560</u>	-	-	<u>69,640,560</u>
Less: accumulated depreciation:				
Buildings and improvements	(10,043,369)			(10,043,369)
Motor Vehicles	(2,640,865)			(2,640,865)
Equipment	(7,928,249)			(7,928,249)
Equipment and Trailers	(288,359)			(288,359)
Infrastructure	(19,012,680)			(19,012,680)
<b>Total accumulated depreciation</b>	<u>(39,913,522)</u>	-	-	<u>(39,913,522)</u>
<b>Net capital assets</b>	<u>\$ 29,727,038</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,727,038</u>

Generally accepted accounting principles, require that capital assets be capitalized and depreciated. The current year additions, retirements and depreciation were not recorded for 2013 due to insufficient records.

**5. OTHER POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

In addition to the pension benefits described in Note 12, the Town provides postemployment benefits (health insurance) in accordance with union contract provisions. For the year ended June 30, 2013, six (6) municipal retirees met the eligibility requirements for Town provided coverage. The Town pays 100% of the cost of these benefits on a pay-as-you-go basis, which amounted to approximately \$93,844.

The Town's annual other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the Town (ARC) under the accrual basis of accounting. The Town has engaged an actuary to calculate the ARC and related information per the provisions of GASB Statement 45 for employers with plans including more than 100 total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the components of the Town's annual OPEB cost for the year ended June 30, 2013, the amount actually contributed to the plan, and the Town's net OPEB obligation to the plan as of June 30, 2013.

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

**5. OTHER POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)**

<u>Annual OPEB Cost</u>	<u>Year ended June 30, 2013</u>
Annual required contribution	\$ 420,724
Amortization adjustment	(52,381)
Interest	58,409
Annual OPEB cost	<u>424,752</u>
Implicit rate subsidy	(41,970)
Contributions made during year	(93,844)
Net OPEB obligation at beginning of year	1,410,227
Net OPEB obligation at end of year	<u>\$ 1,699,165</u>

Town contributions to the plan for the year ended June 30, 2013 represented 32% of annual OPEB expense, of \$424,752. The difference represents the Town's OPEB obligation to the plan and has been accrued as an expense in the government-wide financial statements.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and annual required contributions are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information on page 43 will, over time, present multi-year trend information about whether the actuarial value of plan assets (none at present) is increasing or decreasing relative to the actuarial accrued liabilities for benefits.

***Funding Policy***

The Town's funding policy provides for actuarially determined periodic contributions to the plans at rates that, for individual employees, increase gradually over time so that sufficient assets will be available to pay benefits when due.

***Funded Status of Plan***

The required supplementary information which follows the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Listed below are the details of the funding progress of the General Municipal Employees' Pension Plan with a valuation date of June 30, 2012 which is the most recent report available from the State who administers this plan:

- Actuarial value of assets - \$739,870
- Actuarial accrued liability - \$4,332,008
- Unfunded actuarial accrued liability (UAAL) - \$3,592,138
- Funded Ratio - 17.08%
- Annual covered payroll - \$2,935,090
- UAAL as percentage of payroll - 122.39%

(CONTINUED)

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

**5. OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)**

***Funded Status of Plan (Continued)***

Projections of benefits for financial reporting purposes are based on the substantive plan (as understood by the employees and management) and include the type of benefit provided at the time of each valuation. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The following assumptions were made:

The age adjustment factor applied to premiums during the valuation process to better approximate the actual costs associated with retiree benefits in situations where blended premiums are charged to actives and retirees. This factor is used in the financial reporting process to similarly adjust the contribution made toward OPEB.

- Valuation date – June 30, 2012
- Discount rate - 4.00%
- Participation - All eligible retirees are assumed to elect medical and dental coverage.
- Payroll Growth Rate - 3.50%
- Amortization Period - 10 years
- Amortization Method - Level Percent of Payroll Amortization
- Mortality – RP-2000 Combined Mortality Table

**6. UNAVAILABLE PROPERTY TAX REVENUE**

General Fund unavailable property tax revenues relate to revenue that is measurable but not available. General Fund unavailable property tax revenues are summarized as follows:

Property taxes receivable (net).....	\$ 555,228
Less: current year 60 day accrual.....	<u>(180,270)</u>
<b>Total unavailable property tax revenue .....</b>	<b><u>\$ 374,958</u></b>

