

CITY OF CENTRAL FALLS

BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

**FOR THE YEAR ENDED
JUNE 30, 2013**

**WITH
REPORT OF INDEPENDENT AUDITORS**

CITY OF CENTRAL FALLS

YEAR ENDED JUNE 30, 2013

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FINANCIAL SECTION



REPORT OF INDEPENDENT AUDITORS

City of Central Falls
Central Falls, Rhode Island

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Central Falls, Rhode Island as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Central Falls, Rhode Island, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Emphasis of Matter

As discussed in note 13 to the financial statements, on August 1, 2011 the State Receiver filed for federal Chapter 9 bankruptcy protection for the City of Central Falls, Rhode Island. The City emerged from Chapter 9 bankruptcy on October 25, 2012.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedules of Funding Progress, and Budgetary Comparison Schedules on pages 3 through 10 and 46 through 53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Central Falls, Rhode Island's basic financial statements. The combining and individual nonmajor fund financial statements and the Schedule of Property Taxes Receivable are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, and the schedule of property taxes receivable are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, and the schedule of property taxes receivable are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2014, on our consideration of the City of Central Falls, Rhode Island's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Central Falls, Rhode Island's internal control over financial reporting and compliance.

Marcum LLP

Providence, Rhode Island
March 10, 2014

March 10, 2014

To the Citizens of the
City of Central Falls,
Rhode Island

Management's Discussion and Analysis

Fiscal Year Ended June 30, 2013

This discussion and analysis of the City of Central Falls financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2013. This is the City's eleventh (11th) year reporting in accordance with the provisions of GASB Statement No. 34. Please read this document in conjunction with the accompanying basic financial statements and the accompanying notes to those financial statements.

Financial Highlights

The auditors' report for 2013 expresses an unqualified (i.e. "clean") opinion on the financial statements of the City of Central Falls. The City's basic financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City.

The Government-Wide Statement of Net Position indicates that the City's total net position decreased this year to a negative \$25,588,946, reflecting an decrease of \$2,202,875 over FY2012.

The Government-Wide Statement of Activities indicates that the City's total general revenues of \$13,761,169 combined with additional program revenues of \$2,009,188 and the gain from remeasurement of liabilities in bankruptcy of 433,972, less program expenses of \$18,407,204 resulted in a decrease of \$2,202,875 in total net position from a year ago.

The Governmental Fund Financial Statements indicate that the ending fund balance for the City's general fund was a surplus of \$1,202,101, reflecting a decrease of \$166,538 (after other financing sources and uses) compared to the FY2012 fund balance.

The Financial Statements

The financial statements presented herein include all the activities of the City of Central Falls using the integrated approach as prescribed by GASB Statement No. 34. Additionally, the City has implemented the provisions of Governmental Accounting Standards Board Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Implementation of this Statement resulted in various funds previously reported Other Special Revenue Funds to be consolidated into the City's General Fund.

The Government-Wide Financial Statements present the financial picture of the City of Central Falls from the economic resources measurement focus using the accrual basis of accounting. These statements include all assets of the City of Central Falls as well as all liabilities (including long term debt). Additionally, certain eliminations have occurred as prescribed by the statement about interfund activity, payables and receivables.

The Fund Financial Statements include statements for each of the two categories of activities - governmental and fiduciary. The governmental activities are prepared using the current financial resources measurement focus and modified accrual basis of accounting. The fiduciary activities are reported in the City's trust and agency funds. Agency funds, unlike the City's pension trust funds, do not have a measurement focus and only require a balance sheet. Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach.

**Overview of the Financial Statements
Government-Wide Financial Statements**

The Statement of Net Position and the Statement of Activities

The Statement of Net Position and the Statement of Activities report information about the City of Central Falls as a whole and about its activities. These statements include all assets and liabilities of the City using the accrual basis of accounting, which is similar to the accounting used by most companies in the private-sector. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

These two statements report the City's net position and changes in them. Net position is the difference between assets and liabilities, which is one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net position is an indicator of whether the City's financial health is improving or deteriorating.

GASB Statement No. 34 defines the accounting terms found in the Statement of Net Position and the Statement of Activities as follows:

Governmental Activities

This category identifies the costs of City's various functions/programs in providing services to the public (i.e. general government, public safety, public works, etc.). The City's aggregate costs of providing these services are then offset by the state, federal and private grants, which provide additional funds that serve to reduce the City's costs of providing these same services.

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds, not the reporting entity as a whole. Although some funds are established by local ordinance, management often creates other funds to help control and manage certain revenues, grants and other sources of funds. These funds are generally earmarked for specific purposes and management must be able to demonstrate that it is meeting certain legal responsibilities often required by the provider.

Governmental Funds

Most of the City's services are reported on governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are greater or fewer financial resources that can be spent in the near future to finance the City's programs. The differences of results in the Governmental Fund financial statements compared to those in the Government-Wide financial statements are explained in the reconciliation schedule following the Governmental Fund financial statements.

Proprietary Funds

Business-like activities, such as providing water or sewer services, to the general public are done so through enterprise funds, which are financed primarily by user charges. The City of Central Falls has no enterprise funds. Services of this type have historically been provided to Central Falls residents through regional boards and commissions located outside of the City.

At one time all account transaction activity pertaining to the City's workers compensation claims was recorded in an internal service fund. The City of Central Falls no longer has any internal service funds, since insurance coverage is now purchased annually from a private insurer and the City no longer self-insures.

Fiduciary Funds

The City of Central Falls is the trustee, or fiduciary, for certain funds held on behalf of the beneficiaries. The City's fiduciary activities are reported in separate Statements of Fiduciary Net Position. These activities are excluded from the City's Government-Wide Financial Statements, because the City cannot use these assets to finance operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purpose

Notes to Financial Statements

The notes provide additional information that is essential to a complete understanding of the data provided in the Government-Wide and Governmental Fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information such as, the City's progress in funding its obligation to provide pension benefits to its employees and budgetary comparison schedules for the general fund.

Government-Wide Financial Analysis

In this, the eleventh (11th) year of implementation of the provisions of GASB Statement No. 34, the City continues to provide certain disclosures and compares them to prior year financial statements. In the sections that follow, a comparative analysis is provided between current year and prior year information.

As noted earlier, the total net position for the City of Central Falls has decreased by \$2,202,875 over the prior year's balance. This decrease is first identified in the change in net position as recorded in the Statement of Activities and then flows through the Statement of Net Position. Program expenses by function, general revenues by major source, excess and/or deficiency of revenues over expenses and total assets are presented in the Statement of Activities and Changes in Net Assets.

Net position for the City of Central Falls for the fiscal year ended June 30, 2013 was:

	Net Assets	
	Governmental Activities	
	<u>2013</u>	<u>2012</u>
		(as restated)
Current and other assets	\$ 10,613,856	\$ 11,764,001
Capital assets	<u>20,335,708</u>	<u>24,581,633</u>
Total Assets	<u>30,949,564</u>	<u>36,345,634</u>
Current liabilities	3,954,739	5,902,823
Long-term liabilities	<u>52,583,771</u>	<u>53,828,882</u>
Total Liabilities	<u>56,538,510</u>	<u>59,731,705</u>
Net Position:	\$(25,588,946)	\$(23,386,071)
Net investment in		
Capital assets	\$ 2,544,397	\$ 4,965,120
Restricted	5,339,462	4,498,885
Unrestricted	<u>(33,472,805)</u>	<u>(32,850,076)</u>
Total Net Position	<u>\$(25,588,946)</u>	<u>\$(23,386,071)</u>

This year the City of Central Falls continues to report positive balances in two (2) areas of net position. Net investment in capital assets is \$2,544,397 and restricted net position amount of \$5,339,462. The negative balance of \$33,472,805 in unrestricted net position is mostly attributable to the City's net pension obligation of \$30,393,625 in the Police and Fire Private Pension Plan (John Hancock) and other post-employment benefits (health insurance) for retired employees, \$2,702,591.

As indicated in the Statement of Activities, the total cost of governmental activities for the year ended June 30, 2013 was \$18,407,204. Some of the costs (i.e. \$705,456) were paid by federal, state and private grants and entitlements.

Program and General Revenues

	<u>2013</u>	<u>2012</u>
Charges for services		
General government	\$ 1,300,211	\$ 773,102
Public safety	<u>3,521</u>	<u>86,717</u>
Total	<u>\$ 1,303,732</u>	<u>\$ 859,819</u>

Total revenue received for charges for services in 2013 was \$1,303,732 an increase of \$443,913 as compared to the amount received in 2012, which was equal to \$859,819.

Program and General Revenues (Continued)

	<u>2013</u>	<u>2012</u>
Operating Grants and Contributions		
General government	\$ 606,884	\$ 664,897
Public safety	93,884	215,437
Public works		2,636,932
Public recreation	<u>4,688</u>	<u>16,092</u>
Total	<u>\$ 705,456</u>	<u>\$ 3,533,358</u>

Total revenue received from Operating Grants and Contributions in 2013 was \$705,456 a decrease of \$2,827,902 as compared to the amount received in 2012, which was equal to \$3,533,358.

	<u>2013</u>	<u>2012</u>
Capital Grants and Contributions		
Capital outlays	\$ <u>0</u>	\$ <u>0</u>
Total	<u>\$ 0</u>	<u>\$ 0</u>

Total revenue received from Capital Grants and Contributions in 2013 was \$0, which was equal to the amount received in 2012, or \$0.

	<u>2013</u>	<u>2012</u>
Total Program Revenues	<u>\$ 2,009,188</u>	<u>\$ 4,393,177</u>
General Revenues		
Property taxes	\$ 13,659,898	\$ 13,353,506
Grants and contributions (unrestricted)	2,726,709	2,630,919
Investment earnings	21,092	50,625
Loss on sale of assets	(2,841,724)	(21,645)
Miscellaneous	<u>195,194</u>	<u>941,020</u>
Total General Revenues	<u>\$ 13,761,169</u>	<u>\$ 16,954,425</u>

General revenues in 2013 were \$13,761,169, which reflects a decrease of \$3,193,256 as compared to the amount received in 2012, \$16,954,425.

Total Extraordinary Items	<u>\$ 433,972</u>	<u>\$ 0</u>
Total Government-Wide Revenues	<u>\$ 16,204,329</u>	<u>\$ 21,347,602</u>

Total Government-Wide Revenues in 2013 were \$16,204,329, a decrease of \$5,143,273 as compared to the amount received in 2012, which was equal to \$21,347,602.

Statement of Activities

Program Expenses	<u>Total Cost of Services 2013</u>	<u>Net Cost of Services 2013</u>	<u>Total Cost Services 2012</u>	<u>Net Cost of Services 2012</u>
General Government	\$ 3,068,862	\$ 1,161,767	\$ 4,053,914	\$2,615,915
Public Safety	7,345,742	7,248,337	5,432,818	5,130,664
Public Works	1,633,318	1,633,318	1,633,886	(1,003,046)
Public Education	1,350,951	1,350,951	1,726,365	1,726,365
Public Recreation	426,813	422,125	488,874	472,782
Contingency	1,010,944	1,010,944	492,585	492,585
Employee Benefits	533,192	533,192	898,113	898,113
Retirement	2,012,585	2,012,585	1,052,165	1,052,165
Capital Outlays	0	0	0	0
Debt Service Interest	1,024,797	1,024,797	1,113,175	1,113,175
Total Expenses	\$ 18,407,204	\$ 16,398,016	\$ 16,891,895	\$ 12,498,718

Statement of Activities (Continued)

The City's total program expenses were \$18,407,204. With additional program revenues of \$2,009,188 in FY 2013, the City's net cost of services was \$16,398,016. When subtracted from the City's total general revenues of \$13,761,169, the City realizes an unfavorable Change in Net Position of \$2,202,875. In FY 2012 the City realized a favorable Change in Net Position of \$4,455,707.

Transfers

Inter-fund transfers for the year ended June 30, 2013 totaled \$1,791,055 for the year.

Financial Analysis of the City's Funds – Governmental Fund Statements

Statement of Changes in Fund Balances – Governmental Funds

	Fund Balance <u>June 30, 2013</u>	Fund Balance <u>June 30, 2012</u> (as restated)	Increase (Decrease)
General Fund	\$ 1,202,101	\$ 1,368,639	\$ (166,538)
State Pension	1,615,526	2,131,418	(515,892)
Capital Reserve	1,788,699		1,788,699
School Construction	0	225,159	(225,159)
Other Governmental	<u>1,935,237</u>	<u>1,904,199</u>	<u>31,038</u>
Total	\$ 6,541,563	\$ 5,867,524	\$ 912,148

The fund balance for the City of Central Falls general fund reflects a surplus of \$1,202,101 as of June 30, 2013. This represents a decrease of \$166,538 as compared to FY2012.

General Fund Revenues	<u>2013</u>	<u>2012</u>	<u>Variance</u>	<u>Percentage Change</u>
General property taxes	\$13,546,519	\$12,645,217	\$ 901,302	7.1%
Interest and investment income	4	150	(146)	-97.3%
Intergovernmental	2,726,709	2,630,919	95,790	3.6%
Fees / Non-tax income	1,303,732	766,388	537,344	70.1%
Departmental revenue	0	93,431	(93,431)	-100.0%
Other revenues	<u>178,280</u>	<u>222,625</u>	<u>(44,345)</u>	<u>(19.9)%</u>
Total	<u>\$17,755,244</u>	<u>\$16,358,730</u>	<u>\$1,396,514</u>	<u>8.5%</u>

Analysis

The total decrease in the City's general fund balance, (\$166,538), under modified accrual was the result of the following:

FY2013 revenues exceeded expenditures by \$1,196,576 before other financing sources and uses were applied. The general fund realized an increase of \$425,585 primarily from gains relating to the remeasurement of bankruptcy liabilities, and payments made by the state for receivership costs. Per the Bankruptcy Plan, \$1,788,699 was used to established the Capital Improvement Plan account, which represents the Surplus/(Deficit) less a \$50,000 unassigned general fund balance

Revenues from general property taxes increased by \$901,302 or 7.1%, as compared to FY2012. Intergovernmental revenues received from the State of Rhode Island increased by \$95,790 or 3.6% as compared to last year, resulting from a slight increase in state aid. Local fees, non-tax, and other income also increased by \$399,568 or 4.2%, mostly due to an increase in rescue run revenue and permits.

