

# CITY OF CENTRAL FALLS

## BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED  
JUNE 30, 2014

WITH

REPORT OF INDEPENDENT AUDITORS'

CITY OF CENTRAL FALLS

YEAR ENDED JUNE 30, 2014

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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, 2014, 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, 2014, and the respective changes in financial position, 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 14 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.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, and Required Supplementary Information on pages 3 through 10 and 49 through 60 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 February 3, 2015, 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  
February 3, 2015

February 3, 2015

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

## Management's Discussion and Analysis

### Fiscal Year Ended June 30, 2014

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, 2014. This is the City's twelfth (12<sup>th</sup>) 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 2014 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 \$24,869,325, reflecting an increase of \$756,505 over FY2013.

The Government-Wide Statement of Activities indicates that the City's total general revenues of \$16,947,260 combined with additional program revenues of \$1,588,912 less program expenses of \$17,779,667 resulted in an increase of \$756,505 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 \$505,048, reflecting a decrease of \$697,053 (after other financing sources and uses) compared to the FY2013 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 inter-fund 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 twelfth (12<sup>th</sup>) 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 increased by \$756,605 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, 2014 was:

#### Net Assets Governmental Activities

|                          | <u>2014</u>           | <u>2013</u>           |
|--------------------------|-----------------------|-----------------------|
| Current and other assets | \$12,097,877          | \$10,613,856          |
| Capital assets           | <u>18,468,194</u>     | <u>20,335,708</u>     |
| Total Assets             | <u>30,566,071</u>     | <u>30,949,564</u>     |
| Current liabilities      | \$ 4,004,068          | \$ 3,954,739          |
| Long-term liabilities    | <u>51,409,584</u>     | <u>52,583,771</u>     |
| Total Liabilities        | <u>55,413,652</u>     | <u>56,538,510</u>     |
| Deferred Inflow          | <u>21,744</u>         |                       |
| Net Position:            | \$(24,869,325)        | \$(25,588,946)        |
| Net investment in        |                       |                       |
| Capital assets           | \$ 1,741,524          | \$ 2,544,397          |
| Restricted               | 5,840,062             | 5,339,462             |
| Unrestricted             | <u>(32,450,911)</u>   | <u>(33,472,805)</u>   |
| Total Net Position       | <u>\$(24,869,325)</u> | <u>\$(25,588,946)</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 \$1,741,524 and restricted net position amount of \$5,840,062. The negative balance of \$32,450,911 in unrestricted net position is mostly attributable to the City's net pension obligation of \$30,071,448 in the Police and Fire Private Pension Plan (John Hancock) and other post-employment benefits (health insurance) for retired employees, \$3,005,494.

As indicated in the Statement of Activities, the total cost of governmental activities for the year ended June 30, 2014 was \$17,779,667. Some of the costs (i.e. \$300,058) were paid by federal, state and private grants and entitlements.

## Program and General Revenues

|                             | <u>2014</u>         | <u>2013</u>         |
|-----------------------------|---------------------|---------------------|
| <b>Charges for services</b> |                     |                     |
| General government          | \$ 1,288,854        | \$ 1,300,211        |
| Public safety               |                     | 3,521               |
| Total                       | <u>\$ 1,288,854</u> | <u>\$ 1,303,732</u> |

Total revenue received for charges for services in 2014 was \$1,288,854 a decrease of \$14,878 as compared to the amount received in 2013, which was \$1,303,732.

|   | <u>2014</u>       | <u>2013</u>       |
|---|-------------------|-------------------|
| <b>Operating Grants and Contributions</b> |                   |                   |
| General government                        | \$ 183,723        | \$ 606,884        |
| Public safety                             | 100,918           | 93,884            |
| Public recreation                         | 15,417            | 4,688             |
| Total                                     | <u>\$ 300,058</u> | <u>\$ 705,456</u> |

Total revenue received from Operating Grants and Contributions in 2014 was \$300,058 a decrease of \$405,398 as compared to the amount received in 2013, which was equal to \$705,456.

|   | <u>2014</u> | <u>2013</u> |
|---|-------------|-------------|
| <b>Capital Grants and Contributions</b> |             |             |
| Capital outlays                         | \$ 0        | \$ 0        |
| Total                                   | <u>\$ 0</u> | <u>\$ 0</u> |

Total revenue received from Capital Grants and Contributions in 2014 was \$0, which was equal to the amount received in 2013, or \$0.

|   | <u>2014</u>          | <u>2013</u>          |
|---|----------------------|----------------------|
| <b>Total Program Revenues</b>           | <u>\$ 1,588,912</u>  | <u>\$ 2,009,188</u>  |
| <b>General Revenues</b>                 |                      |                      |
| Property taxes                          | \$ 14,133,256        | \$ 13,659,898        |
| Grants and contributions (unrestricted) | 2,677,982            | 2,726,709            |
| Investment earnings                     | 18,996               | 21,092               |
| Loss on sale of assets                  |                      | (2,841,724)          |
| Miscellaneous                           | 117,026              | 195,194              |
| <b>Total General Revenues</b>           | <u>\$ 16,947,260</u> | <u>\$ 13,761,169</u> |

General revenues in 2013 were \$16,947,260, which reflects an increase of \$3,186,091 as compared to the amount received in 2013, \$13,761,169.

|                                       |                      |                      |
|---------------------------------------|----------------------|----------------------|
| <b>Total Extraordinary Items</b>      | <u>\$ 0</u>          | <u>\$ 433,972</u>    |
| <b>Total Government-Wide Revenues</b> | <u>\$ 18,536,172</u> | <u>\$ 16,204,329</u> |

Total Government-Wide Revenues in 2014 were \$18,536,172, an increase of \$2,331,843 as compared to the amount received in 2013, which was equal to \$16,204,329.

**Statement of Activities**

| <b>Program Expenses</b> | <b>Total Cost of Services 2014</b> | <b>Net Cost of Services 2014</b> | <b>Total Cost Services 2013</b> | <b>Net Cost of Services 2013</b> |
|-------------------------|------------------------------------|----------------------------------|---------------------------------|----------------------------------|
| General Government      | \$ 3,176,781                       | \$ 1,704,204                     | \$ 3,068,862                    | \$ 1,161,767                     |
| Public Safety           | 7,362,988                          | 7,262,070                        | 7,345,742                       | 7,248,337                        |
| Public Works            | 2,070,908                          | 2,070,908                        | 1,633,318                       | 1,633,318                        |
| Public Education        | 1,344,835                          | 1,344,835                        | 1,350,951                       | 1,350,951                        |
| Public Recreation       | 432,410                            | 416,993                          | 426,813                         | 422,125                          |
| Contingency             | 25,864                             | 25,864                           | 1,010,944                       | 1,010,944                        |
| Employee Benefits       | 490,867                            | 490,867                          | 533,192                         | 533,192                          |
| Retirement              | 2,006,770                          | 2,006,770                        | 2,012,585                       | 2,012,585                        |
| Capital Outlays         | 0                                  | 0                                | 0                               | 0                                |
| Debt Service Interest   | 868,244                            | 868,244                          | 1,024,797                       | 1,024,797                        |
| <b>*Total Expenses</b>  | <b>\$ 17,779,667</b>               | <b>\$ 16,190,755</b>             | <b>\$ 18,407,204</b>            | <b>\$ 16,398,016</b>             |

The City's total program expenses were \$17,779,667. With additional program revenues of \$1,588,912 in FY 2014, the City's net cost of services was \$16,190,755. When subtracted from the City's total general revenues of \$16,947,260, the City realizes a favorable Change in Net Position of \$756,505. In FY 2013 the City realized an unfavorable Change in Net Position of \$2,202,875

**Transfers**

Inter-fund transfers for the year ended June 30, 2014 totaled \$1,919,277 for the year.

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

**Statement of Changes in Fund Balances – Governmental Funds**

|                    | <u>Fund Balance<br/>June 30, 2014</u> | <u>Fund Balance<br/>June 30, 2013</u> | <u>Increase<br/>(Decrease)</u> |
|--------------------|---------------------------------------|---------------------------------------|--------------------------------|
| General Fund       | \$ 505,048                            | \$ 1,202,101                          | \$ (697,053)                   |
| State Pension      | 1,106,250                             | 1,615,526                             | (509,276)                      |
| Capital Reserve    | 3,704,213                             | 1,788,699                             | 1,915,514                      |
| Other Governmental | <u>1,797,099</u>                      | <u>1,935,237</u>                      | <u>(138,138)</u>               |
| Total              | \$ 7,112,610                          | \$ 6,541,563                          | \$ 571,047                     |

The fund balance for the City of Central Falls general fund reflects a surplus of \$505,048 as of June 30, 2014. This represents a decrease of \$697,053 as compared to FY2013.

| <b>General Fund Revenues</b>   | <u>2014</u>         | <u>2013</u>         | <u>Variance</u>     | <u>Percentage Change</u> |
|--------------------------------|---------------------|---------------------|---------------------|--------------------------|
| General property taxes         | \$13,307,776        | \$13,546,519        | \$ (238,743)        | -1.8%                    |
| Interest and investment income | 9,354               | 4                   | 9,350               | 233750.0%                |
| Intergovernmental              | 2,677,982           | 2,726,709           | (48,727)            | -1.8%                    |
| Fees / Non-tax income          | 1,288,854           | 1,303,732           | (14,878)            | -1.1%                    |
| Departmental revenue           | 0                   | 0                   | 0                   | 0%                       |
| Other revenues                 | 113,604             | 178,280             | (64,676)            | -36.3%                   |
| Total                          | <u>\$17,397,570</u> | <u>\$17,755,244</u> | <u>\$ (357,674)</u> | <u>-2.0%</u>             |

**Analysis**

The total decrease in the City's general fund balance, (\$697,053), under modified accrual was the result of the following:

FY2014 revenues exceeded expenditures by \$1,116,007 before other financing sources and uses were applied. The general fund realized a decrease of \$80,569. Per the Bankruptcy Plan, \$1,915,514 was transferred to the Capital Improvement Plan account, which represents the budgetary surplus/(deficit) less \$50,000.