**(CONTINUED)**

TOWN OF WARREN, RHODE ISLAND

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

**7. LONG-TERM DEBT**

General long-term debt consists of the long-term liabilities that are not recorded as fund liabilities (i.e., debt of the proprietary fund). Amounts are as follows:

	Date of Issue	Amount Issued	Interest Rate	Maturity Date	Balance Outstanding June 30, 2012	Additions	Retirements	Balance Outstanding June 30, 2013	Current Portion
Public Improvements	04/01/02	\$ 1,800,000	1.27%	9/1/03-22	\$ 1,121,656	\$ -	\$ 87,338	\$ 1,034,318	\$ 90,004
Public Improvements	08/15/02	\$ 805,000	4.64%	1/15/03-22	-	-	-	-	-
Public Improvements	07/15/02	\$ 3,195,000	3.75-4.88%	7/15/02-22	140,000	-	35,000	105,000	55,000
Public Improvements	08/15/04	\$ 725,000	0.05	8/15/05-24	667,000	-	42,000	625,000	43,000
Public Improvements	12/15/05	\$ 905,000	1.11%-1.56%	9/1/06-25	210,000	-	15,000	195,000	15,000
Public Improvements	02/15/08	\$ 310,000	3.95%	2/15/06-26	1,160,000	-	75,000	1,085,000	75,000
Public Improvements	05/07/07	\$ 1,690,000	4.05%	5/15/08-27	2,315,000	-	390,000	1,925,000	130,000
Public Improvements	05/01/08	\$ 3,885,000	3.5%	5/15/09-28	1,845,000	-	170,000	1,475,000	175,000
Public Improvements	08/15/09	\$ 1,985,000	2.25-4.75%	08/15/10-29	2,000,000	-	80,000	1,920,000	80,000
Public Improvements	03/11/2011	\$ 2,000,000	4.2-3.33%	09/1/2039	2,220,000	-	160,000	2,060,000	145,000
Public Improvements	04/12/2012	\$ 2,220,000	2-3.625%	1/15/13-32	2,415,000	-	290,000	2,125,000	220,000
Public Improvements	04/12/2012	\$ 2,415,000	2-3%	1/15/13-24	13,893,668	-	1,294,338	12,599,330	1,008,004
Total general obligations bonds					1,562,974	18,040		1,581,014	158,101
Compensated Absences					\$ 15,456,830	\$ 18,040	\$ 1,294,338	\$ 14,180,332	\$ 1,166,105
Total long-term debt									

As of June 30, 2013, \$241,526 and \$1,980,000 remains in custody of funding agency and is available for future draw downs. There were \$68,050 of monies drawn down on the loans as of June 30, 2012.

Total interest expense paid on long term debt for the year ended June 30, 2013 was approximately \$450,000

Schedule of long-term debt by purpose is as follows:

	Amount	Percent
Public improvements	\$ 12,599,318	88.9%
Compensated absences	1,581,014	11.1%
Total	\$ 14,180,332	100%

(CONTINUED)

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

**7. LONG-TERM DEBT (Continued)**

The ratio of Town debt to net taxable valuation at June 30, 2013 was as follows:

Net taxable valuation .....	\$1,251,766,189
Town debt outstanding.....	\$ 12,599,318
Ratio of Town debt to net taxable valuation.....	1.00%

Schedule of long-term bond and debt requirements:

<u>Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 1,008,005	\$ 258,168	\$ 1,266,173
2015	1,017,753	242,151	1,259,904
2016	1,017,584	225,561	1,243,145
2017	1,032,502	194,584	1,227,086
2018	1,033,509	177,436	1,210,945
2019-2023	4,507,965	627,504	5,135,469
2024-2028	2,136,000	259,886	2,395,686
2029-2032	846,000	33,845	879,845
	<u>\$ 12,599,318</u>	<u>\$ 2,018,935</u>	<u>\$ 14,618,253</u>

In April 2012, the Town issued \$2,415,000 of general obligation refunding bonds to provide resources that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments on \$350,000 of refunded debt. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the statement of net assets. This advanced refunding was undertaken to reduce total debt service payments over the next 13 years by \$232,121 and resulted in an economic gain of \$197,824. As of June 30, 2013, the in-substance defeased bonds, which remain outstanding was \$315,000.