Total budgetary expenditures for the general fund in FY2013 were \$16,616,164 reflecting an increase in spending of \$1,668,395 or 11%, as compared to FY2012. As a matter of policy, the City's minimum fund balance is 5% of the general fund total operating budget.

The following table displays a comparison of revenues and expenditures "budget to actual" for the general fund, as reported on a budgetary basis and required by the City Charter.

General Fund Budgetary Comparison Schedule – June 30, 2013

Revenue Analysis	Adopted Budget	Final Budget	Actual	Variance
Tax revenue	\$12,675,339	\$12,675,339	\$13,332,062	\$656,723
Fees/Non-tax revenue	1,156,365	1,156,365	1,303,732	147,367
State revenue	2,695,178	2,695,178	2,720,956	25,778
Other Income	46,955	46,955	216,959	170,004
Sub-Total	\$16,573,837	\$16,573,837	\$17,573,709	\$999,872
Expenditure Analysis				
General government	\$2,078,646	\$2,078,646	\$2,314,383	(\$235,737)
Public safety	6,240,222	6,372,629	6,505,004	(132,375)
Public works	1,594,874	1,594,874	1,708,335	(113,461)
Public education	65,032	65,032	111,835	(46,803)
Public recreation	210,315	210,315	167,617	42,698
Municipal debt service	2,601,553	2,601,553	2,592,892	8,661
Contingency	385,500	385,500	375,472	10,028
Employee benefits	932,991	800,584	533,192	267,392
Retirement	2,376,950	2,376,950	2,307,434	69,516
Sub-Total	\$16,486,083	\$16,486,083	\$16,616,164	\$(130,081)

Other Governmental Funds

Other governmental funds consist of:

<u>Fund Type</u>	<u>Total Net Assets</u>	<u>Note</u>
Non-spendable	\$ 0	Includes the amount of fund balance that cannot be spent Resources restricted for specific purposes
Restricted	1,935,237	
Total	\$ 1,935,237	

It should be noted that the Central Falls School District was not classified a component unit of the State of Rhode Island in 2013. Separately issued financial statements were prepared and may be obtained from the Rhode Island Department of Education.

Pension Trust Funds

<u>Pension Fund</u>	<u>Total Net Assets</u>
Total	\$ 5,670,231

Total net assets of the City's pension trust funds amount to \$5,670,231 in 2013, an increase of \$39,084 compared to FY2012, resulting from pension revenues exceeding expenses. The accumulated deficit at the end of FY2011 and the ever present cash flow challenges were exacerbated by the notification by John Hancock that in October, 2011 the plan would no longer have sufficient assets. As a response the City after declaring bankruptcy in August, 2011 redesigned the John Hancock and 1% pension plans into a new plan called the "Central Falls Pension Plan". Changes include reduced accruals, minimum retirement age, change in disability benefits and "early retirement factor" (ERF) application.

Pension Trust Funds (Continued)

In an effort to reverse several years of Central Falls' failing to make contributions into its pension funds, the City began to make annual contributions into Central Falls Pension Plan beginning in FY2012, so as to amortize the unfunded liability over a number of years and make these pension funds viable and safe for retirees in the future. Under the new plan, the ARC is projected to be less than the Pay-As-You-Go ("PAYGO") costs until 2021, so the City will essentially be paying more than the annual required contribution which will result in a reduction of its "net pension obligation" on its balance sheet.

According to the City's most recent actuarial studies, the combined unfunded actuarial accrued liability (UAAL) for the pension fund and post-employment benefits is \$38.0 million, including \$23.9 million for the pension fund as of December 31, 2011 and \$14.1 million for post-employment benefits as of December 31, 2011.

Debt Administration

At year end total long-term debt for the City of Central Falls was \$55 million. The breakdown is as follows:

City's net pension obligation (NPO)	30,393,625	55.7%	30,888,474	55.2%
Bonded indebtedness (for school purposes)	4,945,000	9.1%	5,555,000	10.0%
Bonded indebtedness (for municipal purposes)	12,785,000	23.4%	13,740,000	24.7%
Liability for compensated absences	182,391	0.3%	164,695	0.3%
Other municipal debt (including capital leases)	369,171	0.7%	148,404	0.3%
Other post employment benefits	2,702,591	5.0%	2,479,595	4.5%
Due to State	3,228,025	5.9%	2,846,156	5.1%
Total	54,585,803	100.0%	55,622,324	100.0%

The Central Falls School District is a component unit of the State of Rhode Island. While the Central Falls School District has care, custody and control over the seven buildings used by the district, the City owns the buildings and is responsible for major repairs and renovations. These repairs and renovations are typically funded with school bonds as noted above.

As of September 1, 2011, the City's assigned Moody's general obligation bond rating was Caa1, and its assigned Standard & Poor's bond rating was C, which within the industry is deemed to be "junk bond" status. Accordingly, both Moody's and Standard & Poor's placed the City on 'negative' and 'developing' status, respectively, as a result of the City's financial challenges.

On October 26, 2012, Moody's upgraded the City's general obligation bond rating to B2 with a positive outlook and on November 16, 2012 Standard and Poor's bond rating improved to BB.

On July 18, 2013, Moody's upgraded the City's general obligation bond rating to B1 from B2 with a positive outlook. Moody's has also affirmed the Ba1 underlying rating on the Rhode Island Health and Educational Building Corporation's (RIHEBC) Series 2007B bonds, with a stable outlook.

Capital Assets

The City of Central Falls has \$20,335,708 invested in capital assets, net of depreciation. Only capitalized assets with an original cost of \$5,000 or greater are included. The straight-line/unrecovered cost method was used to calculate annual depreciation.

Since July 1, 2001 infrastructure assets, such as sidewalks, water mains, drainage systems and road improvements, acquired by the City have been capitalized and reported within the financial statements. All pre-existing infrastructure assets (such as sidewalks, curbs, drainage systems and road improvements) have been added and began appearing in the City's financial statements for the period ending June 30, 2007.

Independent Audit

State statutes and the City Charter require an annual audit by independent certified public accountants. The accounting firm of Marcum LLP provided this service for the purpose of issuing basic financial statements and supplementary information for the year ended June 30, 2013. In addition to meeting the requirements set forth in state statutes, the audit is also designed to meet the requirements of the federal Single Audit Act of 1984 as amended by the Single Audit Act Amendments of 1996 and related OMB Circular A-133. The auditors' reports related specifically to the single audit are contained in a separate document.

Bankruptcy & End of Receivership

On October 25, 2012 the City officially emerged from Chapter 9 Bankruptcy. In April, 2013, the Director of the Department of Revenue, finding that the financial condition of Central Falls had improved to a level such that a receivership was no longer necessary, terminated the receivership. Under the rules of the Fiscal Stability Act, an Administration & Finance Officer is in place to insure compliance with the Bankruptcy Plan.

Forward Looking

The Fourth Amended Plan of Debt Adjustment requires that the City will have court-ordered balanced budgets for Fiscal Years 2013, 2014, 2015, 2016 and 2017 and imposes a four percent (4.0%) property tax increase in each of the next five years.

Acknowledgements

The preparation of this report was made possible by the conscientious efforts provided by the entire staff of The City of Central Falls. I appreciate their hard work and dedication throughout this endeavor.

Respectfully submitted,

Robert MacDonald
Finance Director

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

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 6,771,154
Due from federal and state governments	824,371
Property taxes receivable, net	2,834,552
Other receivables, net	146,895
Other assets	36,884
Capital assets (non-depreciable)	653,430
Capital assets (net of depreciation), net	<u>19,682,278</u>
TOTAL ASSETS	<u>30,949,564</u>
LIABILITIES	
Accounts payable	518,630
Accrued interest payable	202,643
Accrued expenses	686,254
Unearned revenue	545,180
Current portion of long-term liabilities	2,002,032
Net pension obligation	30,393,625
Net OPEB obligation	2,702,591
Long-term liabilities (net)	<u>19,487,555</u>
TOTAL LIABILITIES	<u>56,538,510</u>
NET POSITION	
Net investment in capital assets	2,544,397
Restricted:	
Retirees supplemental settlement	1,615,526
Capital projects	2,066,983
Special revenue/grantors	1,656,953
Unrestricted	(33,472,805)
TOTAL NET POSITION (DEFICIT)	<u>\$ (25,588,946)</u>

See Notes to Financial Statements

CITY OF CENTRAL FALLS

A - 2

**Statement of Activities
For the year ended June 30, 2013**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
General government	\$ 3,068,862	\$ 1,300,211	\$ 606,884		\$ (1,161,767)
Public safety	7,345,742	3,521	93,884		(7,248,337)
Public works	1,633,318				(1,633,318)
Public education	1,350,951				(1,350,951)
Public recreation	426,813		4,688		(422,125)
Contingency	1,010,944				(1,010,944)
Employee benefits	533,192				(533,192)
Retirement	2,012,585				(2,012,585)
Debt service interest	1,024,797				(1,024,797)
Totals	\$ 18,407,204	\$ 1,303,732	\$ 705,456	\$ -	(16,398,016)
General revenues:					
Property taxes					13,659,898
Grants and contributions not restricted to specific programs					2,726,709
Investment earnings					21,092
Loss on disposal of assets					(2,841,724)
Miscellaneous					195,194
Total general revenues					13,761,169
Extraordinary items:					
Gain from remeasurement of liabilities in bankruptcy					433,972
Change in net position					(2,202,875)
Net position - beginning					(23,386,071)
Net position - ending					\$ (25,588,946)

See Notes to Financial Statements

Balance Sheet
Governmental Funds
June 30, 2013

	General Fund	Retirees Supplemental Settlement	Capital Reserve	Other Governmental Funds	Total Governmental Funds
ASSETS:					
Cash and cash equivalents	\$ 3,631,390	\$ 1,615,526	\$ -	\$ 1,524,238	\$ 6,771,154
Due from federal and state governments	289,996			534,375	824,371
Property taxes receivable, net	2,834,552				2,834,552
Other receivables, net	146,895				146,895
Due from other funds	110,585		1,788,699	610,083	2,509,367
TOTAL ASSETS	<u>\$ 7,013,418</u>	<u>\$ 1,615,526</u>	<u>\$ 1,788,699</u>	<u>\$ 2,668,696</u>	<u>\$ 13,086,339</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 400,250	\$ -	\$ -	\$ 118,380	\$ 518,630
Accrued expenses	686,254				686,254
Due to other funds	2,398,782			110,585	2,509,367
Unearned revenue	2,326,031			504,494	2,830,525
TOTAL LIABILITIES	<u>5,811,317</u>	<u>-</u>	<u>-</u>	<u>733,459</u>	<u>6,544,776</u>
FUND BALANCES :					
Restricted	-	1,615,526	1,788,699	1,935,237	5,339,462
Committed	1,102,101				1,102,101
Unassigned	100,000				100,000
TOTAL FUND BALANCES	<u>1,202,101</u>	<u>1,615,526</u>	<u>1,788,699</u>	<u>1,935,237</u>	<u>6,541,563</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 7,013,418</u>	<u>\$ 1,615,526</u>	<u>\$ 1,788,699</u>	<u>\$ 2,668,696</u>	

Amounts reported for governmental activities in the Statement of Net Position differ because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	20,335,708
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(54,585,803)
Unearned revenues (net of an allowance for uncollectibles) are recorded in the funds, but are not deferred under the measurement focus employed in the Statement of Net Position.	2,285,345
Deferred bond issuance costs and other debt charges resulting from issuance of bonds. These charges have been included in the Statement of Net Position.	36,884
Accrued interest on long-term liabilities have been included in the governmental activities in the Statement of Net Position.	(202,643)
Net Position of Governmental Activities (A-1)	<u>\$(25,588,946)</u>

**Statement of Revenues, Other Financing Sources, Expenditures,
Other Financing Uses and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2013**

	General Fund	Retirees Supplemental Settlement	Capital Reserve	Other Governmental Funds	Total Governmental Funds
REVENUES					
General property taxes	\$ 13,546,519	\$ -	\$ -	\$ -	\$ 13,546,519
Interest and investment income	4	20,018		1,070	21,092
Intergovernmental	2,726,709			705,456	3,432,165
Fees/non-tax income	1,303,732				1,303,732
Other revenues	178,280			16,914	195,194
Total revenues	17,755,244	20,018	-	723,440	18,498,702
EXPENDITURES					
Current:					
General government	2,142,041			573,301	2,715,342
Public safety	6,268,684	535,910		212,989	7,017,583
Public works	1,413,177				1,413,177
Public education	111,835				111,835
Public recreation	167,617			4,688	172,305
Contingency	375,472				375,472
Employee benefits	533,192				533,192
Retirement	2,307,434				2,307,434
Debt service:					
Principal and interest	2,592,892				2,592,892
Capital:					
Capital expenditures	646,324			124,227	770,551
Total expenditures	16,558,668	535,910	-	915,205	18,009,783
Excess of revenues over (under) expenditures before other financing sources (uses)	1,196,576	(515,892)	-	(191,765)	488,919
Other financing sources (uses)					
Payments made by State for receivership costs	381,869				381,869
Gain from remeasurement of liabilities in bankruptcy	41,360				41,360
Transfers in	2,356		1,788,699	-	1,791,055
Transfers out	(1,788,699)			(2,356)	(1,791,055)
Net other financing sources (uses)	(1,363,114)	-	1,788,699	(2,356)	423,229
Excess (deficiency) of revenues and other sources over expenditures and other financing (uses)	(166,538)	(515,892)	1,788,699	(194,121)	912,148
Fund balance - beginning of the year, as restated	1,368,639	2,131,418	-	2,129,358	5,629,415
Fund balance - end of the year	\$ 1,202,101	\$ 1,615,526	\$ 1,788,699	\$ 1,935,237	\$ 6,541,563

CITY OF CENTRAL FALLS

C - 1

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

	Pension Trust Funds	Agency Funds
	<u> </u>	<u> </u>
ASSETS		
Cash and cash equivalents	\$ -	\$ 32,629
Investments:		
Group annuity contracts	5,637,254	
Other receivables	32,977	
TOTAL ASSETS	<u>\$ 5,670,231</u>	<u>\$ 32,629</u>
LIABILITIES	<u>-</u>	<u>\$ 32,629</u>
NET POSITION		
<i>Held in Trust for pension benefits</i>	<u>\$ 5,670,231</u>	

See Notes to Financial Statements

CITY OF CENTRAL FALLS

C - 2

**Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the year ended June 30, 2013**

	<u>Pension Trust Funds</u>
ADDITIONS:	
Contributions	\$ 2,662,900
Investment income	177,692
Total additions	<u>2,840,592</u>
DEDUCTIONS:	
Benefits paid to retirees	2,334,585
Other expenses	27,012
Total deductions	<u>2,361,597</u>
CHANGE IN NET POSITION	478,995
Net Position - beginning, as restated	<u>5,191,236</u>
Net Position - ending	<u>\$ 5,670,231</u>

See Notes to Financial Statements

CITY OF CENTRAL FALLS

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Central Falls was founded in 1895. The City is governed largely under the Home Rule Charter, which was revised on June 19, 2007. In some matters, including the issuance of short and long-term debt, the City is governed by the general laws of the State of Rhode Island. The City operated under a Mayor/City Council form of Government. Pursuant to Chapter 9 bankruptcy protection proceedings initiated in 2011, the Administrative and Finance Officer (AFO) has been appointed for the City of Central Falls. The AFO has the authority to exercise any function or power of any municipal officer of the City. The City provides the following services as authorized by its charter: Public Safety (police, fire, traffic safety, inspections, zoning and building), Public Works (recreation, sanitation, highway and streets, engineering and building maintenance), Public Recreation, Schools, and General Administrative Services.