Revenues from general property taxes decreased by \$238,743 or -1.8%, as compared to FY2013. Intergovernmental revenues received from the State of Rhode Island decreased by \$48,737 or -1.8% as compared to last year, resulting from a slight decrease in state aid. Local fees, non-tax, and other income also decreased by \$79,554 or -2.9%, mostly due to a decrease in rescue run revenue and municipal court fees/traffic fines/other fines.

Total budgetary expenditures for the general fund in FY2014 were \$15,753,181 reflecting a decrease in spending of \$862,983 or -5.2%, as compared to FY2013.

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, 2014**

| <b>Revenue Analysis</b>     | <b>Adopted<br/>Budget</b> | <b>Final<br/>Budget</b> | <b>Actual</b> | <b>Variance</b> |
|-----------------------------|---------------------------|-------------------------|---------------|-----------------|
| Tax revenue                 | \$12,941,741              | \$12,941,741            | \$13,639,837  | \$698,096       |
| Fees/Non-tax revenue        | 1,242,289                 | 1,242,289               | 1,374,731     | 132,442         |
| State revenue               | 2,481,143                 | 2,481,143               | 2,592,105     | 110,962         |
| Other Income                | 17,222                    | 17,222                  | 108,094       | 90,872          |
| Sub-Total                   | \$16,682,395              | \$16,682,395            | \$17,714,767  | \$1,032,372     |
| <b>Expenditure Analysis</b> |                           |                         |               |                 |
| General government          | \$2,263,650               | \$2,263,650             | \$2,348,514   | (\$84,864)      |
| Public safety               | 6,448,481                 | 6,448,481               | 6,295,315     | 153,166         |
| Public works                | 1,680,556                 | 1,680,556               | 1,599,417     | 81,139          |
| Public education            | 119,968                   | 119,968                 | 141,543       | (21,575)        |
| Public recreation           | 178,008                   | 178,008                 | 240,869       | (62,861)        |
| Municipal debt service      | 2,570,841                 | 2,570,841               | 2,087,818     | 483,023         |
| Contingency                 | 350,500                   | 350,500                 | 219,891       | 130,609         |
| Employee benefits           | 665,010                   | 665,010                 | 490,867       | 174,143         |
| Retirement                  | 2,404,151                 | 2,404,151               | 2,328,947     | 75,204          |
| Sub-Total                   | \$16,681,165              | \$16,681,165            | \$15,753,181  | \$927,984       |

**Other Governmental Funds**

Other governmental funds consist of:

| <u>Fund Type</u> | <u>Total Net Position</u> | <u>Note</u>  |
|------------------|---------------------------|--|
| Un-assigned      | \$ (5,273)                | Includes the amount of fund balance that cannot be spent<br>Resources restricted for specific purposes |
| Restricted       | 1,802,372                 |  |
| Total            | \$ 1,797,099              |  |

It should be noted that the Central Falls School District was not classified a component unit of the State of Rhode Island in 2014. 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 Position</u> |
|---------------------|---------------------------|
| Total               | \$ 6,391,738              |

Total net position of the City's pension trust funds amount to \$6,391,738 in 2014, an increase of \$721,507 compared to FY2013, resulting from pension revenues exceeding expenses.

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 2031, 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 \$36.9 million, including \$24.9 million for the pension fund as of July 1, 2014 and \$12 million for post-employment benefits as of June 30, 2013.

## Debt Administration

At year end the total long-term debt for the City of Central Falls was \$53 million. The breakdown is as follows:

|                                     | <u>FY2014 Amount</u> | <u>Percent</u> | <u>FY2013 Amount</u> | <u>Percent</u> |
|-------------------------------------|----------------------|----------------|----------------------|----------------|
| General Obligation Municipal Bonds  | 7,020,000            | 13%            | 12,785,000           | 23%            |
| RIHEBC Revenue Bonds                | 9,665,000            | 18%            | 4,945,000            | 9%             |
| Capital Lease                       | 41,670               | 0%             | 61,311               | 0%             |
| Net Pension Obligation (NPO)        | 30,071,448           | 57%            | 30,393,625           | 56%            |
| Net OPEB Obligation (NOO)           | 3,005,494            | 6%             | 2,702,591            | 5%             |
| Due to State                        | 3,241,716            | 6%             | 3,228,025            | 6%             |
| General Unsecured Claims - Class 16 | 113,833              | 0%             | 307,860              | 1%             |
| Compensated Absences                | 232,980              | 0%             | 162,391              | 0%             |
| Total                               | 53,392,141           | 100%           | 54,585,803           | 100%           |

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.

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.

On June 27, 2014, Moody's upgraded the City's general obligation bond rating to Ba3 from B1, with a positive outlook.

On December 23, 2013, Standard and Poor affirmed its BB rating for the City of Central Falls, with a stable outlook.

## **Capital Assets**

The City of Central Falls has \$18,468,194 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.

## **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, 2014.

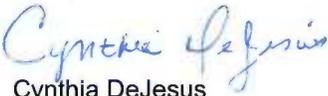
## **Forward Looking**

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 recommends 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,



Cynthia DeJesus  
Finance Director

*Statement of Net Position*  
*June 30, 2014*

|  | Governmental<br>Activities |
|--|----------------------------|
| <b>ASSETS</b>                                    |                            |
| Cash and cash equivalents                        | \$ 7,625,081               |
| Due from federal and state governments           | 1,066,690                  |
| Property taxes receivable, net                   | 3,328,602                  |
| Other receivables, net                           | 77,504                     |
| Capital assets (non-depreciable)                 | 653,430                    |
| Capital assets (net of accumulated depreciation) | 17,814,764                 |
| <b>TOTAL ASSETS</b>                              | <b>30,566,071</b>          |
| <b>LIABILITIES</b>                               |                            |
| Accounts payable                                 | 738,386                    |
| Accrued interest payable                         | 168,813                    |
| Accrued expenses                                 | 439,552                    |
| Unearned revenue                                 | 674,760                    |
| Current portion of long-term liabilities         | 1,982,557                  |
| Net pension obligation                           | 30,071,448                 |
| Net OPEB obligation                              | 3,005,494                  |
| Long-term liabilities                            | 18,332,642                 |
| <b>TOTAL LIABILITIES</b>                         | <b>55,413,652</b>          |
| <b>DEFERRED INFLOWS OF RESOURCES</b>             |                            |
| Advance property tax collections                 | 21,744                     |
| <b>Total Deferred inflows of resources</b>       | <b>21,744</b>              |
| <b>NET POSITION</b>                              |                            |
| Net investment in capital assets                 | 1,741,524                  |
| Restricted:                                      |                            |
| Retirees supplemental settlement                 | 1,106,250                  |
| Capital projects                                 | 3,137,668                  |
| Special revenue/grantors                         | 1,601,417                  |
| Unrestricted                                     | (32,456,184)               |
| <b>TOTAL NET POSITION (DEFICIT)</b>              | <b>\$ (24,869,325)</b>     |

**Statement of Activities  
For the year ended June 30, 2014**

| Functions/Programs   | Expenses             | Program Revenues        |  |  | Net (Expense) Revenue and<br>Changes in Net Position |
|--|----------------------|-------------------------|--|--|--|
|  |                      | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions | Governmental<br>Activities                           |
| Governmental activities:                                     |                      |                         |  |  |  |
| General government   | \$ 3,176,781         | \$ 1,288,854            | \$ 183,723                               |  | \$ (1,704,204)                                       |
| Public safety  | 7,362,988            | -                       | 100,918                                  |  | (7,262,070)  |
| Public works   | 2,070,908            |                         |  |  | (2,070,908)  |
| Public education   | 1,344,835            |                         |  |  | (1,344,835)  |
| Public recreation  | 432,410              |                         | 15,417                                   |  | (416,993)  |
| Contingency  | 25,864               |                         |  |  | (25,864)   |
| Employee benefits  | 490,867              |                         |  |  | (490,867)  |
| Retirement   | 2,006,770            |                         |  |  | (2,006,770)  |
| Debt service interest  | 868,244              |                         |  |  | (868,244)  |
| <b>Totals</b>  | <b>\$ 17,779,667</b> | <b>\$ 1,288,854</b>     | <b>\$ 300,058</b>                        | <b>\$ -</b>                            | <b>(16,190,755)</b>                                  |
|  |                      |                         |  |  |  |
| General revenues:  |                      |                         |  |  |  |
| Property taxes   |                      |                         |  |  | 14,133,256   |
| Grants and contributions not restricted to specific programs |                      |                         |  |  | 2,677,982  |
| Investment earnings  |                      |                         |  |  | 18,996   |
| Miscellaneous  |                      |                         |  |  | 117,026  |
|  |                      |                         |  |  | <u>16,947,260</u>                                    |
|  |                      |                         |  |  |  |
|  |                      |                         |  |  | Change in net position 756,505                       |
|  |                      |                         |  |  |  |
|  |                      |                         |  |  | Net position - beginning, as restated (25,625,830)   |
|  |                      |                         |  |  |  |
|  |                      |                         |  |  | Net position - ending \$ (24,869,325)                |