**8. OPERATING LEASES**

During January 2011 the Town of Warren entered into a five year operating lease for a copier ending January 2016. The lease payments for these copiers during the year ended June 30, 2013 amounted to \$3,180.

Future minimum lease payments are as follows:

2014 .....	\$ 3,180
2015 .....	3,180
2016 .....	1,855
Total .....	<u>\$ 8,215</u>

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

**9. FUND EQUITY**

**a) Fund Deficits**

The following individual funds had deficit fund equity balances as of June 30, 2013:

Kee Farm Preservation .....	\$23,837
Planning Challenge Grant.....	\$12,417
Cops Technology Grant.....	\$949
Substance abuse .....	\$11,662
Town Beach Stormwater.....	\$474
Jamie's Park Grant.....	\$5,876

The deficits are expected to be funded through transfers from the Town's general fund.

**b) Fund Balances**

In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the Town has classified governmental fund balances at June 30, 2013 as follows:

<b>Non-Spendable</b>	
Permanent Funds .....	\$ 80,138
Long-term advances .....	55,215
Inventory .....	<u>17,423</u>
<b>Total Non-Spendable fund balance .....</b>	<b><u>152,776</u></b>
<b>Restricted:</b>	
Restricted for capital project funds .....	476,155
Restricted for special revenue funds .....	<u>310,152</u>
<b>Total Restricted fund balance .....</b>	<b><u>786,307</u></b>
<b>Committed:</b>	
Committed for FY14 capital budget.....	4,484,301
<b>Total Committed fund balance .....</b>	<b><u>4,484,301</u></b>
<b>Unassigned:</b>	
Fund balance not designated for future expenditures...	<u>1,482,752</u>
<b>Total .....</b>	<b><u>\$6,906,136</u></b>

(CONTINUED)

TOWN OF WARREN, RHODE ISLAND

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

**9. FUND EQUITY (Continued)**

**(c) Transfers In and Out**

The principal purpose of interfund transfers is to provide a financing source to various funds that may not have the ability to cover all costs with revenue generated by the fund. The composition of interfund transfers for the year ended June 30, 2013 is as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 23,737	\$ 372,258
State Paving Grant	146,846	
Fire Legislative Grant	1,496	
Revaluation	7,304	
Road Salt Storage Project	4,281	
Sewer Project - EPA	3,733	
RI JAG Byrne Stimulus Grant	5,977	
Jamiels Park Chafee	61,413	
Substance Abuse	4,490	
Jamiels Park DEM Grant	116,718	
Industrial Pretreatment		23,737
<b>Total</b>	<u>\$ 395,995</u>	<u>\$ 395,995</u>

**10. RISK MANAGEMENT**

The Town is exposed to various risks of losses related to torts; theft of, damage to, and destruction of Town assets; errors and omissions; injuries to employees; and natural disasters. These risks are insured through the Town's participation in the RI Interlocal Risk Management Trust (Trust), a public entity risk pool operated for the benefit of the State's various public entities. The Town pays an annual premium for Worker's Compensation, Property and Liability, and Excess Liability insurance coverage. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

The Town is also involved in several lawsuits which are not covered by the risk management insurance. Legal Counsel has expressed an opinion as to the ultimate outcome of all the cases, and as a result, an accrued contingency has been recorded in the accompanying financial statements.

**11. CONTINGENCIES AND COMMITMENTS**

The Town has a contract with a commercial management company for the operation and maintenance of the sewer treatment facility and pump stations. The contract is renewable annually every July 1, with the annual cost determined through the Town's annual budget process.

The Town has an agreement with the local water authority which requires annual rental payments for fire hydrants. The agreement expires June 30, 2018 and requires annual payments of \$400 per hydrant. The minimum payments under this agreement for each of the fiscal years remaining in the agreement are expected to be approximately \$75,600.

The Town has a commitment to fund its proportionate share of the 2013-2014 budget of the Bristol-Warren Regional School District in the amount of \$11,681,278.

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TOWN OF WARREN, RHODE ISLAND

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

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**11. CONTINGENCIES AND COMMITMENTS (Continued)**

The government is a defendant in various lawsuits. Although the outcome of most of these lawsuits is not presently determinable, it is the opinion of the government's counsel that resolution of these matters which may have a material adverse effect on the financial condition of the government have been appropriately provided for.