The City complies with generally accepted accounting principles ("GAAP"). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. 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 Inter-fund activity has been eliminated from the government-wide financial statements.

Recently Issued Accounting Standards

The following new accounting pronouncements were implemented in the year ended June 30, 2013:

- ✓ GASB Statement No. 60 – Accounting and Financial Reporting for Service Concession Arrangement.
- ✓ GASB Statement No. 61 – The Financial Reporting entity: Omnibus an amendment of GASB Statements No. 14 and No. 34.
- ✓ GASB Statement No. 62 – Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.
- ✓ GASB Statement No. 63 – Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.
- ✓ GASB Statement No. 66 – Technical Corrections – An Amendment of GASB Statements No. 10 and No. 63.

The City will adopt the following new accounting pronouncements 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. 67 – Financial Reporting for 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 fiscal year ending June 30, 2015.

(CONTINUED)

CITY OF CENTRAL FALLS

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Standards (Continued)

- ✓ GASB Statement No. 70 – Accounting and Financial Reporting for Nonexchange Financial Guarantees, effective for the fiscal year ending June 30, 2014.
- ✓ GASB Statement No. 71 – Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment to GASB Statement No. 68, effective for the fiscal year ending June 30, 2015.

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

Reporting Entity

In evaluating how to define the City 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 conditions 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.

The following entities were considered for classification as component units for fiscal year 2013:

- Central Falls Redevelopment Agency
- Central Falls Housing Authority
- Central Falls Detention Facility Corporation
- Central Falls School District

Although Central Falls Redevelopment Agency meets certain criteria of the tests previously listed, it is deemed not to have separate legal status apart from the City. As a result, the financial data of this entity has been included as non-major special revenue fund within the City's financial statements.

The remaining entities noted above did not meet the criteria to be reported as either blended or discretely presented component units and as such they have not been included in the financial reporting entity.

(CONTINUED)

CITY OF CENTRAL FALLS

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Governmental Fund Financial Statements

Governmental 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 balance, revenues, and expenditure/expenses. For financial statement purposes an emphasis is placed on major funds. A fund is considered major if it is the primary operating fund of the City 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 proprietary 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 or proprietary fund are at least 5 percent of the corresponding total for all governmental and proprietary funds combined.

The governmental funds of the City are described below:

Governmental Funds

General Fund

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

Special Revenue Funds

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

Capital Project Funds

Capital Project Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

(CONTINUED)

CITY OF CENTRAL FALLS

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Permanent Funds

The Permanent Funds account for assets held by the City 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.

Proprietary Funds

Proprietary funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The City of Central Falls, Rhode Island currently does not have any funds that meet the definition of Proprietary Funds.

Fiduciary Funds (not included in government wide statements)

Agency Funds

Agency funds account for assets held by the City in a purely custodial capacity. The reporting entity includes one agency fund (Unclaimed Estates). Since agency funds are custodial in nature (i.e. assets equal liabilities), they do not involve the measurement of results of operations.

Pension Trust Funds

Pension trust funds are used to account for resources legally held in trust for the payment of pension benefits.

Major Funds

The City presents the following funds as major funds:

General:	See above for description
Special Revenue:	Retirees Supplemental Settlement
Capital Project:	Capital Reserve

Retirees Supplemental Settlement

During the bankruptcy, a Settlement and Release Agreement was made between Robert G. Flanders, Jr. (the Receiver), the State of Rhode Island Department of Revenue, the Central Falls Police Retirees Association Inc., the Central Falls Firefighter Retirees Association, and various Central Falls retirees, or the surviving spouse or beneficiary of a retiree, under one or more pension plans established for such retirees. The agreement provides supplemental payments from a \$2.6M State appropriation to participating retirees and newly added participating retirees commencing in fiscal year 2012 and ending in July 2016. The payments are made once per year, the first being due within 30 days of the receipt of the appropriation from the State (June 2012) and in the month of July beginning in fiscal 2013 through fiscal 2016. The appropriation and settlement payments are made from a restricted fund separate from the General Fund.

(CONTINUED)

CITY OF CENTRAL FALLS

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Major Funds (Continued)

Capital Reserve

On July 27, 2012, the U.S. Bankruptcy Court approved the "Fourth Amended Plan for the Adjustment of Debts of the City of Central Falls, Rhode Island" which states that "in the event that the City experiences an operating surplus at the end of a fiscal year, any surplus in excess of fifty thousand (\$50,000) dollars will be deposited into the City's Capital Fund" (i.e. Capital Reserve). These "excess" funds will be used for various capital expenditures of the City.

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 and the modified accrual basis of accounting. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of measurable and available financial resources during a given period (usually 60 days). These funds use fund balance as their measure of available spendable financial resources at the end of the period. The City considers property taxes as available if they are collected within 60 days after year end.
- (b) The proprietary fund and pension 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 position.
- (c) Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

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. 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 soon enough thereafter (usually 60 days) 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 paid.

(CONTINUED)

CITY OF CENTRAL FALLS

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

All proprietary funds, agency funds, and pension 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. All other sources of revenue are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the proprietary fund's principal operation.

Budgets

Budgets were adopted in accordance with Home Rule Charter requirements. Annual appropriated budgets are adopted for the general fund. Generally annual appropriations lapse at fiscal year-end. Project-length financial plans are adopted for all capital projects funds.

Encumbrances represent commitments related to unperformed contracts for goods or services. Open encumbrances are reported as restricted, committed or assigned, and should not result in separate display of the encumbered amount within those classifications. Encumbrances outstanding at year end do not constitute expenditures or liabilities under GAAP because the commitments will be honored during the subsequent years.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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 City's cash and cash equivalents are held in public deposit institutions, except for \$1,150 in unsecured petty cash.

Investments

The City invests in various types of investments, which are stated at fair value. There are no investments reported at amortized cost. State statutes authorize the City to invest in obligations of the U. S. Treasury, commercial paper, corporate bonds and repurchase agreements.

(CONTINUED)

CITY OF CENTRAL FALLS

**NOTES TO 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 property taxes amounted to \$850,000 at June 30, 2013. Major receivable balances for the governmental activities include property taxes (95% of balance) and other receivables (5% of balance).

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.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Accounts Payable

Accounts payable balances consist primarily of payables to vendors.

Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

Property Taxes

The City is permitted by State Law to levy property taxes. The City's property taxes are levied on July 1 on assessed value of property as listed on the previous December 31. Taxpayers have an option to pay quarterly installments. Property taxes attach as an enforceable lien on real and personal property as of the date of assessment. Taxes assessed on motor vehicles and trailers represent an excise tax and do not constitute a lien. Uncollected property taxes are stated at the amounts originally assessed and do not include interest or penalties which may be assessed at the time of collection. The tax rate of the city is established by the City Council. Property tax revenues are recorded in accordance with the modified accrual basis of accounting in the governmental funds. Within the government-wide statements property taxes are recognized as revenue in the year for which they are levied. In May 2002, the City Council passed an ordinance authorizing the levy of a non-utilization penalty tax in accordance with RI General Laws Chapter 44-5.1.

(CONTINUED)

CITY OF CENTRAL FALLS

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 fixed assets, which are recorded at their estimated fair value at the date of donation.

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

Infrastructure assets, (such as sidewalks, curbs, drainage systems, and road improvements) acquired by the City 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 Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Land	Not depreciated
Construction in progress	Not depreciated
Buildings and land improvements	20-45 years
Motor vehicles	5-6 years
Furniture & equipment	5-10 years
Infrastructure	20 years

Governmental Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the acquiring governmental fund.

Unearned Revenues

Funds that are received in advance of being due or receivables which will be collected and included in revenues of future fiscal years are deferred. In the general fund, unearned revenues relate to property tax receivables which are assessed on December 31.

Interfund Transactions

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

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

(CONTINUED)

CITY OF CENTRAL FALLS

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interfund Transactions (Continued)

- 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.
 - 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.

Inter-fund transfers totaled \$1,791,055 for the year ended June 30, 2013, representing transfers to the General Fund from Other Governmental Funds of \$2,356 and transfer from the General Fund to Capital Reserve of \$1,788,699.

Net Position/Fund Balance

Government-Wide Statements

Net position is displayed in three categories:

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

Fund Financial Statements

Fund balance is classified as non-spendable, restricted, committed, assigned or unassigned. These categories are defined below:

- **Non-spendable Fund Balance** – includes the amount of fund balance that cannot be spent because it is either (a) not in spendable form or (b) legally or contractually required to be maintained intact. "Not in spendable form" includes items that are not expected to be converted to cash within one year.
- **Restricted Fund Balance** – includes amounts that are restricted to specific purposes. Fund balance is reported as restricted when constraints placed in the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

(CONTINUED)

CITY OF CENTRAL FALLS

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position/Fund Balance (Continued)

Fund Financial Statements (Continued)

- **Committed Fund Balance** – includes amounts that can be used only for the specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. The Administrative and Finance Officer (AFO) currently has the highest level of decision-making authority for the City of Central Falls.
- **Assigned Fund Balance** – includes amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The intent should be expressed by (a) the governing body itself or (b) a body (a budget or finance committee) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes. The City does not presently have a spending policy that has delegated this authority.
- **Unassigned Fund Balance** – is the residual amount not allocated to any other fund balance category in the General Fund, and any residual deficit balance of any other governmental fund.

Application of Funds

The City of Central Falls does not currently have a spending policy regarding the order in which restricted, committed, assigned, and unassigned fund balances are spent when more than one amount is available for the expenditures incurred. Accordingly, by default, the City is following the policy prescribed by GASB Statement No. 54 which specifies that fund balance is reduced first by committed, then by assigned, then by unassigned when expenditures are incurred for purposes for which any unrestricted fund balance could be used. In all situations, the City considers restricted fund balance to be used first when available and when expenditures are incurred that meet the requirements of the restricted fund balance.

Operating Surplus Limit

On July 27, 2012, the U.S. Bankruptcy Court approved the "Fourth Amended Plan for the Adjustment of Debts of the City of Central Falls, Rhode Island" which, among other things, states that "in the event that the City experiences an operating surplus at the end of a fiscal year, any surplus in excess of fifty thousand (\$50,000) dollars will be deposited into the City's Capital Fund" (Capital Reserve).

Compensated Absences

Employees are granted vacation and sick leave in varying amounts. Upon retirement, termination or death, employees are compensated for unused vacation at their current rate 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 record this liability if it is expected to be liquidated with expendable available resources, otherwise this liability is recorded in the government-wide financial statements.

(CONTINUED)

CITY OF CENTRAL FALLS

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 \$54,585,803 difference are as follows:

Bonds payable	\$ 17,730,000
Net pension benefit obligation.....	30,393,625
Net other post-employment benefit obligation	2,702,591
Compensated absences	162,391
Due to State	3,228,025
General unsecured claims – Class 16.....	307,860
Capital lease payable.....	<u>61,311</u>
Total.....	<u>\$ 54,585,803</u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense." The details of this \$(4,245,925) difference are as follows:

Capital outlays (net of disposals).....	\$(2,071,173)
Depreciation expense	<u>(2,174,752)</u>
Net adjustment.....	<u>\$(4,245,925)</u>

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 position." The details of this \$1,036,521 difference are as follows:

Debt increased.....	\$(1,259,022)
Debt repayments	<u>2,295,543</u>
Net adjustment.....	<u>\$ 1,036,521</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 \$113,379 difference are as follows:

Unearned revenue – beginning.....	\$(2,171,966)
Unearned revenue – ending	<u>2,285,345</u>
Net difference	<u>\$ 113,379</u>

(CONTINUED)

CITY OF CENTRAL FALLS

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 (Continued)

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 details of this \$(18,998) difference are as follows:

Change in accrued interest and bond issuance costs \$(18,998)

2. BUDGETARY AND LEGAL COMPLIANCE

Budgets

All agencies of the City submit requests for appropriation to the City's finance director (currently to the Administrative and Finance Officer). These requests include information on the past years, current year's estimates and requested appropriations for the next fiscal year. In accordance with the City's Fourth Amended Plan, dated July 27, 2012, the City's elected officials, and any fiduciary acting with the powers of elected officials, shall keep the City's budget in balance through June 30, 2017, the term of the Plan.