See Notes to Financial Statements

**Balance Sheet**  
**Governmental Funds**  
**June 30, 2014**

|  | General<br>Fund     | Retirees<br>Supplemental<br>Settlement | Capital<br>Reserve  | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|---------------------|--|---------------------|--------------------------------|--------------------------------|
| <b>ASSETS:</b>                             |                     |  |                     |                                |                                |
| Cash and cash equivalents                  | \$ 4,975,064        | \$ 1,106,250                           | \$ -                | \$ 1,543,767                   | \$ 7,625,081                   |
| Due from federal and state governments     | 353,328             |  |                     | 713,362                        | 1,066,690                      |
| Property taxes receivable, net             | 3,328,602           |  |                     |                                | 3,328,602                      |
| Other receivables, net                     | 77,504              |  |                     |                                | 77,504                         |
| Due from other funds                       | 316,923             |  | 3,704,213           | 662,714                        | 4,683,850                      |
| <b>TOTAL ASSETS</b>                        | <u>\$ 9,051,421</u> | <u>\$ 1,106,250</u>                    | <u>\$ 3,704,213</u> | <u>\$ 2,919,843</u>            | <u>\$ 16,781,727</u>           |
| <b>LIABILITIES AND FUND BALANCES</b>       |                     |  |                     |                                |                                |
| <b>Liabilities:</b>                        |                     |  |                     |                                |                                |
| Accounts payable                           | \$ 607,325          | \$ -                                   | \$ -                | \$ 131,061                     | \$ 738,386                     |
| Accrued expenses                           | 439,552             |  |                     |                                | 439,552                        |
| Due to other funds                         | 4,366,927           |  |                     | 316,923                        | 4,683,850                      |
| Unearned revenue                           | -                   |  |                     | 674,760                        | 674,760                        |
| <b>TOTAL LIABILITIES</b>                   | <u>5,413,804</u>    | <u>-</u>                               | <u>-</u>            | <u>1,122,744</u>               | <u>6,536,548</u>               |
| <b>DEFERRED INFLOWS OF RESOURCES</b>       |                     |  |                     |                                |                                |
| Unavailable revenue - taxes                | 3,132,569           |  |                     |                                | 3,132,569                      |
| <b>Total Deferred inflows of resources</b> | <u>3,132,569</u>    | <u>-</u>                               | <u>-</u>            | <u>-</u>                       | <u>3,132,569</u>               |
| <b>FUND BALANCES :</b>                     |                     |  |                     |                                |                                |
| Restricted                                 | -                   | 1,106,250                              | 2,936,713           | 1,802,372                      | 5,845,335                      |
| Committed                                  | 355,048             |  | 767,500             |                                | 1,122,548                      |
| Unassigned                                 | 150,000             |  |                     | (5,273)                        | 144,727                        |
| <b>TOTAL FUND BALANCES</b>                 | <u>505,048</u>      | <u>1,106,250</u>                       | <u>3,704,213</u>    | <u>1,797,099</u>               | <u>7,112,610</u>               |
| <b>TOTAL LIABILITIES AND FUND BALANCES</b> | <u>\$ 9,051,421</u> | <u>\$ 1,106,250</u>                    | <u>\$ 3,704,213</u> | <u>\$ 2,919,843</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.   | 18,468,194             |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.  | (53,392,141)           |
| 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. | 3,110,825              |
| Accrued interest on long-term liabilities have been included in the governmental activities in the Statement of Net Position.   | (168,813)              |
| <b>Net Position of Governmental Activities (A-1)</b>  | <u>\$ (24,869,325)</u> |

**Statement of Revenues, Other Financing Sources , Expenditures,  
Other Financing Uses and Changes in Fund Balances  
Governmental Funds  
For the year ended June 30, 2014**

|   | General<br>Fund    | Retirees<br>Supplemental<br>Settlement | Capital<br>Reserve  | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|--------------------|--|---------------------|--------------------------------|--------------------------------|
| <b>REVENUES</b>   |                    |  |                     |                                |                                |
| General property taxes  | \$ 13,307,776      | \$ -                                   | \$ -                | \$ -                           | \$ 13,307,776                  |
| Interest and investment income  | 9,354              | 9,485                                  |                     | 157                            | 18,996                         |
| Intergovernmental   | 2,677,982          |  |                     | 300,058                        | 2,978,040                      |
| Fees/non-tax income   | 1,288,854          |  |                     |                                | 1,288,854                      |
| Other revenues  | 113,604            |  |                     | 3,422                          | 117,026                        |
| <b>Total revenues</b>   | <b>17,397,570</b>  | <b>9,485</b>                           | <b>-</b>            | <b>303,637</b>                 | <b>17,710,692</b>              |
| <b>EXPENDITURES</b>   |                    |  |                     |                                |                                |
| <b>Current:</b>   |                    |  |                     |                                |                                |
| General government  | 2,617,813          |  |                     | 165,984                        | 2,783,797                      |
| Public safety   | 6,305,750          | 518,761                                |                     | 180,786                        | 7,005,297                      |
| Public works  | 1,884,663          |  |                     |                                | 1,884,663                      |
| Public education  | 141,543            |  |                     |                                | 141,543                        |
| Public recreation   | 240,374            |  |                     | 13,913                         | 254,287                        |
| Contingency   | 219,891            |  |                     |                                | 219,891                        |
| Employee benefits   | 490,867            |  |                     |                                | 490,867                        |
| Retirement  | 2,328,947          |  |                     |                                | 2,328,947                      |
| <b>Debt service:</b>  |                    |  |                     |                                |                                |
| Principal and interest  | 2,051,715          |  |                     |                                | 2,051,715                      |
| <b>Capital:</b>   |                    |  |                     |                                |                                |
| Capital expenditures  |                    |  |                     | 77,329                         | 77,329                         |
| <b>Total expenditures</b>   | <b>16,281,563</b>  | <b>518,761</b>                         | <b>-</b>            | <b>438,012</b>                 | <b>17,238,336</b>              |
| <b>Excess of revenues over (under) expenditures<br/>before other financing sources (uses)</b>             | <b>1,116,007</b>   | <b>(509,276)</b>                       | <b>-</b>            | <b>(134,375)</b>               | <b>472,356</b>                 |
| <b>Other financing sources (uses)</b>   |                    |  |                     |                                |                                |
| Payments made by State on behalf of City  | 13,691             |  |                     |                                | 13,691                         |
| Bond proceeds   | 5,510,000          |  |                     |                                | 5,510,000                      |
| Refunding of bond   | (5,425,000)        |  |                     |                                | (5,425,000)                    |
| Transfers in  | 3,763              |  | 1,915,514           | -                              | 1,919,277                      |
| Transfers out   | (1,915,514)        |  |                     | (3,763)                        | (1,919,277)                    |
| <b>Net other financing sources (uses)</b>   | <b>(1,813,060)</b> | <b>-</b>                               | <b>1,915,514</b>    | <b>(3,763)</b>                 | <b>98,691</b>                  |
| <b>Excess (deficiency) of revenues and other sources<br/>over expenditures and other financing (uses)</b> | <b>(697,053)</b>   | <b>(509,276)</b>                       | <b>1,915,514</b>    | <b>(138,138)</b>               | <b>571,047</b>                 |
| <b>Fund balance - beginning of the year</b>   | <b>1,202,101</b>   | <b>1,615,526</b>                       | <b>1,788,699</b>    | <b>1,935,237</b>               | <b>6,541,563</b>               |
| <b>Fund balance - end of the year</b>   | <b>\$ 505,048</b>  | <b>\$ 1,106,250</b>                    | <b>\$ 3,704,213</b> | <b>\$ 1,797,099</b>            | <b>\$ 7,112,610</b>            |

*Reconciliation of the Statement of Revenues, Other Financing Sources,  
Expenditures, Other Financing Uses and Changes in Fund Balances  
of Governmental Funds (B-2) to the Statement of Activities (A-2)  
For the year ended June 30, 2014*