The Town is a defendant in a suit filed by the Bristol Warren Regional School District (the District). The suit arose from claims by the District that the Town failed to contribute the full amount of the 2012-2013 assessment as approved by the Joint Finance Committee. The suit is seeking approximately \$416,000 in unfunded assessment plus interest and legal fees. The Town believes that the claims are without merit and is vigorously defending its position. The matter has been argued in Superior Court and the Town is awaiting the court's decision.

**12. PENSION PLAN**

***Plan Description***

Effective July 1, 2012, the State administered retirement system was modified to include both defined benefit and defined contribution plan components. General employees participate in a hybrid plan that combines both a defined benefit plan and a defined contribution plan. Police and fire employees participate only in the defined benefit plan unless they do not participate in Social Security in which case they also participate in the defined contribution plan.

**Municipal Employees' Retirement System (MERS) – Defined Benefit Plan**

***a. Plan Description***

All full-time Town general, police and fire employees participate in MERS, an agent multiple-employer defined benefit plan administered by the Employees' Retirement System of Rhode Island (the System). The plan provides retirement, death and disability benefits and an optional cost of living adjustment (COLA) as outlined in Chapter 45-21 and Chapter 45-21.2 of the Rhode Island General Laws (RIGL). The benefits may be amended by the Rhode Island General Assembly.

**Disability retirement provisions** - The plan also provides nonservice-connected disability benefits after 5 years of service; service-connected disability pensions with no minimum service requirement.

***General Employee***

**Retirement eligibility and plan benefits** – Service credits accrued at June 30, 2012 are protected under the Rhode Island Retirement Security Act. Beginning July 1, 2012, members receive a benefit accrual of 1.0% per year. Effective July 1, 2012 the retirement age mirrors the Social Security Normal Retirement Age not to exceed age 67. Benefits are based on the five-year average compensation multiplied by the accumulated service credit percentage. Joint and survivor retirement benefit options are available.

***Police and Fire***

**Retirement eligibility and plan benefits** – Effective July 1, 2012 the benefit accrual for all plans is 2.0% per year based on the five-year average compensation, exclusive of overtime. Retirement age is 55 years old with 25 years of total service or for members with five years of service but less than 25 years of service the new retirement age will mirror the Social Security Normal Retirement Age not to exceed 67. Police officers or firefighters who were at least 45 years old, had 10 or more years of contributing service and were eligible to retire prior to age 52 under the law in effect on June 30, 2012, may retire at age 52.

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

**12. PENSION PLAN (Continued)**

**a. Plan Description (Continued)**

***Police and Fire (Continued)***

**Retirement eligibility and plan benefits (Continued)** – Police and fire employees may retire with a reduced pension benefit if they have 20 years of service and are within five years of their retirement eligibility. The actuarially reduced benefit is calculated based on how close the member is to the eligibility date that is prescribed in the Rhode Island Retirement Security Act. Joint and survivor retirement benefit options are available.

**Cost of Living Adjustments** – Pursuant to the Rhode Island Retirement Security Act, the Cost of Living Adjustment (COLA) has been suspended for any unit whose funding level is less than 80%. The COLA provision can be reviewed in a five-year interval. When the funding level of a plan exceeds 80%, eligible retirees may receive a COLA annually effective on their date of retirement plus one month. The COLA will be calculated as the five (5) year smoothed investment rate of return less 5.50%, with a 0.00% floor and a 4.00% cap. COLA will be delayed until the later of age 55 or three years after retirement. The COLA will be applied to the first \$25,000 of benefits indexed annually.

**b. Plan Funding Policy**

The funding policy is outlined in RIGL sections 45-21-41, 45-21-42, 45-21.2-14 and 45-21-52 (which can be amended by the Rhode Island General Assembly).

***General Employee***

Active non police and fire members must contribute 2% with COLA of his/her compensation. (*modify for option chosen*)

***Police and Fire***

Active police and fire members must contribute 8% with COLA of his/her compensation.

The Town is required to contribute at an actuarially determined rate expressed as a percentage of total compensation paid to the active membership. The rate for fiscal year 2013 was 13.78% for general employees and 23.11% for police and fire.

**c. Annual Pension Cost**

The Town's annual pension cost of \$638,995 for MERS was equal to the Town's required and actual contributions.