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>
Board of Canvassers	\$ 21,031
Legal	\$ 34,484
City Property	\$ 311,850
Fire Department	\$ 235,483
Probate Court	\$ 3,500
Highway Department	\$ 90,342
Public Works	\$ 23,119
Public Education	\$ 46,803
Recreation	\$ 9,994

(CONTINUED)

CITY OF CENTRAL FALLS

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

2. BUDGETARY AND LEGAL COMPLIANCE (Continued)

The General Fund's reconciliation between the budgetary basis and modified accrual (GAAP) basis of accounting is as follows:

Total budgetary revenues and other financing sources	\$ 17,576,065
Reclassification of:	
Property tax revenue- sixty day rule	549,207
Prior years property tax revenue - sixty day rule	(334,750)
Payments made by State for receivership costs	381,869
Revenue from various special revenue funds combined with General Fund per GASB 54 requirements:	
Fire equipment	8,438
Total GAAP revenues and other financing sources	<u>\$ 18,180,829</u>
Total budgetary expenditures and other financing uses	\$ 16,618,953
Reclassification of:	
Receivership costs	381,869
Encumbrances outstanding as of June 30, 2013	(552,894)
Encumbrances outstanding as of June 30, 2012	79,439
Expenses and transfers of various special revenue funds combined with General Fund per GASB 54 requirements:	
Fire equipment	25,992
Police vehicle maintenance	5,309
Transfer to capital reserve fund, not part of budget	1,788,699
Total GAAP expenditures and other financing uses	<u>\$ 18,347,367</u>

Bonds and Notes Escrow System

The Rhode Island, General Assembly, when creating the Central Falls Review Commission, authorized an escrow system to receive and hold revenues to pay bonds, notes and related interest. At June 30, 2013, the fund had a balance of \$1,710. In accordance with state law, the Central Falls Review Commission was deactivated in October 2000, after the City met the statutory requirements of: (1) completing a period of three consecutive fiscal years in which no operating deficit had been incurred; and (2) the City's total debt no longer exceeded one hundred percent (100%) of the City's revenues from its own sources.

Maximum Aggregate Indebtedness

The City's legal debt limit as set forth by Rhode Island General Law 45-12-2 is limited to three percent of total assessed property value. As of June 30, 2013, the City was in compliance with this law.

3. DEPOSITS 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 \$1,150 of petty cash.

(CONTINUED)

CITY OF CENTRAL FALLS

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

3. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

At June 30, 2013, the carrying amount of the City's deposits was \$6,803,783 and the bank balance was \$7,413,450, of which \$438,864 was covered by federal depository insurance and the remaining bank balance of \$6,974,586 was collateralized by the financial institutions and/or third parties in the name of the City.

Investments

At June 30, 2013 the City's investments totaled \$5,637,254 (all of which are held in its Fiduciary Funds) and consisted of the following:

	<u>Fair Value</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Rating</u>
Group annuity contracts	\$5,637,254	n/a	n/a	n/a

The Group Annuity Contract is an insurance contract issued by John Hancock Life Insurance Company. Contributions to or withdrawals from the Contract are made to the Pension Participating Segment of John Hancock's General Investment Account. Investments in the General Account are unallocated assets of John Hancock and back all of its general obligations. The Pension Participating segment of the General Investment Account of the John Hancock contains primarily fixed income investments. Currently, approximately eighty nine percent (88.5%) of the invested assets are corporate and government notes and bonds and mortgages with varying terms to maturity.

Investment earnings of the Pension Participating Segment of John Hancock's General Account are apportioned each December 31st and are reflected in the rate credited to the fund maintained under the Contract. The fund is maintained at book value. To report the contract at estimated fair value at June 30, 2013, a market value adjustment was applied which results in a reasonable approximation of fair value. The fair value of John Hancock's contracts is deemed to be "Level 3" or "unobservable" since the assets in the General Account are not publicly traded. Unobservable inputs are developed based on the best information available in the circumstances which might include the General Account's own data.

Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities could occur in the near term and such changes could materially affect the amount reported as net position available for pension benefits.

Interest Rate Risk

As noted above, the City's investments are held in group annuity contracts. These investments do not specify an interest rate rather the rate of return is dependent on operating results and economic conditions.

Concentration of Credit Risk

At June 30, 2013 the City had a diversified portfolio and was not deemed to be concentrated in any one investment category. Although the investments were held in group annuity contracts, these investments were in a wide range of companies and various industries enabling the City to minimize its risk.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of financial institution failure, the City's deposits and/or investments may not be returned. The City does not believe that it has a significant custodial credit risk as substantially all investments securities are registered and held in the name of the City. The City also ensures that all deposits be placed in financial institutions that are FDIC insured, and rated "well capitalized".

(CONTINUED)

CITY OF CENTRAL FALLS

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

4. FIXED ASSETS

Activity for governmental activity capital assets is summarized below:

	Balances			Balances
	June 30, 2012			June 30, 2013
	<u>(as restated)</u>	<u>Additions</u>	<u>Deletions</u>	
Governmental activity fixed assets:				
Land (not being depreciated)	\$ 670,850	\$ -	\$ 17,420	\$ 653,430
Buildings and land improvements	42,852,243	412,448	3,955,111	39,309,580
Motor vehicles	2,849,126	315,884	224,544	2,940,466
Equipment	1,941,819	42,219	212,211	1,771,827
Infrastructure	12,346,142	-	-	12,346,142
Total cost	<u>60,660,180</u>	<u>770,551</u>	<u>4,409,286</u>	<u>57,021,445</u>
Less: accumulated depreciation				
Buildings and land improvements	(21,024,798)	(1,738,504)	(1,130,976)	(21,632,326)
Motor vehicles	(2,493,590)	(156,698)	(224,544)	(2,425,744)
Equipment	(1,520,346)	(173,612)	(212,042)	(1,481,916)
Infrastructure	(11,039,813)	(105,938)	-	(11,145,751)
Total accumulated depreciation	<u>(36,078,547)</u>	<u>(2,174,752)</u>	<u>(1,567,562)</u>	<u>(36,685,737)</u>
Net fixed assets	<u>\$ 24,581,633</u>	<u>\$ (1,404,201)</u>	<u>\$ 2,841,724</u>	<u>\$ 20,335,708</u>

Infrastructure assets, (such as sidewalks, curbs, drainage systems, and road improvements) have been capitalized and reported within the government-wide financial statements.

Deletions of \$2,841,724 represent loss on disposal of capital assets, consisting primarily of Community Center and two School buildings.

Depreciation expense was charged to the following functions/programs of the City:

Governmental activities:	
General government.....	\$ 148,096
Public safety.....	312,891
Public works.....	220,141
Public recreation	254,508
Public education.....	<u>1,239,116</u>
Total	<u>\$2,174,752</u>

5. UNEARNED REVENUES

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

Property taxes receivable, net	\$2,834,552
Less: current year 60 day accrual.....	(549,207)
2013 tax levy (fiscal 2014 revenue) collected during fiscal year ended June 30, 2013	<u>40,686</u>
Total General Fund unearned revenue.....	<u>\$2,326,031</u>

Other Governmental Funds unearned revenues totaling \$504,494 relate to grant funds received but not earned.

(CONTINUED)

CITY OF CENTRAL FALLS

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

6. LONG-TERM DEBT

General Obligation Bonds and Other Debt

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. In addition, general obligation bonds have been issued to refund general obligation bonds.

General obligation bonds are direct obligations and pledge the full faith and credit of the City.

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

	<u>Amount</u>	<u>Percent</u>
General obligation bonds.....	\$ 5,425,000	10%
General obligation municipal bonds.....	7,360,000	13%
RIHEBC revenue bonds	4,945,000	9%
Capital Leases	61,311	0%
Net pension obligation (NPO).....	30,393,625	56%
Net OPEB obligation (NOO)	2,702,591	5%
Due to State	3,228,025	6%
General unsecured claims – Class 16.....	307,860	1%
Compensated absence.....	162,391	0%
Total	<u>\$54,585,803</u>	<u>100%</u>

Schedule of long-term bond and lease requirements:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014.....	\$1,639,641	\$ 921,038	\$2,560,679
2015.....	1,690,426	831,865	2,522,291
2016.....	1,746,244	738,029	2,484,273
2017.....	1,780,000	635,523	2,415,523
2018.....	1,835,000	529,641	2,364,641
2019-2023.....	5,620,000	1,292,761	6,912,761
2024-2028.....	3,480,000	377,185	3,857,185
Total.....	<u>\$17,791,311</u>	<u>\$5,326,042</u>	<u>\$23,117,353</u>

Capital Leases

The City has entered into a lease agreement as lessee for financing the acquisition of vehicles and equipment. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of their future minimum lease payments as of the inception date.

(CONTINUED)

CITY OF CENTRAL FALLS

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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

Capital Leases (Continued)

The assets acquired through capital leases are as follows:

Asset:	<u>Governmental Activities</u>
Vehicles and equipment	\$201,501
Less: accumulated depreciation.....	<u>(161,201)</u>
Total	<u>\$ 40,300</u>

Amortization of assets acquired under capital leases is included in depreciation expense for the year ended June 30, 2013.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2013 were as follows:

<u>Year Ending June 30:</u>	<u>Total</u>
2014	\$ 22,093
2015	22,093
2016	<u>22,093</u>
Total minimum lease payments	66,279
Less: amount representing interest	<u>4,968</u>
Present value of minimum lease payments	<u>\$ 61,311</u>

Due to State

Due to State of \$3,228,025 at June 30, 2013 represents amount due to the State of Rhode Island for receivership costs paid by the State. During fiscal 2013, legislation was passed by the State of Rhode Island allowing the City to repay the State over a period of time for these costs. In accordance with the City's bankruptcy documents, progress payments are budgeted to commence in fiscal year 2017 with the final payment due by the end of fiscal year 2021.

(CONTINUED)

CITY OF CENTRAL FALLS

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

6. LONG-TERM DEBT (Continued)

General long-term debt consists of the long-term liabilities that are not recorded as fund liabilities. Amounts are as follows:

	<u>Date of Issue</u>	<u>Maturity Date</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Outstanding June 30, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Outstanding June 30, 2013</u>	<u>Current Portion</u>
General obligation bonds	7/15/1999	5/15/2020	\$ 12,000,000	5.0%-6.25%	\$ 6,060,000		\$ 635,000	\$ 5,425,000	\$ 665,000
General obligation municipal bonds	10/1/2007	7/15/2027	8,700,000	4.0%-5.5%	7,680,000		320,000	7,360,000	340,000
RIHEBC revenue bonds	8/15/2007	4/1/2027	1,300,000	4.25%-5.00%	1,115,000		50,000	1,065,000	55,000
RIHEBC revenue bonds	6/29/2010	5/5/2020	750,000	5.39%	665,000		85,000	580,000	85,000
RIHEBC revenue bonds	6/30/2010	5/5/2020	4,250,000	6.00%	3,775,000		475,000	3,300,000	475,000
Capital leases	4/10/2009	7/5/2013	201,501	5.00%	83,404		22,093	61,311	19,641
Total bonds and leases					19,378,404	\$ -	1,587,093	17,791,311	1,639,641
Accrued compensated absences					164,895	332,353	334,657	162,391	162,391
Net pension obligation					30,688,474		294,849	30,393,625	
Net OPEB obligation					2,479,595	222,996		2,702,591	
Due to State					2,848,156	381,869		3,228,025	
Claims payable					65,000		65,000 **	-	
General unsecured claims - Class 16					-	714,416	406,556 ***	307,860	200,000
Total long-term debt					\$ 55,622,324	\$ 1,651,634	\$ 2,688,155	\$ 54,585,803	\$ 2,002,032

** \$65,000 deduction represents reclassification of June 30, 2012 claims payable balance to Class 16 unsecured claims during fiscal 2013.

*** \$406,556 deduction includes \$392,612 gain from remeasurement of liabilities in bankruptcy, as recorded in the Statement of Activities.

Total interest paid on general long-term debt for the year ended June 30, 2013 was \$1,004,299.

(CONTINUED)

CITY OF CENTRAL FALLS

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

7. INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables at June 30, 2013 were as follows:

	Due from Other Funds	Due to Other Funds
General Fund	\$ 110,585	\$ 2,398,782
Capital Reserve Fund	1,788,699	-
Other Governmental Funds	610,083	110,585
	<u>\$ 2,509,367</u>	<u>\$ 2,509,367</u>

Interfund receivables and payables were eliminated in the government-wide financial statements.

8. FUND BALANCES

As stated in Note 1, Fund Balance may be classified as one of five categories: Nonspendable, Restricted, Committed, Assigned, or Unassigned.

At June 30, 2013 *Restricted Fund Balance* consisted of the following:

	General Fund	Retirees Supplemental Settlement	Capital Reserve	Other Gov Funds	Total
Retirees Supplemental Settlement		\$ 1,615,526			\$ 1,615,526
Capital Reserve			\$ 1,788,699		1,788,699
CDBG Revolving				\$ 663,753	663,753
UDAG Revolving Loan Fund				35,233	35,233
Home				59,201	59,201
ED				396,939	396,939
EDI Community Center				1	1
Grant in Aid				58,306	58,306
Police C.A.R.E				24,567	24,567
DARE Program				3	3
Police Special Accounts				25,729	25,729
Public Rescue				184,544	184,544
Rural Grants				49	49
Emergency Equipment Replacement				144,400	144,400
Recycling Account				25	25
Channel One				3,759	3,759
Property Development				161,179	161,179
Recreation Capital				4,393	4,393
School Construction				112,712	112,712
Historic Trust				60,444	60,444
Total restricted fund balance	<u>\$ -</u>	<u>\$ 1,615,526</u>	<u>\$ 1,788,699</u>	<u>\$ 1,935,237</u>	<u>\$ 5,339,462</u>

(CONTINUED)

CITY OF CENTRAL FALLS

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

8. FUND BALANCES (Continued)

At June 30, 2013 *Committed Fund Balance* consisted of the following:

	General Fund	Retirees Supplemental Settlement	Capital Reserve	Other Gov Funds	Total
Sixty-day property tax collections budgeted in subsequent fiscal year	\$ 549,207				\$ 549,207
Encumbrances	552,894				552,894
Total committed fund balance	\$ 1,102,101	\$ -	\$ -	\$ -	\$ 1,102,101

At June 30, 2013 *Unassigned Fund Balance* consisted of the following:

	General Fund	Retirees Supplemental Settlement	Capital Reserve	Other Gov Funds	Total
General Fund	\$ 100,000				\$ 100,000
Total unassigned fund balance	\$ 100,000	\$ -	\$ -	\$ -	\$ 100,000
 Total fund balance	 \$ 1,202,101	 \$ 1,615,526	 \$ 1,788,699	 \$ 1,935,237	 \$ 6,541,563

9. EMPLOYEE RETIREMENT SYSTEMS

The City of Central Falls participates in the following retirement plans.