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|  |                          |
|--|--------------------------|
| <b>Net Change in Fund Balances - Total Governmental Funds (B-2)</b>  | \$ 571,047               |
| <p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation and loss on disposals exceeded capital outlays in the current period.</p>     | (1,867,514)              |
| <p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences.</p> | 1,193,662                |
| <p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds.</p>   | 825,480                  |
| <p>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.</p>  | <u>33,830</u>            |
| <b>Change in Net Position of Governmental Activities in the Statement of Activities (A-2)</b>  | <u><u>\$ 756,505</u></u> |

## ***FIDUCIARY FUNDS***

CITY OF CENTRAL FALLS

C - 1

*Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2014*

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|   | Pension<br>Trust<br>Funds   | Agency<br>Funds             |
|---|-----------------------------|-----------------------------|
|   | <u>                    </u> | <u>                    </u> |
| <b>ASSETS</b>                             |                             |                             |
| Cash and cash equivalents                 | \$ -                        | \$ 32,745                   |
| Investments:                              |                             |                             |
| Group annuity contracts                   | 6,358,761                   |                             |
| Other receivables                         | 32,977                      |                             |
| <b>TOTAL ASSETS</b>                       | <u>\$ 6,391,738</u>         | <u>\$ 32,745</u>            |
| <b>LIABILITIES</b>                        | <u>-</u>                    | <u>\$ 32,745</u>            |
| <b>NET POSITION</b>                       |                             |                             |
| <i>Held in Trust for pension benefits</i> | <u>\$ 6,391,738</u>         |                             |

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See Notes to Financial Statements

*Statement of Changes in Fiduciary Net Position  
Fiduciary Funds  
For the year ended June 30, 2014*

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|                                 | Pension<br>Trust<br>Funds |
|---------------------------------|---------------------------|
| <b>ADDITIONS:</b>               |                           |
| Contributions                   | \$ 2,743,151              |
| Investment income               | 263,238                   |
| <b>Total additions</b>          | <u>3,006,389</u>          |
| <b>DEDUCTIONS:</b>              |                           |
| Benefits paid to retirees       | 2,264,892                 |
| Other expenses                  | 19,990                    |
| <b>Total deductions</b>         | <u>2,284,882</u>          |
| <b>CHANGE IN NET POSITION</b>   | 721,507                   |
| <b>Net Position - beginning</b> | <u>5,670,231</u>          |
| <b>Net Position - ending</b>    | <u>\$ 6,391,738</u>       |

**CITY OF CENTRAL FALLS**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

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**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 operates 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, 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, 2014:

- ✓ 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. 70 – Accounting and Financial Reporting for Non-exchange Financial Guarantees, effective for the fiscal year ending June 30, 2014.

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

- ✓ 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.
- ✓ 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.

CONTINUED

CITY OF CENTRAL FALLS

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

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

**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 2014:

- 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.

**Government-wide Financial Statements**

The government-wide financial statements statement of net position and statement of activities report information about the 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. The City had no business-type activities at June 30, 2014.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants, and grants and contributions restricted to meeting operational goals or capital requirements of a function or segment.

CONTINUED

**CITY OF CENTRAL FALLS**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

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

*Governmental Fund Financial Statements (Continued)*

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.

**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.

CONTINUED

CITY OF CENTRAL FALLS

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

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

**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.

**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.

CONTINUED

CITY OF CENTRAL FALLS

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

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

***Measurement Focus and 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 utilize a "current financial resources" measurement focus and 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. The City considers property taxes as available if they are collected within 60 days after year end.

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. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

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. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

CONTINUED

**CITY OF CENTRAL FALLS**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

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

***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.

**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. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between participants at the measurement date. 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.

**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, 2014. Receivable balances for the governmental activities include property taxes (98% of balance) and other receivables (2% of balance).

In the fund financial statements, 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. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

CONTINUED

**CITY OF CENTRAL FALLS**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

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

**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.

**Due From / Due To Other Funds**

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.

**Deferred Inflows of Resources**

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position of fund balance that applies to a future period or periods and so will not be recognized as an inflow of resources (revenue) until that time. The City reports advance property tax collections in the government-wide statement of net position and in the governmental funds balance sheet. Advance property tax collections represent taxes inherently associated with a future period. This amount is recognized during the period in which the revenue is associated. Also, for governmental funds, the City reports unavailable revenue, which arises only under the modified accrual basis of accounting. The governmental funds report unavailable revenues from property taxes and grants. These amounts are deferred and recognized as an inflow of resources (revenue) in the period in which the amounts become available. Deferred inflows of resources represent the acquisition of net position that applies to a future period and which will not be recognized as an inflow of resources (revenue) until a later date.

CONTINUED

**CITY OF CENTRAL FALLS**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

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

**Capital Assets**

The accounting treatment over capital assets which include property, plant, equipment and infrastructure (roads, bridges, sidewalks, and similar items) 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, 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.

**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, 2014

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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 \$1,919,277 for the year ended June 30, 2014, representing transfers to the General Fund from Other Governmental Funds of \$3,763 and transfer from the General Fund to Capital Reserve of \$1,915,514.

***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 either by constraints placed on the use of resources 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, 2014

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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, 2014**

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

**Reconciliation of Government-wide net position and Fund Financial Statements Fund Balance**

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 \$53,392,141 difference are as follows:

|  |                      |
|--|----------------------|
| Bonds payable .....                                | \$ 16,685,000        |
| Net pension benefit obligation.....                | 30,071,448           |
| Net other post-employment benefit obligation ..... | 3,005,494            |
| Compensated absences .....                         | 232,980              |
| Due to State .....                                 | 3,241,716            |
| General unsecured claims – Class 16.....           | 113,833              |
| Capital lease payable.....                         | 41,670               |
| Total.....   | <u>\$ 53,392,141</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 \$(1,867,514) difference are as follows:

|   |                      |
|---|----------------------|
| Capital outlays (net of disposals)..... | \$448,002            |
| Depreciation expense .....              | <u>(2,315,516)</u>   |
| Net adjustment.....                     | <u>\$(1,867,514)</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 \$1,193,662 difference are as follows:

|                                       |                     |
|---------------------------------------|---------------------|
| Issuance of bonds.....                | \$(5,510,000)       |
| Increase in compensated absences..... | (262,425)           |
| Increase in OPEB.....                 | (302,903)           |
| Increase in due to State.....         | (13,691)            |
| Debt repayments .....                 | 7,282,681           |
| Net adjustment.....                   | <u>\$ 1,193,662</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 \$825,480 difference are as follows:

|                                    |                   |
|------------------------------------|-------------------|
| Deferred inflows – beginning ..... | \$(2,285,345)     |
| Deferred inflows – ending .....    | <u>3,110,825</u>  |
| Net difference .....               | <u>\$ 825,480</u> |

CONTINUED

CITY OF CENTRAL FALLS

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

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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 \$33,830 difference is as follows:

Change in accrued interest..... \$33,830

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.

3. **DEPOSITS AND INVESTMENTS**

**Deposits**

Deposits are in various financial institutions and are carried at cost, which approximates fair value. The carrying amount of deposits is separately displayed on the balance sheet as "Cash" and includes \$1,150 of petty cash.

At June 30, 2014, the carrying amount of the City's deposits was \$7,657,826 and the bank balance was \$7,796,383, of which \$507,013 was covered by federal depository insurance and the remaining bank balance of \$7,289,370 was collateralized by the financial institutions and/or third parties in the name of the City.

CONTINUED

CITY OF CENTRAL FALLS

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2014**

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

***Investments***

At June 30, 2014 the City's investments totaled \$6,358,761 (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 ..... | \$6,358,761       | 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 five percent (85.5%) 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 31<sup>st</sup> and are reflected in the rate credited to the fund maintained under the Contract. The fund is maintained at cost. To report the contract at estimated fair value at June 30, 2014, a fair 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, 2014 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.

CONTINUED

**CITY OF CENTRAL FALLS**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**4. CAPITAL ASSETS**

Activity for governmental activity capital assets is summarized below:

|                                       | Balances             |                       |             | Balances             |  |
|---------------------------------------|----------------------|-----------------------|-------------|----------------------|--|
|                                       | June 30, 2013        | Additions             | Deletions   | June 30, 2014        |  |
| <b>Capital Assets</b>                 |                      |                       |             |                      |  |
| Land (not being depreciated)          | \$ 653,430           | \$ -                  | \$ -        | \$ 653,430           |  |
| Buildings and land improvements       | 39,309,580           | -                     | -           | 39,309,580           |  |
| Motor vehicles                        | 2,940,466            | 64,945                | -           | 3,005,411            |  |
| Equipment                             | 1,771,827            | 545                   | -           | 1,772,372            |  |
| Infrastructure                        | 12,346,142           | 382,512               | -           | 12,728,654           |  |
| <b>Total cost</b>                     | <u>57,021,445</u>    | <u>448,002</u>        | <u>-</u>    | <u>57,469,447</u>    |  |
| <b>Less: accumulated depreciation</b> |                      |                       |             |                      |  |
| Buildings and land improvements       | (21,632,326)         | (1,853,083)           | -           | (23,485,409)         |  |
| Motor vehicles                        | (2,425,744)          | (211,477)             | -           | (2,637,221)          |  |
| Equipment                             | (1,481,916)          | (125,893)             | -           | (1,607,809)          |  |
| Infrastructure                        | (11,145,751)         | (125,063)             | -           | (11,270,814)         |  |
| <b>Total accumulated depreciation</b> | <u>(36,685,737)</u>  | <u>(2,315,516)</u>    | <u>-</u>    | <u>(39,001,253)</u>  |  |
| <b>Net capital assets</b>             | <u>\$ 20,335,708</u> | <u>\$ (1,867,514)</u> | <u>\$ -</u> | <u>\$ 18,468,194</u> |  |