***General Employee***

Three Year Trend Information for MERS General Employee			
Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2013	\$275,103	100%	\$0
6/30/2012	\$268,601	100%	\$0
6/30/2011	\$249,794	100%	\$0

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

**12. PENSION PLAN (Continued)**

**c. Annual Pension Cost (Continued)**

**Police and Fire**

Three Year Trend Information for MERS Police and Fire			
Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2013	\$363,892	100%	\$0
6/30/2012	\$378,397	100%	\$0
6/30/2011	\$358,604	100%	\$0

The required contribution for fiscal 2013 was determined as part of the actuarial valuation performed as of June 30, 2010. The most recent valuation of the plans within the system was performed as of June 30, 2012. The actuarial methods and assumptions used in those valuations are summarized in the following table:

Summary of Actuarial Assumptions Used in the MERS June 30, 2010 and June 30, 2012 Valuations	
Actuarial Cost Method	Entry Age Normal - the Individual Entry Age Actuarial Cost methodology is used.
Amortization Method	Level Percent of Payroll - Closed
Equivalent Single Remaining Amortization Period	25 years as of June 30, 2010 23 years as of June 30, 2012
Asset Valuation Method	5 Year Smoothed Market
Actuarial Assumptions:	
Investment Rate of Return	7.50%
Projected Salary Increases	<u>General Employees</u> 4.00% to 8.00% <u>Police &amp; Fire Employees</u> 4.25% to 14.25%
Inflation	2.75%

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**TOWN OF WARREN, RHODE ISLAND**

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

**12. PENSION PLAN (Continued)**

**c. Annual Pension Cost (Continued)**

Cost of Living Adjustments are equal to the average five-year fund asset performance (percent) greater than 5.5% up to a maximum of 4% - the COLA is to be applied to the first \$25,000 of benefits, indexed over time. COLA is delayed until the later of Social Security eligibility age or 3 years after retirement. For MERS Police and Fire, COLA is delayed until the later of age 55 or 3 years after retirement. A 2% COLA is assumed after July 1, 2012.

**d. Funded Status and Funding Progress**

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

**General Employee**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
June 30, 2012	\$4,457,841	\$6,170,834	\$(1,713,193)	72.2%	\$1,708,040	100.3%

**Police and Fire**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
June 30, 2012	\$7,972,189	\$12,527,880	\$(4,555,691)	79.5%	\$2,742,094	192.9%

The System issues an annual financial report that includes financial statements and required supplementary information for all of the plans it administers. The reports can be obtained at [www.ersfi.org](http://www.ersfi.org).

**Defined Contribution Plan**

**a. Plan Description:**

General employees participating in the defined benefit plan(s), as described above, also participate in a defined contribution plan of the Employees' Retirement System as authorized by General Law Chapter 36-10.3. The defined contribution plan is established under IRS section 401(a) and is administered by TIAA-CREF and the Employees' Retirement System of Rhode Island (the System). Employees may choose among various investment options available to plan participants.

(CONTINUED)

**TOWN OF WARREN, RHODE ISLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**12. PENSION PLAN (Continued)**

**Defined Contribution Plan (Continued)**

**a. Plan Description (Continued):**

General employee contributions are immediately vested while employer contributions are vested after three years of contributory service. Contributions required under the plan by both the employee and employer are established by the General Laws, which are subject to amendment by the General Assembly.

Amounts in the defined contribution plan are available to participants in accordance with Internal Revenue Service guidelines for such plans.

**b. Plan Funding Policy**

The funding policy is outlined in RIGL chapter 36-10.3 (which can be amended by the Rhode Island General Assembly). Active non-police and fire members must contribute 5% of his/her compensation and the Town is required to contribute 1%. The plan members and Town contributed \$95,386 and \$19,077, respectively, during the fiscal year ended June 30, 2013.

The System issues an annual financial report that includes financial statements and required supplementary information for all of the plans it administers. The reports can be obtained at [www.ersri.org](http://www.ersri.org).

**13. SUBSEQUENT EVENTS**

In October 2013, the Town issued \$3,195,000 of General Obligation Bonds to fund various capital projects. The Bonds' interest rate range from 2.00% to 4.50% and mature from 2014 through 2033.

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**(CONCLUDED)**