- (a) Municipal Employees' Retirement System of Rhode Island (City), an agent multiple-employer defined benefit plan, which covers substantially all of the City's employees except police officers, firefighters, and all School Department employees.
- (b) City of Central Falls Pension Plan.
 - The City provides retirement benefits for police officers and firefighters through its participation in one single-employer defined pension plan, which is reported as a pension trust fund.
- (c) TIAA-CREF and the Employees' Retirement System of Rhode Island administered defined contribution plan, which covers certain municipal employees participating in MERS.

(a) Municipal Employees' Retirement System of Rhode Island (City) – Defined Benefit Plan

The City of Central Falls participates in the Municipal Employees' Retirement System of the State of Rhode Island ("System"), an agent multiple-employer defined benefit plan.

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.

(CONTINUED)

CITY OF CENTRAL FALLS

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

9. EMPLOYEE RETIREMENT SYSTEMS (Continued)

(a) Municipal Employees' Retirement System of Rhode Island (City)-Defined Benefit Plan (Continued)

Plan Description

All full-time City employees, except police officers, firefighters, and all School Department 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 of the Rhode Island General Laws (RIGL). The benefits may be amended by the Rhode Island General Assembly.

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.

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

Plan Funding Policy

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

Effective July 1, 2012 active non police and fire members must contribute 1% of their annual earnings. The City is required to contribute at an actuarially determined rate expressed as a percentage of total compensation paid to the active membership. The rate for the fiscal year ended June 30, 2013 was 11.78%.

Annual Pension Cost

The City's annual pension cost of \$208,127 for MERS was equal to the City's required and actual contributions for the year ended June 30, 2013.

Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/13	\$208,127	100%	\$0
6/30/12	\$150,782	100%	\$0
6/30/11	\$176,784	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, 2013. The actuarial methods and assumptions used in those valuations are summarized in the following table.

(CONTINUED)

CITY OF CENTRAL FALLS

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

9. EMPLOYEE RETIREMENT SYSTEMS (Continued)

(a) Municipal Employees' Retirement System of Rhode Island (City)-Defined Benefit Plan (Continued)

Summary of Actuarial Assumptions Used in the MERS June 30, 2010 and June 30, 2013 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 22 years as of June 30, 2013
Asset Valuation Method	5 Year Smoothed Market
Actuarial Assumptions:	
Investment Rate of Return	7.50%, compounded annually
Projected Salary Increases	<u>General Employees</u> 4.00% to 8.00%
Inflation	2.75%
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.	

General Municipal Employees
Participant Information (June 30, 2013) 42 Active; 36 Retired

Funded Status of Plan

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.

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (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, 2013	\$4,852,474	\$7,034,036	\$2,181,562	69.0%	\$1,880,142	116.0%

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.

(CONTINUED)

CITY OF CENTRAL FALLS

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

9. EMPLOYEE RETIREMENT SYSTEMS (Continued)

(b) City of Central Falls Pension Plan

Plan Description

All full-time non-civilian police and fire employees hired after July 1, 1972 are eligible and must participate in the private pension plan administered formerly by John Hancock Financial Services until June 3, 2011 and currently by the City of Central Falls. The new plan, entitled the "City of Central Falls Pension Plan", also consolidates all payments paid to former employees and beneficiaries who retired prior to July 1, 1972 under the "1% Plan". The plan was restated effective August 1, 2011 and delineates the new pension benefits as well as disability and death benefits. Specifically, a member may retire and receive normal retirement benefits if they have accumulated 25 years of service and are at least 57 years of age. Members earn 2% of their final average base pay for the number of completed years and months of service up to a maximum of 25 years as of their normal retirement date and 1% of their final average base pay for each additional year of service after 25 years, up to a maximum of 30 years. The base pay includes regular wages, longevity payments and holiday pay. The final average base pay is the average of the participant's base pay for the 5 consecutive years of the last 10 years of employment that produce the highest average. After retirement a participant's pension benefit is increased annually by 2% (COLA), but the increases are not compounded. These cost of living adjustments are made effective July 1 following a participant's retirement date and every July 1 thereafter.

As of June 30, 2013, employee membership data related to the pension plan is as follows:

Active membership	72
Retirees and beneficiaries	69

Pension provisions include disability and death benefits. Upon the death of a retired police officer or firefighter, benefits to the spouse and children will be paid based upon the form of benefit the participant elected at the time of retirement.

Funding Policy

Periodic employer contributions to the pension plan are determined on an actuarial basis using the entry age normal cost method. Employees of the City are required to contribute 9.5% of their gross earnings if they were an employee of the City prior to the new pension plan starting in December 2011. New members of the plan are required to contribute 10.5% of their gross earnings to the pension plan. For the year ended June 30, 2013, employee contributions were \$353,575. The City is required to contribute at an actuarially determined rate; the current rate is 49.5% of annual covered payroll.

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 City of Central Falls Pension Plan with a valuation date of July 1, 2013, which was the most recent report available from the plan.

Actuarial Value of Assets	\$ 5,544,658
Actuarial Accrued Liability	\$30,167,669
Unfunded (excess) actuarial accrued Liability	\$24,623,011
Funded Ratio	18.4%
Annual Covered Payroll	\$ 3,849,274
UAAL (excess) as percentage of payroll	639.7%

(CONTINUED)

CITY OF CENTRAL FALLS

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

9. EMPLOYEE RETIREMENT SYSTEMS (Continued)

(b) City of Central Falls Pension Plan (Continued)

Annual Pension Cost and Net Pension Obligation

For fiscal year ending June 30, 2013, the City's annual required contribution was \$1,913,199 for the City of Central Falls Pension Plan and actual employer contributions were \$2,309,325. The required contribution was determined as part of the July 1, 2013 actuarial valuation using the entry age normal cost method. Significant actuarial assumptions included (a) a net investment return of 7.75 percent compounded annually (b) projected salary increases of 3 percent compounded annually, (c) 2.0 percent per year cost-of-living adjustments, (d) mortality rates based on the RP-2000 mortality table projected to 2006 using scale AA with 10-year setback for disabled and (e) retirement after the earlier of age 57 and 25 years of service or 25 years of service. Unfunded actuarial accrued liability is being amortized using the weighted average method over a 30 year period assuming a 3 percent per year increase. As of June 30, 2013, there were 20 years remaining.

The City's annual pension cost and net pension obligation for the year ended June 30, 2013 was as follows:

Annual required contribution.....	\$ 1,913,199
Interest on net pension obligation.....	2,378,357
Adjustment to annual required contribution.....	<u>(2,277,080)</u>
Annual pension cost.....	2,014,476
Contributions made.....	<u>(2,309,325)</u>
Decrease in net pension obligation.....	(294,849)
Net pension obligation, June 30, 2012.....	<u>30,688,474</u>
Net pension obligation, June 30, 2013.....	<u>\$30,393,625</u>

Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2013	\$2,014,476	114.6%	\$30,393,625
6/30/2012	\$2,030,966	125.4%	\$30,688,474
6/30/2011	\$4,056,604	4.2%	\$31,205,040

The City of Central Falls Pension Plan is a single-employer defined pension plan, which is reported as a pension trust fund.

(CONTINUED)

CITY OF CENTRAL FALLS

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

9. EMPLOYEE RETIREMENT SYSTEMS (Continued)

(c) Employees' Retirement System of Rhode Island – Defined Contribution Plan

Plan Description

General municipal employees participating in the defined benefit plan (of the System), as described previously, 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.

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.

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 City is required to contribute 1%. The plan members and City contributed \$82,050 and \$16,390, 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.

10. POST RETIREMENT BENEFITS

Plan Description

The City's Post-Employment Medical Benefit Plan is a single-employer defined benefit post-retirement health insurance program. Effective August 1, 2011 the City provides health care to retired police and firefighter employees and their spouses until the retiree reaches the age of 65. Retired employees are covered by the same plan as active employees and are subject to the same 20% co-share as actives. Health care benefits were paid to 37 retired employees during fiscal year ending June 30, 2013. Current membership consists of 110 active employees and 37 retirees, disabled and widows. Any changes to these provisions are subject to the City's approval. The plan does not issue a separate report.

Funding Policy

The City's funding policy provides for actuarially determined periodic contributions to the plans at rates that increase gradually over time so that sufficient assets will be available to pay benefits when due. Municipal retirees are required to contribute 20% of the health care cost between ages 62 to 65, and 100% of the premium prior to age 62. Retired police officers and firefighters may elect to be covered by the City's medical plan until age 65 and must pay 20% co-shares. Coverage reverts to COBRA for 36 months upon death of the member, or until the spouse reaches age 65, whichever occurs first. The annual OPEB cost was estimated from the June 30, 2013 actuarial valuation using the projected unit credit funding method. The actuarial assumptions included a 4.0% unfunded discount rate and the 2011 IRS Static Mortality Table and RP 2000 Disabled Mortality Table.

(CONTINUED)

CITY OF CENTRAL FALLS

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

10. POST RETIREMENT BENEFITS (Continued)

Funding Policy (Continued)

The City adopted GASB 45 prospectively during fiscal year ended June 30, 2009. The available trend information is presented below.

Trend Information

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Contributions Made</u>	<u>% of OPEB Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2013	\$ 576,745	\$ 353,749	61.3%	\$2,702,591
6/30/2012	\$ 838,365	\$ 674,631	80.4%	\$2,479,595
6/30/2011	\$2,088,438	\$1,226,124	58.7%	\$2,315,861

The City's annual OPEB cost and net OPEB obligation for the year ended June 30, 2013 was as follows:

Annual required contribution	\$ 572,312
Interest on net OPEB obligation.....	99,184
Adjustment to annual required contribution	<u>(94,751)</u>
Annual OPEB cost (expense)	576,745
Contributions made.....	<u>(353,749)</u>
Increase in net OPEB obligation	222,996
Net OPEB obligation-beginning of year	<u>2,479,595</u>
Net OPEB obligation-end of year	<u>\$2,702,591</u>

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (AVA) (1)</u>	<u>Actuarial Accrued Liability (AAL) (2)</u>	<u>Unfunded AAL (UAAL) (2)-(1) (3)</u>	<u>AVA as a Percent of AAL (1)/(2) (4)</u>	<u>Covered Payroll (5)</u>	<u>UAAL as a Percent of Covered Payroll (3)/(5) (6)</u>
06/30/13	0	\$12,000,546	\$12,000,546	0%	\$6,214,955	193.09%
12/31/11	0	\$14,112,791	\$14,112,791	0%	\$3,620,778	389.77%
06/30/10	0	\$32,011,503	\$32,011,503	0%	N/A	N/A

Projections of benefits for financial reporting purposes are based on the plan and include the types of benefits provided at the time of each valuation. The actuarial assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The unfunded actuarial liability (UAAL) is amortized over a period of 30 years using the level percentage of pay over thirty years based on an open group. The UAAL was determined using the actuarial value of assets and actuarial accrued liability calculated as of the valuation date.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Examples include assumptions about employment, mortality and healthcare cost trends. Actuarial valuations are subject to continual revision as actual results are compared to past expectations and new estimates are formulated about the future.

(CONTINUED)

CITY OF CENTRAL FALLS

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

11. COMMITMENTS AND CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

The City has been named, along with another municipality, in a claim involving a wrongful death. The outcome of this lawsuit is not presently determinable, and accordingly has not been recorded in the accompanying financial statements.

The City is involved in various other pending suits. The outcome of these lawsuits is not presently determinable, although, in the opinion of the City's attorneys, the amount of actual or potential claims is not expected to have a material effect on the City's financial statements.

At June 30, 2013 the City had a contractual construction commitment of \$188,100 related to the City's roofing project.

12. RISK MANAGEMENT

The City of Central Falls is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; and natural disasters. As a result, the City participates in a non-profit, public entity risk pool (Rhode Island Interlocal Risk Management Trust, Inc.) which provides coverage for property/liability claims. Upon joining the Trust, the City signed a participation agreement which outlines the rights and responsibilities of both the Trust and the City. The Trust provides this insurance coverage through a pooled, self-insurance mechanism which includes reinsurance purchased by the Trust to protect against large, catastrophic claims above the losses the Trust retains internally for payment from the pooled contributions of its Members. Under the participation agreement, the City is insured for a maximum of \$2,000,000 per occurrence. Settled claims resulting from these risks have not exceeded the Trust Coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage during the year ended June 30, 2013.

13. BANKRUPTCY

On May 19, 2010 the City filed a Petition for Appointment of Receiver with the Rhode Island Superior Court citing fiscal insolvency due to revenue shortfalls and state budget cuts, along with unaffordable collective bargaining agreements and pension obligations.

On August 1, 2011 the State Receiver filed for federal Chapter 9 bankruptcy protection for the City of Central Falls. The bankruptcy proceedings commenced and on September 22, 2011 the Bankruptcy Counsel for the State appointed Receiver filed a plan of debt adjustment and disclosure statement with the Court. The City has come out of bankruptcy which is described in the below paragraph.

On July 27, 2012, the City's Receiver submitted its Fourth Amended Plan for Adjustment of Debts to the Bankruptcy Court. The Court reviewed the plan and entered a written order confirming the plan on September 11, 2012. The plan became effective on October 25, 2012. The plan is effective from October 25, 2012 through June 30, 2017. During this time, the City will hold annual status conferences with the Court and other parties in interest. A copy of the Plan of Adjustment can be obtained by visiting the City's website www.centralfallsri.us.

(CONTINUED)

CITY OF CENTRAL FALLS

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

13. BANKRUPTCY (Continued)

As a result of the bankruptcy proceedings, on or before June 30, 2013, certain obligations of the City that were classified as General Unsecured Convenience Claims (typically below \$5,000), with a balance of \$63,631 were paid at thirty five percent (35%) of their allowed claim, which equated to \$22,271. The remaining amount of \$41,360 was written off during fiscal year 2013, and is recorded on the General Fund as other financing source within the governmental fund financial statements, and as an extraordinary item in the accompanying Statement of Activities of the government-wide financial statements. Additionally, there are certain obligations of the City totaling approximately \$715,000 that were classified as General Unsecured Claims (typically above \$5,000) that will be paid at an amount not to exceed 45% of the original claim commencing in fiscal 2013 over a four year period. The amount of gain recognized from remeasurement of these General Unsecured Claims was \$392,612 for the year ended June 30, 2013 and was recorded as an extraordinary item, as part of the \$433,972 total, in the accompanying Statement of Activities.