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

|                                 |                    |
|---------------------------------|--------------------|
| <b>Governmental activities:</b> |                    |
| General government.....         | \$ 151,175         |
| Public safety.....              | 307,977            |
| Public works.....               | 474,949            |
| Public recreation.....          | 178,123            |
| Public education.....           | <u>1,203,292</u>   |
| <b>Total</b> .....              | <u>\$2,315,516</u> |

**5. UNEARNED REVENUE/UNAVAILABLE REVENUE**

Governmental funds report deferred inflow of resources from unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds and governmental activities also report unearned revenue in connection with resources that have been received, but not yet earned. At June 30, 2014, the various components of unearned revenue and unavailable revenue reported in the governmental funds and governmental activities were as follows:

|  |                    |
|--|--------------------|
| <u>General Fund</u>                                  |                    |
| Unavailable revenue- delinquent property taxes ..... | \$3,110,825        |
| Unearned revenue- advanced tax collections.....      | <u>21,744</u>      |
| <b>Total General Fund</b> .....                      | <u>\$3,132,569</u> |
| <u>Other Governmental Funds</u>                      |                    |
| <b>Unearned revenue-grants</b> .....                 | <u>\$674,760</u>   |

CONTINUED

CITY OF CENTRAL FALLS

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**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 municipal bonds.....  | \$7,020,000         | 13%            |
| RIHEBC revenue bonds .....               | 9,665,000           | 18%            |
| Capital Leases .....                     | 41,670              | 0%             |
| Net pension obligation (NPO) .....       | 30,071,448          | 57%            |
| Net OPEB obligation (NOO) .....          | 3,005,494           | 6%             |
| Due to State .....                       | 3,241,716           | 6%             |
| General unsecured claims – Class 16..... | 113,833             | 0%             |
| Compensated absence.....                 | 232,980             | 0%             |
| <b>Total</b> .....                       | <u>\$53,392,141</u> | <u>100%</u>    |

Schedule of long-term bond and lease requirements:

| <u>Year ending<br/>June 30,</u> | <u>Principal</u>    | <u>Interest</u>    | <u>Total</u>        |
|---------------------------------|---------------------|--------------------|---------------------|
| 2015.....                       | \$1,845,426         | \$676,546          | \$2,521,972         |
| 2016.....                       | 1,881,244           | 601,791            | 2,483,035           |
| 2017.....                       | 1,890,000           | 522,143            | 2,412,143           |
| 2018.....                       | 1,920,000           | 441,366            | 2,361,366           |
| 2019.....                       | 1,955,000           | 362,781            | 2,317,781           |
| 2020-2024.....                  | 4,400,000           | 970,705            | 5,370,705           |
| 2025-2028.....                  | 2,835,000           | 243,732            | 3,078,732           |
| Total.....                      | <u>\$16,726,670</u> | <u>\$3,819,064</u> | <u>\$20,545,734</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, 2014, the fund had a balance of \$86. 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, 2014, the City was in compliance with this law.

CONTINUED

CITY OF CENTRAL FALLS

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

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

**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.

The assets acquired through capital leases are as follows:

|                                      | Governmental<br>Activities |
|--------------------------------------|----------------------------|
| <b>Asset:</b>                        |                            |
| Vehicles and equipment .....         | \$201,501                  |
| Less: accumulated depreciation ..... | <u>(201,501)</u>           |
| <b>Total</b> .....                   | <u>\$ 0</u>                |

Amortization of assets acquired under capital leases is included in depreciation expense for the year ended June 30, 2014.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2014 were as follows:

| <u>Year Ending June 30:</u>                    | <u>Total</u>     |
|--|------------------|
| 2015 .....                                     | \$22,093         |
| 2016 .....                                     | <u>22,093</u>    |
| <b>Total minimum lease payments</b> .....      | 44,186           |
| Less: amount representing interest .....       | <u>2,516</u>     |
| <b>Present value of minimum lease payments</b> | <u>\$ 41,670</u> |

**Due to State**

Due to State of \$3,241,716 at June 30, 2014 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.

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CITY OF CENTRAL FALLS

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

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, 2013</u> | <u>Additions</u>    | <u>Deductions</u>   | <u>Outstanding June 30, 2014</u> | <u>Current Portion</u> |
|-------------------------------------|----------------------|----------------------|------------------------|----------------------|----------------------------------|---------------------|---------------------|----------------------------------|------------------------|
| General obligation bonds            | 7/15/1999            | 5/15/2020            | \$ 12,000,000          | 5.0%-6.25%           | \$ 5,425,000                     |                     | \$ 5,425,000        | \$ -                             | \$ -                   |
| General obligation municipal bonds  | 10/1/2007            | 7/15/2027            | 8,700,000              | 4.0%-5.5%            | 7,360,000                        |                     | 340,000             | 7,020,000                        | 355,000                |
| RIHEBC revenue bonds                | 12/12/2013           | 5/15/2020            | 5,510,000              | 2.58%                |                                  | \$ 5,510,000        | 175,000             | 5,335,000                        | 855,000                |
| RIHEBC revenue bonds                | 8/15/2007            | 4/1/2027             | 1,300,000              | 4.25%-5.00%          | 1,065,000                        |                     | 55,000              | 1,010,000                        | 55,000                 |
| RIHEBC revenue bonds                | 6/29/2010            | 5/5/2020             | 750,000                | 5.39%                | 580,000                          |                     | 85,000              | 495,000                          | 85,000                 |
| RIHEBC revenue bonds                | 6/30/2010            | 5/5/2020             | 4,250,000              | 6.00%                | 3,300,000                        |                     | 475,000             | 2,825,000                        | 475,000                |
| Capital leases                      | 4/10/2009            | 7/5/2013             | 201,501                | 5.00%                | 61,311                           |                     | 19,641              | 41,670                           | 20,426                 |
| <b>Total bonds and leases</b>       |                      |                      |                        |                      | <u>17,791,311</u>                | <u>5,510,000</u>    | <u>6,574,641</u>    | <u>16,726,670</u>                | <u>1,845,426</u>       |
| Accrued compensated absences        |                      |                      |                        |                      | 162,391                          | 262,425             | 191,836             | 232,980                          | 23,298                 |
| Net pension obligation              |                      |                      |                        |                      | 30,393,625                       |                     | 322,177             | 30,071,448                       |                        |
| Net OPEB obligation                 |                      |                      |                        |                      | 2,702,591                        | 302,903             |                     | 3,005,494                        |                        |
| Due to State                        |                      |                      |                        |                      | 3,228,025                        | 13,691              |                     | 3,241,716                        |                        |
| General unsecured claims - Class 16 |                      |                      |                        |                      | 307,860                          |                     | 194,027             | 113,833                          | 113,833                |
| <b>Total long-term debt</b>         |                      |                      |                        |                      | <u>\$ 54,585,803</u>             | <u>\$ 6,089,019</u> | <u>\$ 7,282,681</u> | <u>\$ 53,392,141</u>             | <u>\$ 1,982,557</u>    |

Total interest paid on general long-term debt for the year ended June 30, 2014 was \$812,422.

(CONTINUED)

CITY OF CENTRAL FALLS

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**7. DUE FROM / DUE TO OTHER FUNDS AND OPERATIONAL AND / OR FUND DEFICITS**

Interfund receivables and payables at June 30, 2014 were as follows:

|                          | Due from<br>Other Funds | Due to<br>Other Funds |
|--------------------------|-------------------------|-----------------------|
| General Fund             | \$ 316,923              | \$ 4,366,927          |
| Capital Reserve Fund     | 3,704,213               | -                     |
| Other Governmental Funds | 662,714                 | 316,923               |
|                          | <u>\$ 4,683,850</u>     | <u>\$ 4,683,850</u>   |

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

(a) The following funds had operational and/or fund deficits:

|                                  | <u>Operational</u> | <u>Fund</u> |
|----------------------------------|--------------------|-------------|
| General Fund                     | \$ 697,063         | \$ -        |
| Retirees Supplemental Settlement | 509,276            | -           |
| UDAG Revolving Loan Fund         | 3,351              | -           |
| EDI Community Center             | 1                  | -           |
| Police C.A.R.E.                  | 23,562             | -           |
| Dare Program                     | 3                  | -           |
| 2012 JAG Grant                   | 19                 | 19          |
| Public Rescue                    | 4,094              | -           |
| Channel One                      | 3,759              | -           |
| School Construction              | 77,329             | -           |
| Police Special Accounts          | 30,983             | 5,254       |

Fund Deficits will be mitigated either through additional outside funding or general fund appropriations.

(CONTINUED)

CITY OF CENTRAL FALLS

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**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, 2014 **Restricted Fund Balance** consisted of the following:

|                                      | General<br>Fund | Retirees<br>Supplemental<br>Settlement | Capital<br>Reserve  | Other Gov<br>Funds  | Total               |
|--------------------------------------|-----------------|--|---------------------|---------------------|---------------------|
| Retirees Supplemental Settlement     |                 | \$ 1,106,250                           |                     |                     | \$ 1,106,250        |
| Capital Reserve                      |                 |  | \$ 2,936,713        |                     | 2,936,713           |
| CDBG Revolving                       |                 |  |                     | \$ 663,753          | 663,753             |
| UDAG Revolving Loan Fund             |                 |  |                     | 31,882              | 31,882              |
| Home                                 |                 |  |                     | 59,201              | 59,201              |
| ED                                   |                 |  |                     | 396,939             | 396,939             |
| Grant in Aid                         |                 |  |                     | 58,306              | 58,306              |
| Police C.A.R.E                       |                 |  |                     | 1,005               | 1,005               |
| Recreation Summer Lunch              |                 |  |                     | 1,504               | 1,504               |
| Public Rescue                        |                 |  |                     | 180,450             | 180,450             |
| Rural Grants                         |                 |  |                     | 49                  | 49                  |
| Emergency Equipment Replacement      |                 |  |                     | 144,400             | 144,400             |
| Recycling Account                    |                 |  |                     | 25                  | 25                  |
| Property Development                 |                 |  |                     | 161,179             | 161,179             |
| Recreation Capital                   |                 |  |                     | 4,393               | 4,393               |
| School Construction                  |                 |  |                     | 35,383              | 35,383              |
| Historic Trust                       |                 |  |                     | 63,903              | 63,903              |
| <b>Total restricted fund balance</b> | <b>\$ -</b>     | <b>\$ 1,106,250</b>                    | <b>\$ 2,936,713</b> | <b>\$ 1,802,372</b> | <b>\$ 5,845,335</b> |

At June 30, 2014 **Committed Fund Balance** consisted of the following:

|   | General<br>Fund   | Supplemental<br>Settlement | Capital<br>Reserve | Other Gov<br>Funds | Total               |
|---|-------------------|----------------------------|--------------------|--------------------|---------------------|
| Sixty-day property tax collectons<br>budgeted in subsequent fiscal year | \$ 217,146        |                            |                    |                    | \$ 217,146          |
| Encumbrances  | 137,902           | \$ 767,500                 |                    |                    | 905,402             |
| <b>Total committed fund balance</b>                                     | <b>\$ 355,048</b> | <b>\$ 767,500</b>          | <b>\$ -</b>        | <b>\$ -</b>        | <b>\$ 1,122,548</b> |

(CONTINUED)

CITY OF CENTRAL FALLS

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**8. FUND BALANCES (Continued)**

At June 30, 2014 *Unassigned Fund Balance* consisted of the following:

|                                      | General<br>Fund   | Supplemental<br>Settlement | Capital<br>Reserve  | Other Gov<br>Funds  | Total               |
|--------------------------------------|-------------------|----------------------------|---------------------|---------------------|---------------------|
| General Fund                         | \$ 150,000        |                            |                     | (5,273)             | \$ 144,727          |
| <b>Total unassigned fund balance</b> | <b>\$ 150,000</b> | <b>\$ -</b>                | <b>\$ -</b>         | <b>\$ (5,273)</b>   | <b>\$ 144,727</b>   |
| <br>                                 |                   |                            |                     |                     |                     |
| <b>Total fund balance</b>            | <b>\$ 505,048</b> | <b>\$ 1,873,750</b>        | <b>\$ 2,936,713</b> | <b>\$ 1,797,099</b> | <b>\$ 7,112,610</b> |

**9. GASB – 67 FINANCIAL REPORTING FOR PENSION PLANS**

**(a) City of Central Falls Pension Plan**

**Plan Description**

The City has adopted GASB Statement No. 67, Financial Reporting for Pension Plans- an amendment of GASB Statement No. 25. The Statement enhances the City's footnote disclosures and expands the Required Supplemental Information (RSI) data with new schedules. It was issued to improve financial reporting by state and local government pension plans. The following provides information required to be disclosed under Statement No. 67 that is not discussed as part of the information disclosed in Note 10.

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 administered 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.

(CONTINUED)

CITY OF CENTRAL FALLS

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

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9. **GASB – 67 FINANCIAL REPORTING FOR PENSION PLANS (Continued)**

(a) **City of Central Falls Pension Plan (Continued)**

**Plan Description (Continued)**

As of June 30, 2014, employee membership data related to the pension plan is as follows:

|                                  |    |
|----------------------------------|----|
| Active membership .....          | 76 |
| Retirees and beneficiaries ..... | 67 |

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.

**Contributions**

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, 2014, employee contributions were \$387,619. The City is required to contribute at an actuarially determined rate; the current rate is 49.5% of annual covered payroll. The employer contribution for the fiscal year ended June 30, 2014 was \$2,066,770.

**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, 2014, which was the most recent report available from the plan.

|   |              |
|---|--------------|
| Actuarial Value of Assets                     | \$ 6,391,738 |
| Actuarial Accrued Liability                   | \$31,234,146 |
| Unfunded (excess) actuarial accrued Liability | \$24,842,408 |
| Funded Ratio                                  | 20.5%        |
| Annual Covered Payroll                        | \$ 4,025,037 |
| UAAL (excess) as percentage of payroll        | 617%         |

(CONTINUED)

CITY OF CENTRAL FALLS

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

9. **GASB – 67 FINANCIAL REPORTING FOR PENSION PLANS (Continued)**

(a) **City of Central Falls Pension Plan (Continued)**

**Investment Policy**

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.

|                                   | Asset Class                   | Target Allocation | Long-Term Expected            |
|-----------------------------------|-------------------------------|-------------------|-------------------------------|
|                                   |                               |                   | Geometric Real Rate of Return |
| Equity Investments                | Schedule BA Assets            | 1.30%             | 6.50%                         |
|                                   | Common Stock                  | 0.20%             | 5.50%                         |
|                                   | International Large Cap Value | 0.00%             | 5.50%                         |
|                                   | International Large Core      | 0.00%             | 6.00%                         |
|                                   | Mid Cap Core                  | 0.00%             | 6.00%                         |
| Fixed Income                      | Domestic Fixed Income         | 85.50%            | 1.50%                         |
| Cash                              | Cash                          | 13.00%            | 0.50%                         |
|                                   |                               | <u>100.00%</u>    |                               |
| Assumed Inflation                 |                               |                   | 3.00%                         |
| Long-Term Expected Rate of Return |                               |                   | 4.44%                         |

**Annual Rate of Mortality**

It is assumed that both pre-retirement and post retirement and post retirement mortality are represented by the 2011 IRS Static Mortality Table for males and females. Mortality for disabled members is represented by the RP-2000 Disabled Mortality Table.

**Discount Rate**

The Discount Rate of 7.75% was selected based on a projection of employer and employee contributions, benefit payments, expenses and the long term expected rate of return on the trust assets.

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CITY OF CENTRAL FALLS

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

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9. **GASB – 67 FINANCIAL REPORTING FOR PENSION PLANS (Continued)**

(a) **City of Central Falls Pension Plan (Continued)**

**Net Pension Liability**

The following presents the net pension liability of the system calculated using the discount rate of 7.75%, as well as the sensitivity of the net pension liability to changes in the discount rate and what the system's net pension liability would be if it were calculated using a discount rate that is 1-percentage lower (6.75%) or 1-percentage point higher (8.75%) than the current rate:

|                                    | <u>1% Decrease (6.75%)</u> | <u>Current Discount Rate<br/>(7.75%)</u> | <u>1% Increase (8.75%)</u> |
|------------------------------------|----------------------------|--|----------------------------|
| <b>Total Pension Liability</b>     | \$ 34,792,811              | \$ 31,234,146                            | \$ 28,259,244              |
| <b>Plan Fiduciary Net Position</b> | <u>6,391,738</u>           | <u>6,391,738</u>                         | <u>6,391,738</u>           |
| <b>Net Pension Liability</b>       | <u>\$ 28,401,073</u>       | <u>\$ 24,842,408</u>                     | <u>\$ 21,867,506</u>       |

The Plan Fiduciary Net Position as a percentage of Total Pension Liability is 20.5%.

Additional Information as to the latest actuarial valuation as follows:

|                            |                                   |
|----------------------------|-----------------------------------|
| Valuation Date             | 7/1/2014                          |
| Actuarial Cost Method      | Individual entry age method       |
| Asset valuation method     | Market value                      |
| Investment rate of return  | 7.75%                             |
| Inflation rate             | 3.00%                             |
| Projected Salary Increase  | 3.00%                             |
| Cost of living adjustments | 2.0% per year without compounding |

(CONTINUED)

CITY OF CENTRAL FALLS

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**9. GASB – 67 FINANCIAL REPORTING FOR PENSION PLANS (Continued)**

**(a) City of Central Falls Pension Plan (Continued)**

**Annual Pension Cost and Net Pension Obligation**

For fiscal year ending June 30, 2014, the City's annual required contribution was \$1,979,828 for the City of Central Falls Pension Plan and actual employer contributions were \$2,328,947. The required contribution was determined as part of the July 1, 2014 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) It is assumed that both pre-retirement and post retirement mortality are represented by the 2011 IRS Static Mortality Table for males and females. Mortality for disabled members is represented by the RP-2000 Disabled Mortality Table.