In April 2013, the City hired an Administrative and Finance Officer (AFO), who serves in an oversight capacity pursuant to Section 45-9-10 of the Rhode Island General Laws.

14. SUBSEQUENT EVENTS

On December 12, 2013, the City issued RIHEBC General Obligation Refunding Bonds, Series 2013, in the amount of \$5,510,000 refunding Series 1999 bonds. The bonds bear coupon rate of 2.58%, with final maturity on May 15, 2020. Except for the debt issuance described in the preceding sentence, no other events requiring recognition or disclosure within the financial statements have been identified.

15. RESTATEMENT

The fund balance of the Governmental Funds Financial Statements has been restated as of June 30, 2012 to reflect the understatement of prior year's capital outlays and related payables. In addition, the Net Position of the Fiduciary Funds has been restated as of June 30, 2012 to reflect the overstatement of prior year's receivables and revenue.

Governmental Funds:	
Fund balance, June 30, 2012 as originally stated	\$5,867,524
Less fiscal 2012 capital outlays not recorded at 6/30/12	<u>(238,109)</u>
Fund Balance, June 30, 2012 as restated	<u>\$5,629,415</u>
Fiduciary Funds:	
Net position, June 30, 2012 as originally stated	\$5,631,147
Less overstatement of fiscal 2012 receivables	<u>(439,911)</u>
Fund Balance, June 30, 2012 as restated	<u>\$5,191,236</u>

(CONCLUDED)

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CENTRAL FALLS**Schedule of Funding Progress (Unaudited)**

June 30, 2013

Schedule of funding progress for the Municipal Employees' Retirement System*

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	(Unfunded) AAL (UAAL) (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as percentage Of Covered Payroll ((a-b)/c)
6/30/2013	\$ 4,852,474	\$ 7,034,036	\$ (2,181,562)	69.0%	\$ 1,880,142	-116.0%
6/30/2012	\$ 4,915,692	\$ 6,979,395	\$ (2,063,703)	70.4%	\$ 1,731,773	-119.2%
6/30/2011	\$ 5,023,360	\$ 6,519,261	\$ (1,495,901)	77.1%	\$ 1,981,815	-75.5%
6/30/2010	\$ 5,176,066	\$ 6,906,941	\$ (1,730,875)	74.9%	\$ 2,381,819	-73.3%
6/30/2009	\$ 5,212,157	\$ 6,656,557	\$ (1,444,400)	78.3%	\$ 2,446,693	-59.0%
6/30/2008	\$ 4,950,358	\$ 6,406,664	\$ (1,456,306)	77.3%	\$ 2,683,177	-54.3%

*As revised 11/18/11 - the State of Rhode Island passed legislation under the Pension Reform Security Act (Act) of 2011 which made changes to plan provisions. Such changes were effective July 1, 2012.

Schedule of funding progress for the new Pension Plan of the City of Central Falls**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	(Unfunded) AAL (UAAL) (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	percentage Of Covered Payroll ((a-b)/c)
7/1/2013	\$ 5,544,658	\$ 30,167,689	\$ (24,623,011)	18.4%	\$ 3,849,274	-639.7%
12/31/2011	\$ 5,486,573	\$ 29,421,723	\$ (23,935,150)	18.6%	\$ 3,620,778	-661.0%
7/1/2010	\$ 7,768,815	\$ 54,327,495	\$ (46,558,680)	14.3%	\$ 3,289,330	-1415.4%
7/1/2008	\$ 12,002,382	\$ 60,739,300	\$ (48,736,918)	23.7%	\$ 3,561,781	-1087.6%
7/1/2006	\$ 12,056,497	\$ 47,247,819	\$ (35,191,322)	25.5%	\$ 3,439,867	-1023.0%
7/1/2004	\$ 11,298,856	\$ 43,225,235	\$ (31,926,379)	26.1%	\$ 3,061,582	-1042.8%

** Values prior to 2011 are a combination of the John Hancock Pension Plan and the 1% Plan

Schedule of funding progress for the Post-Employment Benefits Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	(Unfunded) AAL (UAAL) (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as percentage Of Covered Payroll ((a-b)/c)
6/30/2013	\$ -	\$ 12,000,546	\$ (12,000,546)	0%	\$ 6,214,955	-193.09%
12/31/2011	\$ -	\$ 14,112,791	\$ (14,112,791)	0%	\$ 3,620,778	-389.77%
6/30/2010	\$ -	\$ 32,011,503	\$ (32,011,503)	0%	N/A	N/A
6/30/2009	\$ -	\$ 30,693,955	\$ (30,693,955)	0%	N/A	N/A

Notes to the Schedule of Funding Progress**Changes affecting the June 30, 2012 actuarial valuation:**

The assumptions for the Municipal Employees' Retirement System are consistent with the 2011 valuation, with the exception of certain assumption changes that resulted from the enactment of the Rhode Island Retirement Security Act of 2011. The marriage assumption was modified to reflect the expected percentage of members that will be eligible for survivor benefits upon their death, the incidence of disability was lowered to incorporate a continued trend of significantly fewer incidents of disability than anticipated by the current assumption, and the missing data assumption was updated to incorporate an assumption for missing beneficiary data.

The method used to determine the actuarial value of assets is the five-year smoothed market method. A small adjustment was made to the method used to smooth investment gains and losses to allow gains and losses to offset each other immediately. This modification will reduce future volatility in the actuarial value of assets while ensuring that the actuarial value always trends directly towards the market value of assets.

Changes affecting the June 30, 2011 actuarial valuation:

The retirement rates were modified to be consistent with the retirement eligibility changes instituted by the Rhode Island Retirement Security Act of 2011. Members that were assumed to retire prior to the Act, but before the earliest allowable age under the Act, are assumed to retire once eligible.

CITY OF CENTRAL FALLS

D-2

GENERAL FUND

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2013

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Tax revenue				
Tax revenue (current year)	\$ 12,125,339	\$ 12,125,339	\$ 12,884,833	\$ 759,494
Tax revenue (prior years)	550,000	550,000	447,229	(102,771)
Total tax revenue	12,675,339	12,675,339	13,332,062	656,723
Fees / non-tax revenue				
Interest on taxes	247,169	247,169	270,551	23,382
VIN check fees	3,075	3,075	12,170	9,095
Probate fees	7,175	7,175	7,586	411
Realty Stamps	21,525	21,525	32,568	11,043
Real Estate Recordings	61,600	61,600	69,028	7,528
Licenses (other than marriage)	79,950	79,950	78,187	(1,763)
Certificates (vital records)	8,200	8,200	12,604	4,404
Marriage Licenses	1,025	1,025	922	(103)
Reports/copying fees	5,125	5,125	6,419	1,294
Fingerprinting fees	-	-	460	460
City Clerk miscellaneous fees	10,250	10,250	8,277	(1,973)
Fire code inspection fees/other fire permits	4,613	4,613	4,395	(218)
Alarm box fees & smoke detector certificates	25,625	25,625	20,548	(5,077)
Rescue runs	230,625	230,625	373,158	142,533
Hazardous material permits	2,255	2,255	2,426	171
Building permits	41,000	41,000	38,319	(2,681)
Plumbing & mechanical permits	10,250	10,250	20,070	9,820
Electrical permits	23,063	23,063	22,293	(770)
Road opening permits	-	-	2,775	2,775
Certificates of occupancy	6,150	6,150	5,950	(200)
CARE account revenue	12,300	12,300	21,882	9,582
Municipal Court Fees/Traffic Fines/Other Fines	153,750	153,750	125,174	(28,576)
Administrative and Other Fees	12,408	12,408	15,739	3,331
Vehicle Fees for Road Details	12,556	12,556	18,203	5,647
Code Court Fees	5,638	5,638	-	(5,638)
Property preservation revenue	20,600	20,600	5,290	(15,210)
Misc. departmental revenue	6,848	6,848	13,663	6,815
Local Pilot Revenue	71,476	71,476	72,746	1,270
Public works	22,314	22,314	42,329	20,015
Federal Revenue	50,000	50,000	-	(50,000)
Total fees / non-tax revenue	1,156,365	1,156,365	1,303,732	147,367
State revenue				
MV Phase out	92,568	92,568	88,012	(4,576)
Distressed Communities Aid	292,172	292,172	289,708	(2,464)
Public Service Corporation Tax/Telephone tax	163,243	163,243	242,506	79,263
Hotel/meals & beverage tax	91,826	91,826	97,046	5,420
School Housing Aid - Direct payment	991,667	991,667	987,972	(3,695)
School Housing Aid - RHBC reimbursement	757,143	757,143	705,931	(51,212)
Debt Service QSCB Subsidy	236,674	236,674	236,674	-
Non Profit Organizations	22,986	22,986	26,028	3,042
Miscellaneous state aid/grants	47,079	47,079	47,079	-
Total state revenue	2,695,178	2,695,178	2,720,956	25,778
Other income				
Lease/rental income	-	-	30	30
Athletic fees	-	-	895	895
Misc. other revenue	46,955	46,955	207,924	160,969
Surplus sales	-	-	8,110	8,110
Total other income	46,955	46,955	216,959	170,004
Total revenues	16,573,837	16,573,837	17,573,709	999,872

CITY OF CENTRAL FALLS

D-2

GENERAL FUND

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2013

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
GENERAL GOVERNMENT				
<i>City executive management</i>				
Salaries	100,768	100,768	72,024	28,744
Social Security	6,248	6,248	4,332	1,916
Medicare	1,461	1,461	1,013	448
Municipal State Pension	11,217	11,217	8,344	2,873
Medical Insurance	17,409	17,409	4,396	13,013
Dental Insurance	1,562	1,562	351	1,211
Non-capital equipment	500	500	1,556	(1,056)
Donations	500	500	300	200
Expense account	3,750	3,750	1,408	2,342
<i>Total city executive management</i>	<u>143,415</u>	<u>143,415</u>	<u>93,724</u>	<u>49,691</u>
<i>City council</i>				
Salaries	7,350	7,350	4,088	3,262
<i>Total city council</i>	<u>7,350</u>	<u>7,350</u>	<u>4,088</u>	<u>3,262</u>
<i>City clerk</i>				
Salaries	184,177	184,177	188,561	(4,384)
Longevity	4,000	4,000	1,500	2,500
Social Security	11,667	11,667	10,978	689
Medicare	2,729	2,729	2,568	161
Municipal State Pension	23,538	23,538	24,460	(922)
Medical Insurance	39,585	39,585	39,392	193
Dental Insurance	3,468	3,468	3,457	11
Dues/subscriptions	50	50	-	50
Non-capital equipment	500	500	-	500
Other professional services	25,625	25,625	22,856	2,769
Education & Training	500	500	-	500
<i>Total city clerk</i>	<u>295,839</u>	<u>295,839</u>	<u>293,772</u>	<u>2,067</u>
<i>Board of canvassers</i>				
Election workers	13,000	13,000	34,031	(21,031)
<i>Total board of canvassers</i>	<u>13,000</u>	<u>13,000</u>	<u>34,031</u>	<u>(21,031)</u>
<i>Personnel</i>				
Salaries	26,000	26,000	-	26,000
Social Security	1,612	1,612	-	1,612
Medicare	377	377	-	377
Municipal State Pension	3,322	3,322	-	3,322
Medical Insurance	5,803	5,803	150	5,653
Dental Insurance	521	521	-	521
Other professional services	2,000	2,000	614	1,386
Education & training	500	500	-	500
Testing	3,000	3,000	9,625	(6,625)
<i>Total personnel</i>	<u>43,135</u>	<u>43,135</u>	<u>10,389</u>	<u>32,746</u>
<i>Legal</i>				
Salaries	41,308	41,308	39,892	1,416
Social Security	2,561	2,561	2,374	187
Medicare	599	599	555	44
Municipal State Pension	5,278	5,278	5,403	(125)
Medical Insurance	11,606	11,606	11,549	57
Dental Insurance	1,042	1,042	1,038	4
Other professional services	76,000	76,000	112,418	(36,418)
Education & training	500	500	149	351
<i>Total legal</i>	<u>138,894</u>	<u>138,894</u>	<u>173,378</u>	<u>(34,484)</u>
<i>Tax assessor</i>				
Salaries	88,890	88,890	93,835	(5,045)
Longevity Pay	2,000	2,000	-	2,000
Social Security	5,635	5,635	5,938	(303)
Medicare	1,318	1,318	1,399	(71)
Municipal State Pension	11,360	11,360	12,112	(752)
Medical Insurance	11,606	11,606	-	11,606
Dental Insurance	1,042	1,042	1,209	(167)
Dues/subscriptions	1,103	1,103	920	183
Other professional services	15,683	15,683	4,376	11,307
Education & training	500	500	-	500
Revaluation Services	85,826	85,826	82,547	3,279
<i>Total tax assessor</i>	<u>224,963</u>	<u>224,963</u>	<u>202,426</u>	<u>22,537</u>