The City's annual pension cost and net pension obligation for the year ended June 30, 2014 was as follows:

|  |                     |
|--|---------------------|
| Annual required contribution.....          | \$ 1,979,828        |
| Interest on NPO.....                       | 2,355,506           |
| Amortization of NPO.....                   | <u>(2,328,564)</u>  |
| Annual pension cost.....                   | 2,006,770           |
| Contributions made.....                    | <u>(2,328,947)</u>  |
| Decrease in net pension obligation.....    | (322,177)           |
| Net pension obligation, June 30, 2013..... | <u>30,393,625</u>   |
| Net pension obligation, June 30, 2014..... | <u>\$30,071,448</u> |

**Three-Year Trend Information**

| Fiscal<br>Year<br>Ending | Annual<br>Pension Cost<br>(APC) | Percentage<br>of APC<br>Contributed | Net<br>Pension<br>Obligation |
|--------------------------|---------------------------------|-------------------------------------|------------------------------|
| 6/30/2014                | \$2,006,770                     | 116.1%                              | \$30,071,448                 |
| 6/30/2013                | \$2,014,476                     | 114.6%                              | \$30,393,625                 |
| 6/30/2012                | \$2,030,966                     | 125.4%                              | \$30,688,474                 |

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, 2014

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**10. EMPLOYEE RETIREMENT SYSTEMS**

In addition to The City of Central Falls Pension Plan, 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) 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.

***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, 2014 was 10.7%.

(CONTINUED)

CITY OF CENTRAL FALLS

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

10. **EMPLOYEE RETIREMENT SYSTEMS (Continued)**

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

**Annual Pension Cost**

The City's annual pension cost of \$178,635 for MERS was equal to the City's required and actual contributions for the year ended June 30, 2014.

**Three-Year Trend Information**

| <u>Fiscal<br/>Year<br/>Ending</u> | <u>Annual<br/>Pension Cost<br/>(APC)</u> | <u>Percentage<br/>of APC<br/>Contributed</u> | <u>Net<br/>Pension<br/>Obligation</u> |
|-----------------------------------|--|--|---------------------------------------|
| 6/30/14                           | \$178,635                                | 100%   | \$0                                   |
| 6/30/13                           | \$208,127                                | 100%   | \$0                                   |
| 6/30/12                           | \$150,782                                | 100%   | \$0                                   |

The required contribution for fiscal 2014 was determined as part of the actuarial valuation performed as of June 30, 2011. 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:

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

(CONTINUED)

CITY OF CENTRAL FALLS

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**10. EMPLOYEE RETIREMENT SYSTEMS (Continued)**

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

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](http://www.ersri.org).

**(b) 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.

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CITY OF CENTRAL FALLS

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

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**10. EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**(b) Employees' Retirement System of Rhode Island – Defined Contribution Plan (Continued)**

**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 \$82,208 and \$16,443, respectively, during the fiscal year ended June 30, 2014.

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

**11. POST RETIREMENT BENEFITS**

**Plan Description**

The City's Post-Employment Medical Benefit Plan is a single-employer defined benefit post-retirement health insurance program. 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 27 retired employees during fiscal year ending June 30, 2014. Current membership consists of 107 active employees and 27 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.

**Trend Information**

| Fiscal Year<br><u>Ending</u> | Annual<br><u>OPEB Cost</u> | Contributions<br><u>Made</u> | % of OPEB<br><u>Contributed</u> | Net OPEB<br><u>Obligation</u> |
|------------------------------|----------------------------|------------------------------|---------------------------------|-------------------------------|
| 6/30/2014                    | \$ 591,443                 | \$ 288,540                   | 48.8%                           | \$3,005,494                   |
| 6/30/2013                    | \$ 576,745                 | \$ 353,749                   | 61.3%                           | \$2,702,591                   |
| 6/30/2012                    | \$ 838,365                 | \$ 674,631                   | 80.4%                           | \$2,479,595                   |

(CONTINUED)

CITY OF CENTRAL FALLS

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**11. POST RETIREMENT BENEFITS (Continued)**

The City's annual OPEB cost and net OPEB obligation for the year ended June 30, 2014 was as follows:

|  |                    |
|--|--------------------|
| Annual required contribution .....               | \$ 586,612         |
| Interest on net OPEB obligation.....             | 108,104            |
| Adjustment to annual required contribution ..... | <u>(103,273)</u>   |
| Annual OPEB cost (expense) .....                 | 591,443            |
| Contributions made.....                          | <u>(288,540)</u>   |
| Increase in net OPEB obligation .....            | 302,903            |
| Net OPEB obligation-beginning of year .....      | <u>2,702,591</u>   |
| Net OPEB obligation-end of year .....            | <u>\$3,005,494</u> |

**Schedule of Funding Progress**

| Actuarial<br>Valuation Date | Actuarial<br>Value of<br>Assets<br>(AVA)<br>(1) | Actuarial<br>Accrued<br>Liability<br>(AAL)<br>(2) | Unfunded<br>AAL<br>(UAAL)<br>(2)-(1)<br>(3) | AVA as a<br>Percent<br>of AAL<br>(1)/(2)<br>(4) | Covered<br>Payroll<br>(5) | UAAL as a<br>Percent of<br>Covered<br>Payroll<br>(3)/(5)<br>(6) |
|-----------------------------|---|---|---|---|---------------------------|---|
| 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, 2014**

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**12. 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 is involved in various pending litigations. 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.

**13. 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, 2014.

**14. 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](http://www.centralfallsri.us).

(CONTINUED)

CITY OF CENTRAL FALLS

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

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14. **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. 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 unpaid balance of these claims at June 30, 2014 was \$113,833 and is included in long-term debt.

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. . The AFO has the authority to exercise any function or power of any municipal officer of the City.

15. **RESTATEMENT**

The net position of the Governmental Activities has been restated as of June 30, 2013 to reflect the implementation of GASB Statement #65 – *Items Previously Reported as Assets and Liabilities*. Implementation of this new Standard resulted in the removal of bond issuance costs as an asset from the Statement of Net Position (formerly the Statement of Net Assets). Under GASB Statement #65 bond issuance costs, are to be recorded as an expense in the year the costs are incurred rather than amortizing those costs over the life of the bond obligation. As a result, the unamortized bond issuance costs as of June 30, 2013, have been retroactively removed from the opening net position balance. The following reflects the effect of implementation of GASB Statement #65:

|   |                               |
|---|-------------------------------|
| <b>Governmental Funds:</b>                                |                               |
| Net position, June 30, 2013 as originally stated.....     | \$ (25,588,946)               |
| Less unamortized bond issuance costs at June 30, 2013 ... | <u>      (36,884)</u>         |
| <b>Net position, June 30, 2013 as restated.....</b>       | <b><u>\$ (25,625,830)</u></b> |

(CONCLUDED)

***REQUIRED SUPPLEMENTARY INFORMATION***

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

June 30, 2014

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

| Actuarial<br>Valuation<br>Date | Actuarial<br>Value of<br>Assets<br>(a) | Actuarial<br>Accrued<br>Liability (AAL)<br>(b) | (Unfunded)<br>AAL (UAAL)<br>(a-b) | Funded<br>Ratio<br>(a/b) | Covered<br>Payroll<br>(c) | UAAL as<br>percentage<br>Of Covered<br>Payroll<br>((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%                    | \$ 2,361,819              | -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%  |

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

| Actuarial<br>Valuation<br>Date | Actuarial<br>Value of<br>Assets<br>(a) | Actuarial<br>Accrued<br>Liability (AAL)<br>(b) | (Unfunded)<br>AAL (UAAL)<br>(a-b) | Funded<br>Ratio<br>(a/b) | Covered<br>Payroll<br>(c) | percentage<br>Of Covered<br>Payroll<br>((a-b)/c) |
|--------------------------------|--|--|-----------------------------------|--------------------------|---------------------------|--|
| 7/1/2014                       | \$ 6,391,738                           | \$ 31,234,146                                  | \$ (24,842,408)                   | 20.5%                    | \$ 4,025,037              | -617.2%  |
| 7/1/2013                       | \$ 5,544,658                           | \$ 30,167,669                                  | \$ (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                          | \$ 50,739,300                                  | \$ (38,736,918)                   | 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<br>Valuation<br>Date | Actuarial<br>Value of<br>Assets<br>(a) | Actuarial<br>Accrued<br>Liability (AAL)<br>(b) | (Unfunded)<br>AAL (UAAL)<br>(a-b) | Funded<br>Ratio<br>(a/b) | Covered<br>Payroll<br>(c) | UAAL as<br>percentage<br>Of Covered<br>Payroll<br>((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**

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.