CITY OF CENTRAL FALLS

D-2

GENERAL FUND

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2013

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Finance				
Salaries	269,090	269,090	265,709	3,381
Longevity Pay	5,000	5,000	2,000	3,000
Social Security	16,993	16,993	16,185	808
Medicare	3,974	3,974	3,785	189
Municipal State Pension	34,390	34,390	34,879	(489)
Medical insurance	46,423	46,423	30,797	15,626
Dental insurance	5,208	5,208	2,855	2,353
Postage	10,637	10,637	10,637	-
Non-capital equipment	1,047	1,047	1,091	(44)
Collection agency	2,104	2,104	71	2,033
Accounting/auditing	28,000	28,000	25,000	3,000
Other professional services	60,000	60,000	64,493	(4,493)
Education & training	500	500	387	113
Capital expenditures	64,800	64,800	70,327	(5,527)
Total finance	548,166	548,166	528,216	19,950
City property				
Custodial Services	20,467	20,467	19,988	499
Office supplies	6,150	6,150	10,582	(4,432)
Other supplies	1,081	1,081	1,195	(114)
Janitorial Supplies	1,538	1,538	2,278	(738)
Janitorial Supplies Other City Buildings	4,920	4,920	10,421	(5,501)
Heating Fuel-Other City Buildings	8,736	8,736	6,287	2,449
Dues/Subscriptions	1,129	1,129	861	268
Non-capital equipment	1,648	1,648	1,699	(51)
Telephone (Other)	24,634	24,634	20,689	3,945
Telephone (Police)	14,946	14,946	14,334	612
Telephone (Fire)	10,723	10,723	8,509	2,214
Telephone (Highway)	3,408	3,408	2,854	554
Advertising	15,701	15,701	12,511	3,190
Electric-Other	72,250	72,250	30,527	41,723
Electric-Police	13,463	13,463	21,918	(8,455)
Electric-Fire	13,463	13,463	21,918	(8,455)
Electric-Highway	7,901	7,901	14,007	(6,106)
General R & M	2,420	2,420	6,068	(3,648)
Water	15,824	15,824	19,493	(3,669)
Water Public Safety Complex	2,460	2,460	13,945	(11,486)
Public Safety R&M	1,025	1,025	-	1,025
Consulting services	41,000	41,000	53,528	(12,528)
Contract R & M	24,422	24,422	31,139	(6,717)
DPW Building R & M	513	513	239	274
DPW Water	1,845	1,845	2,839	(994)
DPW Janitorial Services	5,228	5,228	5,100	128
General liability insurance	215,000	215,000	217,698	(2,698)
Workers compensation	50,000	50,000	50,971	(971)
Capital Expenditures	33,339	33,339	328,463	(295,124)
Misc. city property	598	598	3,912	(3,316)
Heating fuel (Police)	15,375	15,375	10,889	4,486
Heating fuel (Fire)	15,375	15,375	14,680	695
Heating fuel (DPW)	7,329	7,329	6,239	1,090
Total city property	653,909	653,909	965,759	(311,850)
City boards				
Pension board	675	675	675	-
Purchasing board	675	675	675	-
Appeals board	900	900	675	225
Planning board	1,125	1,125	675	450
Zoning board	1,750	1,750	1,500	250
Canvassers board	2,100	2,100	1,650	450
Housing authority board	2,750	2,750	2,750	-
Total city boards	9,975	9,975	8,600	1,375
Total general government	2,078,646	2,078,646	2,314,383	(235,737)

CITY OF CENTRAL FALLS

D-2

GENERAL FUND

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2013

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
PUBLIC SAFETY				
Police department				
Salaries	1,725,545	1,725,545	1,660,015	65,530
Police trainee wages	26,400	26,400	25,920	480
Overtime	175,000	175,000	216,365	(41,365)
Special Investigations Overtime	25,625	25,625	20,964	4,661
Holiday pay	97,449	97,449	92,231	5,218
Longevity pay	54,000	54,000	55,500	(1,500)
Detective Stipends	6,500	6,500	7,820	(1,320)
Clothing/tool allowances	36,000	36,000	42,402	(6,402)
Sick Incentive Pay	-	-	3,825	(3,825)
Police Medicare	31,125	31,125	33,221	(2,096)
Police Dental Insurance	31,568	31,568	27,794	3,774
Police Social Security	-	-	3,137	(3,137)
Police Medical Insurance	219,069	219,069	188,369	30,700
Injuries/Medical (Work Related Injuries)	44,403	44,403	40,959	3,444
Salaries (Animal control)	32,717	32,717	31,437	1,280
Overtime (Animal control)	500	500	1,191	(691)
Sick Incentive Pay (Animal control)	-	-	105	(105)
Social Security (Animal control)	2,076	2,076	2,022	54
Clothing/tool allowance (Animal control)	275	275	275	-
Medicare (Animal control)	486	486	473	13
Municipal State Pension (Animal control)	4,181	4,181	4,276	(95)
Medical Insurance (Animal control)	4,768	4,768	4,745	23
Dental Insurance (Animal control)	343	343	285	58
Boarding of animals(Animal control)	5,000	5,000	3,718	1,282
Clerk & IT Salaries	73,654	73,654	73,650	4
Clerk & IT Overtime	1,000	1,000	1,469	(469)
Clerk & IT Longevity Pay	4,500	4,500	4,500	-
Clerk & IT Sick Incentive Pay	-	-	429	(429)
Clothing/tool allowances civilian	275	275	275	-
Clerk & IT Social Security	4,925	4,925	4,062	863
Clerk & IT Medicare	1,152	1,152	995	157
Municipal State Pension (Civilian Staff)	19,329	28,993	10,293	18,700
Clerk & IT Medical Insurance	11,606	11,606	23,098	(11,492)
Clerk & IT Dental Insurance	1,042	1,042	1,730	(688)
Dispatcher Salaries	151,242	226,867	218,425	8,442
Dispatcher & Clerk Overtime	25,000	25,000	15,120	9,880
Dispatcher Holiday Pay	10,744	16,116	12,222	3,894
Dispatchers Longevity	6,500	6,500	5,500	-
Dispatchers Sick Incentive Pay	-	-	205	(205)
Dispatcher clothing/tool allowances	1,100	1,650	1,905	(255)
Dispatcher Social Security	12,002	17,058	13,889	3,169
Dispatchers Medicare	2,807	3,989	3,247	742
Municipal State Pension (Dispatch)	19,329	28,993	30,995	(2,002)
Dispatcher & Clerk Medical Insurance	32,748	55,959	48,761	7,198
Dispatcher & Clerk Dental Insurance	3,468	5,551	4,031	1,520
Public Safety Dispatcher Shared Equipment R&M	-	-	11,204	(11,204)
Office supplies	4,100	4,100	4,098	2
Other supplies	3,075	3,075	3,136	(61)
Vehicle fuel	87,125	87,125	78,377	8,748
Dues/Subscriptions	513	513	479	34
Detective supplies	4,100	4,100	4,066	34
Non-capital equipment	7,175	7,175	16,780	(9,605)
General R & M	5,000	5,000	2,117	2,883
Vehicle R & M	20,000	20,000	26,883	(6,883)
Other professional services	41,000	41,000	60,526	(19,526)
Finger printing	2,563	2,563	3,010	(447)
Education & training	14,545	14,545	10,916	3,629
College tuitions	25,625	25,625	23,115	2,510
Capital Expenditures	76,819	76,819	91,041	(14,222)
Total police department	3,196,093	3,328,500	3,277,618	50,882

CITY OF CENTRAL FALLS

D-2

GENERAL FUND

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2013

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Fire department				
Salaries	1,841,960	1,841,960	1,794,451	47,509
Overtime	135,000	135,000	216,486	(81,486)
Holiday pay	105,585	105,585	96,142	9,443
Longevity pay	61,000	61,000	58,500	2,500
Out of rank pay	20,500	20,500	11,824	8,676
Rescue pay	7,280	7,280	7,280	-
Sick incentive pay	-	-	11,846	(11,846)
Clothing/tool allowance	38,000	38,000	37,000	1,000
Social Security	1,735	1,735	1,534	201
Medicare	32,035	32,035	29,486	2,549
Municipal State Pension	3,576	3,576	-	3,576
Medical Insurance	251,684	251,684	256,411	(4,727)
Dental Insurance	28,775	28,775	27,474	1,301
Injuries/Medical (Work Related Injuries)	73,653	73,653	70,429	3,224
Other supplies	15,000	15,000	23,022	(8,022)
Vehicle fuel	19,475	19,475	26,857	(7,382)
Dues/subscriptions	82	82	539	(457)
Non-capital equipment	15,000	15,000	8,145	6,855
General R & M	5,000	5,000	3,125	1,875
Vehicle R & M	25,000	25,000	33,860	(8,860)
Other professional services	11,103	11,103	18,885	(7,782)
Education & training	4,257	4,257	4,207	50
College tuitions	10,000	10,000	-	10,000
Capital Expenditures	37,500	37,500	231,817	(194,317)
Fire Fighter Equipment	16,000	16,000	25,383	(9,383)
Total fire department	2,759,200	2,759,200	2,994,683	(235,483)
Probate court				
Salaries	7,309	7,309	10,809	(3,500)
Total probate court	7,309	7,309	10,809	(3,500)
Municipal court				
Salaries	49,590	49,590	46,247	3,343
Overtime	1,642	1,642	1,486	156
Longevity Pay	2,000	2,000	2,000	-
Sick Incentive Pay	-	-	401	(401)
Social Security	3,317	3,317	2,260	1,057
Clothing Allowance	275	275	-	275
Medicare	776	776	529	247
Municipal State Pension	4,548	4,548	4,911	(363)
Medical Insurance	11,606	11,606	11,549	57
Dental Insurance	1,042	1,042	1,038	4
Office supplies	4,889	4,889	5,068	(179)
Other Professional Services	14,200	14,200	-	14,200
Total municipal court	93,885	93,885	75,489	18,396
Inspection officers				
Plumbing officer	4,323	4,323	4,323	-
Electrical Inspector	4,323	4,323	4,323	-
Total inspection officers	8,646	8,646	8,646	-
Code Enforcement				
Salaries	130,370	130,370	102,485	27,885
Longevity pay	3,000	3,000	3,000	-
Clothing	1,100	1,100	-	1,100
Social Security	8,337	8,337	5,920	2,417
Medicare	1,950	1,950	1,385	565
Municipal State Pension	11,679	11,679	7,856	3,823
Medical Insurance	11,606	11,606	601	11,005
Dental Insurance	2,083	2,083	1,471	612
Other supplies	205	205	400	(195)
Other Professional Services	1,333	1,333	14,265	(12,932)
Education & training	500	500	-	500
Property protection	2,926	2,926	376	2,550
Total code enforcement	175,089	175,089	137,759	37,330
Total public safety	6,240,222	6,372,629	6,505,004	(132,375)

CITY OF CENTRAL FALLS

D-2

GENERAL FUND

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2013

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
PUBLIC WORKS				
<i>Highway department</i>				
Salaries	604,949	604,949	522,653	82,296
Overtime	46,125	46,125	35,758	10,367
Longevity pay	28,000	28,000	27,000	1,000
Specialty pay	-	-	490	(490)
Clothing/tool allowance	3,850	3,850	3,025	825
Social Security	42,341	42,341	35,652	6,689
Medicare	10,516	10,516	8,367	2,149
Municipal State Pension	77,312	77,312	70,907	6,405
Medical insurance	118,057	118,057	84,825	31,432
Dental insurance	11,801	11,801	8,904	2,897
Other supplies	1,538	1,538	1,623	(85)
Vehicle Fuel	56,953	56,953	54,507	2,446
Non-capital equipment	6,806	6,806	8,083	(1,277)
Winter road supplies	9,780	9,780	24,592	(14,812)
General R & M	-	-	2,598	(2,598)
Vehicle R & M	78,449	78,449	80,907	(2,458)
DPW Building R&M	1,655	1,655	-	1,655
Road R & M	46,125	46,125	19,886	26,237
Traffic Signal R & M	3,075	3,075	2,838	237
Dues/subscriptions	-	-	169	(169)
Misc. Highway	692	692	76	616
Capital Expenditures	45,000	45,000	288,704	(243,704)
Total highway department	1,191,024	1,191,024	1,281,366	(90,342)
<i>Public works</i>				
Hydrants	76,875	76,875	71,890	4,985
Sewer/ NBC	14,350	14,350	4,448	9,902
Solid waste removal/disposal	148,625	148,625	179,122	(30,497)
Street lights	164,000	164,000	171,509	(7,509)
Total public works	403,850	403,850	426,969	(23,119)
Total public works	1,594,874	1,594,874	1,708,335	(113,461)
PUBLIC EDUCATION				
<i>Library</i>				
City Contribution	50,782	50,782	97,861	(47,079)
Other professional services	14,250	14,250	13,974	276
Total public education	65,032	65,032	111,835	(46,803)
PUBLIC RECREATION				
<i>Recreation</i>				
Salaries	34,911	34,911	43,061	(8,150)
Social Security	2,165	2,165	2,630	(465)
Medicare	506	506	616	(110)
Municipal State Pension	3,440	3,440	4,367	(927)
Medical insurance	-	-	3,850	(3,850)
Dental insurance	-	-	346	(346)
Other supplies	5,125	5,125	5,010	115
General R & M	6,663	6,663	4,716	1,947
Other professional services	5,894	5,894	2,600	3,294
Public events & activities	1,025	1,025	848	177
Misc. recreation	2,844	2,844	4,523	(1,679)
Total recreation	62,573	62,573	72,567	(9,994)
<i>Planning</i>				
Salaries	107,932	107,932	63,320	44,612
Social Security	6,692	6,692	5,938	754
Medicare	1,565	1,565	1,360	205
Municipal State Pension	13,794	13,794	12,807	987
Medical insurance	18,374	18,374	10,587	5,787
Dental insurance	1,385	1,385	1,038	347
Total planning	147,742	147,742	95,050	52,692
Total public recreation	210,315	210,315	167,617	42,698

CITY OF CENTRAL FALLS

D-2

GENERAL FUND

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2013

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
MUNICIPAL DEBT SERVICE				
Bond principal	1,565,000	1,565,000	1,565,000	-
Bond interest	1,004,298	1,004,298	1,004,298	-
Other debt fees	9,278	9,278	1,500	7,778
Lease purchase	22,977	22,977	22,094	883
Total municipal debt service	2,601,553	2,601,553	2,592,892	8,661
CONTINGENCY				
Legal contingencies	75,000	75,000	58,973	16,027
General contingencies	37,500	37,500	50,005	(12,505)
Receivership Costs	200,000	200,000	228,410	(28,410)
Post-confirmation Attorney Fees	38,000	38,000	-	38,000
Creditor Pool	35,000	35,000	38,084	(3,084)
Total contingency	385,500	385,500	375,472	10,028
EMPLOYEE BENEFITS				
Social security 6.2%	-	-	48	(48)
Medicare 1.45%	-	-	11	(11)
Compensated absences	80,000	80,000	80,046	(46)
Unemployment compensation	118,023	118,023	37,882	80,141
Group Life	9,968	9,968	10,369	(401)
Medical insurance	575,000	442,583	353,749	88,844
Injuries/medical	150,000	150,000	51,087	98,913
Total employee benefits	932,991	800,584	533,192	267,392
RETIREMENT				
Police retirement- Public Safety Pension	55,120	55,120	55,120	-
Fire retirement - Public Safety Pension	55,120	55,120	53,230	1,890
Public Pension - JH Other Paygo	2,266,710	2,266,710	2,199,084	67,626
Total retirement	2,376,950	2,376,950	2,307,434	69,516
Total expenditures	16,486,083	16,486,083	16,616,164	(130,081)
Other financing sources (uses)				
Transfers from other funds	-	-	2,356	(2,356)
Transfers to other funds	-	-	(2,789)	2,789
Total other financing sources (uses)	-	-	(433)	433
Excess of revenues and other sources over expenditures and other uses - budgetary basis	\$ 87,754	\$ 87,754	\$ 957,112	\$ 869,359

NON-MAJOR GOVERNMENTAL FUNDS

CITY OF CENTRAL FALLS

E - 1

**Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2013**

	CDBG Revolving	CDBG 2007	CDBG 2009	CDBG 2010	CDBG 2011	CDBG 2012	UDAG Revolving Loan Fund
ASSETS							
Cash and cash equivalents	\$ 663,753	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 38,319
Due from federal and state governments			14,799	17,957		477,238	
Due from other funds				4,990			2,143
TOTAL ASSETS	663,753	-	14,799	22,947	-	477,238	40,462
LIABILITIES							
Accounts payable						26,750	5,229
Due to other funds							
Unearned revenue			14,799	22,947		450,488	
TOTAL LIABILITIES	-	-	14,799	22,947	-	477,238	5,229
FUND BALANCE							
Restricted	663,753	-	-	-	-	-	35,233
TOTAL FUND BALANCE	\$ 663,753	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 35,233

CITY OF CENTRAL FALLS

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Non-Major Governmental Funds
For the year ended June 30, 2013**

	CDBG Revolving	CDBG 2007	CDBG 2009	CDBG 2010	CDBG 2011	CDBG 2012	UDAG Revolving Loan Fund
Revenues:							
Interest and investment income	\$ 406	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 44
Licenses, fees, permits and fines							
Intergovernmental			79,653		402,704	47,511	
Other							970
Total revenues	406	-	79,653	-	402,704	47,511	1,014
Expenditures:							
General government			79,653		402,704	47,511	41,500
Public safety							
Recreation							
Capital outlays							
Total expenditures & capital outlays	-	-	79,653	-	402,704	47,511	41,500
Excess of revenue over (under) expenditures before transfers	406	-	-	-	-	-	(40,486)
Other financing sources (uses):							
Transfers out		(2)					
Net other financing sources (uses)	-	(2)	-	-	-	-	-
Excess of revenues and other sources over (under) expenditures and other uses	406	(2)	-	-	-	-	(40,486)
Fund balance, beginning of the year, as restated	663,347	2	-	-	-	-	75,719
Fund balance, end of the year	\$ 663,753	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 35,233

(CONTINUED)

CITY OF CENTRAL FALLS

E - 1

**Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2013**

	<u>Home</u>	<u>ED</u>	<u>COPS Grant</u>	<u>ED Community Center</u>	<u>Grant In Aid</u>	<u>Champlin Grant</u>	<u>RI Foundation</u>
ASSETS							
Cash and cash equivalents	\$ 59,201	\$ 396,939	\$ -	\$ -	\$ -	\$ -	\$ -
Due from federal and state governments			21,421				
Due from other funds				1	58,306		5,954
TOTAL ASSETS	59,201	396,939	21,421	1	58,306	-	5,954
LIABILITIES							
Accounts payable							
Due to other funds			21,421				
Unearned revenue							5,954
TOTAL LIABILITIES	-	-	21,421	-	-	-	5,954
FUND BALANCE							
Restricted	59,201	396,939	-	1	58,306	-	-
TOTAL FUND BALANCE	\$ 59,201	\$ 396,939	\$ -	\$ 1	\$ 58,306	\$ -	\$ -

CITY OF CENTRAL FALLS

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Non-Major Governmental Funds
For the year ended June 30, 2013**

	<u>Home</u>	<u>ED</u>	<u>COPS Grant</u>	<u>ED Community Center</u>	<u>Grant In Aid</u>	<u>Champlin Grant</u>	<u>RI Foundation</u>
Revenues:							
Interest and investment income	\$ 37	\$ 245	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses, fees, permits and fines							
Intergovernmental			77,016				
Other					1,936	2,354	
Total revenues	37	245	77,016	-	1,936	2,354	-
Expenditures:							
General government						142	
Public safety			77,016				
Recreation							
Capital outlays							
Total expenditures & capital outlays	-	-	77,016	-	-	142	-
Excess of revenue over (under) expenditures before transfers	37	245	-	-	1,936	2,212	-
Other financing sources (uses):							
Transfers out						(2,354)	
Net other financing sources (uses)	-	-	-	-	-	(2,354)	-
Excess of revenues and other sources over (under) expenditures and other uses	37	245	-	-	1,936	(142)	-
Fund balance, beginning of the year, as restated	59,164	396,694	-	1	58,370	142	-
Fund balance, end of the year	\$ 59,201	\$ 396,939	\$ -	\$ 1	\$ 58,306	\$ -	\$ -

(CONTINUED)

CITY OF CENTRAL FALLS

E - 1

**Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2013**

	Recreation Summer Lunch Program	Police C.A.R.E.	DARE Program	Police Special Accounts	2012 JAG Grant	PD Tech Grant
ASSETS						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 140,618	\$ -	\$ -
Due from federal and state governments		2,960				
Due from other funds		22,951	3			
TOTAL ASSETS	-	25,911	3	140,618	-	-
LIABILITIES						
Accounts payable		1,344		31,777		
Due to other funds				83,112		
Unearned revenue						
TOTAL LIABILITIES	-	1,344	-	114,889	-	-
FUND BALANCE						
Restricted	-	24,567	3	25,729	-	-
TOTAL FUND BALANCE	\$ -	\$ 24,567	\$ 3	\$ 25,729	\$ -	\$ -

CITY OF CENTRAL FALLS

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Non-Major Governmental Funds
For the year ended June 30, 2013**

	Recreation Summer Lunch Program	Police C.A.R.E.	DARE Program	Police Special Accounts	2012 JAG Grant	PD Tech Grant
Revenues:						
Interest and investment income	\$ -	\$ 6	\$ -	\$ 259	\$ -	\$ -
Licenses, fees, permits and fines		840				
Intergovernmental	4,688	31,310		20,310	22,207	3,437
Other				100		
Total revenues	4,688	32,156	-	20,669	22,207	3,437
Expenditures:						
General government				26,617	22,207	3,437
Public safety		47,184				
Recreation	4,688			11,780		
Capital outlays						
Total expenditures & capital outlays	4,688	47,184	-	38,397	22,207	3,437
Excess of revenue over (under) expenditures before transfers	-	(15,028)	-	(17,728)	-	-
Other financing sources (uses):						
Transfers out						
Net other financing sources (uses)	-	-	-	-	-	-
Excess of revenues and other sources over (under) expenditures and other uses	-	(15,028)	-	(17,728)	-	-
Fund balance, beginning of the year, as restated	-	39,595	3	43,457	-	-
Fund balance, end of the year	\$ -	\$ 24,567	\$ 3	\$ 25,729	\$ -	\$ -

(CONTINUED)

CITY OF CENTRAL FALLS

E - 1

*Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2013*

	<u>JAG Grant</u>	<u>Fire Prevention</u>	<u>Public Rescue</u>	<u>Rural Grants</u>	<u>Emergency Equipment Replacement</u>	<u>Recycling Account</u>
ASSETS						
Cash and cash equivalents	\$ -	\$ -	\$ 23,791	\$ -	\$ -	\$ -
Due from federal and state governments			163,493	49	144,400	10,331
Due from other funds						
TOTAL ASSETS	-	-	167,284	49	144,400	10,331
LIABILITIES						
Accounts payable			2,740			
Due to other funds						10,306
Unearned revenue						
TOTAL LIABILITIES	-	-	2,740	-	-	10,306
FUND BALANCE						
Restricted	-	-	184,544	49	144,400	25
TOTAL FUND BALANCE	\$ -	\$ -	\$ 184,544	\$ 49	\$ 144,400	\$ 25

CITY OF CENTRAL FALLS

*Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2013*

	<u>JAG Grant</u>	<u>Fire Prevention</u>	<u>Public Rescue</u>	<u>Rural Grants</u>	<u>Emergency Equipment Replacement</u>	<u>Recycling Account</u>
Revenues:						
Interest and investment income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses, fees, permits and fines						
Intergovernmental	16,620					
Other						
Total revenues	16,620	-	-	-	-	-
Expenditures:						
General government						
Public safety	16,620	6,009	13,899			
Recreation						
Capital outlays						
Total expenditures & capital outlays	16,620	6,009	13,899	-	-	-
Excess of revenue over (under) expenditures before transfers	-	(6,009)	(13,899)	-	-	-
Other financing sources (uses):						
Transfers out						
Net other financing sources (uses)	-	-	-	-	-	-
Excess of revenues and other sources over (under) expenditures and other uses	-	(6,009)	(13,899)	-	-	-
Fund balance, beginning of the year, as restated	-	6,009	188,443	49	144,400	25
Fund balance, end of the year	\$ -	\$ -	\$ 184,544	\$ 49	\$ 144,400	\$ 25

(CONTINUED)

CITY OF CENTRAL FALLS

E - 1

**Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2013**

	<u>Channel One</u>	<u>Property Development</u>	<u>Recreation Capital</u>	<u>School Construction</u>	<u>Historic Trust</u>	<u>GRAND TOTALS</u>
ASSETS						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 163,252	\$ 38,365	\$ 1,524,238
Due from federal and state governments						534,375
Due from other funds	3,759	161,179	4,393		28,131	610,083
TOTAL ASSETS	3,759	161,179	4,393	163,252	66,496	2,668,696
LIABILITIES						
Accounts payable				50,540		118,380
Due to other funds					6,052	110,585
Unearned revenue						504,494
TOTAL LIABILITIES	-	-	-	50,540	6,052	733,459
FUND BALANCE						
Restricted	3,759	161,179	4,393	112,712	60,444	1,935,237
TOTAL FUND BALANCE	\$ 3,759	\$ 161,179	\$ 4,393	\$ 112,712	\$ 60,444	\$ 1,935,237

CITY OF CENTRAL FALLS

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Non-Major Governmental Funds
For the year ended June 30, 2013**

	<u>Channel One</u>	<u>Property Development</u>	<u>Recreation Capital</u>	<u>School Construction</u>	<u>Historic Trust</u>	<u>GRAND TOTALS</u>
Revenues:						
Interest and investment income	\$ -	\$ -	\$ -	\$ -	\$ 73	\$ 1,070
Licenses, fees, permits and fines						840
Intergovernmental						705,468
Other		1,160	881		8,673	16,074
Total revenues	-	1,160	881	-	8,746	723,440
Expenditures:						
General government					1,791	573,301
Public safety						212,989
Recreation						4,888
Capital outlays				112,447		124,227
Total expenditures & capital outlays	-	-	-	112,447	1,791	815,205
Excess of revenue over (under) expenditures before transfers	-	1,160	881	(112,447)	6,955	(191,765)
Other financing sources (uses):						
Transfers out						(2,356)
Net other financing sources (uses)	-	-	-	-	-	(2,356)
Excess of revenues and other sources over (under) expenditures and other uses	-	1,160	881	(112,447)	6,955	(194,121)
Fund balance, beginning of the year, as restated	3,759	160,019	3,512	225,169	53,489	2,129,358
Fund balance, end of the year	\$ 3,759	\$ 161,179	\$ 4,393	\$ 112,712	\$ 60,444	\$ 1,935,237

(CONCLUDED)

AGENCY FUNDS

**Statement of Changes in Assets and Liabilities
Agency Funds
For the year ended June 30, 2013**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<u>Unclaimed Estates</u>				
ASSETS				
Cash	\$ 32,469	\$ 160	\$ -	\$ 32,629
LIABILITY				
Deposits Held in Custody for Others	\$ 32,469	\$ 160	\$ -	\$ 32,629
<u>Totals</u>				
ASSETS				
Cash	\$ 32,469	\$ 160	\$ -	\$ 32,629
TOTAL ASSETS	\$ 32,469	\$ 160	\$ -	\$ 32,629
LIABILITIES				
Deposits Held in Custody for Others	\$ 32,469	\$ 160	\$ -	\$ 32,629
TOTAL LIABILITIES	\$ 32,469	\$ 160	\$ -	\$ 32,629

GENERAL FUND

CITY OF CENTRAL FALLS**SCHEDULE OF PROPERTY TAXES RECEIVABLE
YEAR ENDED JUNE 30, 2013**

<u>Assessment of</u>	<u>Balance Uncollected July 1, 2012</u>	<u>2012 Assessment</u>	<u>Additions & Adjustments</u>	<u>Abatements</u>	<u>Amount to be Collected</u>	<u>Current Year Collections</u>	<u>Balance June 30, 2013</u>
2012		\$ 13,674,638	\$ 6,079	\$ (13,369)	\$ 13,667,348	\$12,589,606	\$ 1,077,742
2011	\$ 1,097,937		8,436	(441)	1,105,932	627,138	478,794
2010	561,485		8,033	(7,351)	562,167	91,369	470,798
2009	158,363			(5,105)	153,258	9,791	143,467
2008	162,739			(4,826)	157,913	3,032	154,881
2007	168,023			(4,777)	163,246	2,148	161,098
2006	86,735				86,735	1,611	85,124
2005	65,484				65,484	949	64,535
2004	68,160				68,160	935	67,225
2003	67,318			(162)	67,156	679	66,477
2002	70,339			(696)	69,643	287	69,356
2001	77,799			(965)	76,834	156	76,678
2000	62,980				62,980	257	62,723
1999	84,427				84,427	186	84,241
1998	108,870				108,870	10	108,860
1997 and prior	516,461				516,461	3,908	512,553
	3,357,120	\$ 13,674,638	\$ 22,548	\$ (37,692)	\$ 17,016,614	\$ 13,332,062	3,684,552
Less: allowance for uncollectible accounts	<u>(850,000)</u>						<u>(850,000)</u>
	<u>\$ 2,507,120</u>						<u>\$ 2,834,552</u>

Schedule of property valuation assessed as of December 31, 2011:

Real estate	\$ 11,563,186
Motor vehicles	2,550,059
Tangibles	1,075,035
Less: exemptions	<u>(1,513,642)</u>
	<u>\$ 13,674,638</u>