## CITY OF CENTRAL FALLS

D-2

## GENERAL FUND

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL "BUDGETARY BASIS" (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2014

|  | Original<br>Budget | Final<br>Budget   | Actual            | Variance<br>Positive<br>(Negative) |
|--|--------------------|-------------------|-------------------|------------------------------------|
| <b>Revenues:</b>                               |                    |                   |                   |                                    |
| <b>Tax revenue</b>                             |                    |                   |                   |                                    |
| Tax revenue (current year)                     | \$ 12,631,741      | \$ 12,631,741     | \$ 13,431,396     | \$ 799,655                         |
| Tax revenue (prior years)                      | 310,000            | 310,000           | 208,441           | (101,559)                          |
| <b>Total tax revenue</b>                       | <b>12,941,741</b>  | <b>12,941,741</b> | <b>13,639,837</b> | <b>698,096</b>                     |
| <b>Fees / non-tax revenue</b>                  |                    |                   |                   |                                    |
| Interest on taxes                              | 254,509            | 254,509           | 251,064           | (3,445)                            |
| VIN check fees                                 | 5,410              | 5,410             | 20,491            | 15,081                             |
| Probate fees                                   | 7,383              | 7,383             | 13,293            | 5,910                              |
| Realty Stamps                                  | 22,149             | 22,149            | 37,337            | 15,188                             |
| Real Estate Recordings                         | 63,264             | 63,264            | 52,617            | (10,647)                           |
| Licenses (other than marriage)                 | 76,208             | 76,208            | 72,254            | (3,954)                            |
| Certificates (vital records)                   | 10,407             | 10,407            | 9,367             | (1,040)                            |
| Marriage Licenses                              | 1,055              | 1,055             | 808               | (247)                              |
| Reports/copying fees                           | 7,647              | 7,647             | 1,509             | (6,138)                            |
| City Clerk micellaneous fees                   | 10,547             | 10,547            | 60,756            | 50,209                             |
| Fire code inspection fees/other fire permits   | 4,746              | 4,746             | 14,270            | 9,524                              |
| Alarm box fees & smoke detector certificates   | 26,388             | 26,388            | 20,778            | (5,610)                            |
| Rescue runs                                    | 237,314            | 237,314           | 305,688           | 68,374                             |
| Hazardous material permits                     | 2,320              | 2,320             | 2,000             | (320)                              |
| Building permits                               | 42,189             | 42,189            | 57,909            | 15,720                             |
| Plumbing & mechanical permits                  | 18,000             | 18,000            | 26,855            | 8,855                              |
| Electrical permits                             | 21,000             | 21,000            | 25,412            | 4,412                              |
| Certificates of occupancy                      | 6,328              | 6,328             | 6,385             | 57                                 |
| CARE account revenue                           | 12,657             | 12,657            | 24,280            | 11,623                             |
| Municipal Court Fees/Traffic Fines/Other Fines | 140,000            | 140,000           | 106,492           | (33,508)                           |
| Administrative and Other Fees                  | 12,794             | 12,794            | 38,490            | 25,696                             |
| Vehicle Fees for Road Details                  | 16,277             | 16,277            | 31,920            | 15,643                             |
| Code Court Fees                                | 5,801              | 5,801             | 1,780             | (4,021)                            |
| Property preservation revenue                  | 9,921              | 9,921             | 5,836             | (4,085)                            |
| Misc. departmental revenue                     | 7,038              | 7,038             | 21,093            | 14,055                             |
| Local Pilot Revenue                            | 71,476             | 71,476            | 69,948            | (1,528)                            |
| Public works                                   | 22,961             | 22,961            | 10,222            | (12,739)                           |
| Federal Revenue                                | 126,500            | 126,500           | 85,877            | (40,623)                           |
| <b>Total fees / non-tax revenue</b>            | <b>1,242,289</b>   | <b>1,242,289</b>  | <b>1,374,731</b>  | <b>132,442</b>                     |
| <b>State revenue</b>                           |                    |                   |                   |                                    |
| MV Phase out                                   | 92,588             | 92,588            | 88,261            | (4,327)                            |
| Distressed Communities Aid                     | 170,622            | 170,622           | 170,622           | -                                  |
| Public Service Corporation Tax/Telephone tax   | 233,190            | 233,190           | 262,600           | 29,410                             |
| Hotel/meals & beverage tax                     | 106,224            | 106,224           | 106,491           | 267                                |
| School Housing Aid - Direct payment            | 946,504            | 946,504           | 962,596           | 16,092                             |
| School Housing Aid - RIHBEC reimbursement      | 705,931            | 705,931           | 650,972           | (54,959)                           |
| Debt Service QSCB Subsidy                      | 188,828            | 188,828           | 191,931           | 3,103                              |
| Non Profit Organizations                       | 23,234             | 23,234            | 21,572            | (1,662)                            |
| Miscellaneous state aid/grants                 | 14,022             | 14,022            | 137,060           | 123,038                            |
| <b>Total state revenue</b>                     | <b>2,481,143</b>   | <b>2,481,143</b>  | <b>2,592,105</b>  | <b>110,962</b>                     |
| <b>Other income</b>                            |                    |                   |                   |                                    |
| Misc. other revenue                            | 17,222             | 17,222            | 108,094           | 90,872                             |
| <b>Total other income</b>                      | <b>17,222</b>      | <b>17,222</b>     | <b>108,094</b>    | <b>90,872</b>                      |
| <b>Total revenues</b>                          | <b>16,682,395</b>  | <b>16,682,395</b> | <b>17,714,767</b> | <b>1,032,372</b>                   |

CITY OF CENTRAL FALLS

D-2

GENERAL FUND

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL "BUDGETARY BASIS" (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2014**

|  | <u>Original<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Actual</u>  | <u>Variance<br/>Positive<br/>(Negative)</u> |
|--|----------------------------|-------------------------|----------------|---|
| <b>GENERAL GOVERNMENT</b>              |                            |                         |                |   |
| <b>City executive management</b>       |                            |                         |                |   |
| Salaries                               | 198,464                    | 198,464                 | 166,545        | 31,919                                      |
| Social Security                        | 12,305                     | 12,305                  | 13,356         | (1,051)                                     |
| Medicare                               | 2,878                      | 2,878                   | 3,741          | (863)                                       |
| Municipal State Pension                | 23,220                     | 23,220                  | 25,439         | (2,219)                                     |
| Medical Insurance                      | 16,374                     | 16,374                  | 15,994         | 380   |
| Dental Insurance                       | 1,781                      | 1,781                   | 1,423          | 358   |
| Non-capital equipment                  | -                          | -                       | 2,577          | (2,577)                                     |
| Donations                              | 1,000                      | 1,000                   | 300            | 700   |
| Expense account                        | 1,000                      | 1,000                   | 2,335          | (1,335)                                     |
| <b>Total city executive management</b> | <b>257,022</b>             | <b>257,022</b>          | <b>231,710</b> | <b>25,312</b>                               |
| <b>City council</b>                    |                            |                         |                |   |
| Salaries                               | 17,640                     | 17,640                  | 17,640         | -   |
| Social Security                        |                            |                         | 456            | (456)                                       |
| Medicare                               |                            |                         | 107            | (107)                                       |
| Municipal State Pension                |                            |                         | 344            | (344)                                       |
| <b>Total city council</b>              | <b>17,640</b>              | <b>17,640</b>           | <b>18,547</b>  | <b>(907)</b>                                |
| <b>City clerk</b>                      |                            |                         |                |   |
| Salaries                               | 189,518                    | 189,518                 | 183,796        | 5,722                                       |
| Longevity                              | 4,000                      | 4,000                   | 6,000          | (2,000)                                     |
| Social Security                        | 11,998                     | 11,998                  | 11,797         | 201   |
| Medicare                               | 2,806                      | 2,806                   | 2,701          | 105   |
| Municipal State Pension                | 22,641                     | 22,641                  | 22,463         | 178   |
| Medical Insurance                      | 39,585                     | 39,585                  | 37,125         | 2,460                                       |
| Dental Insurance                       | 3,574                      | 3,574                   | 3,143          | 431   |
| Dues/subscriptions                     | 50                         | 50                      | 49             | 1   |
| Non-capital equipment                  | 500                        | 500                     | 235            | 265   |
| Other professional services            | 36,368                     | 36,368                  | 36,978         | (610)                                       |
| Education & Training                   | 500                        | 500                     | 485            | 15  |
| <b>Total city clerk</b>                | <b>311,540</b>             | <b>311,540</b>          | <b>304,772</b> | <b>6,768</b>                                |
| <b>Board of canvassers</b>             |                            |                         |                |   |
| Election workers                       | 19,600                     | 19,600                  | 18,178         | 1,422                                       |
| <b>Total board of canvassers</b>       | <b>19,600</b>              | <b>19,600</b>           | <b>18,178</b>  | <b>1,422</b>                                |
| <b>Personnel</b>                       |                            |                         |                |   |
| Salaries                               | 28,227                     | 28,227                  | 31,108         | (2,881)                                     |
| Social Security                        | 1,750                      | 1,750                   | 1,929          | (179)                                       |
| Medicare                               | 409                        | 409                     | 451            | (42)  |
| Municipal State Pension                |                            | -                       | 2,370          | (2,370)                                     |
| General Liability Insurance            | 209,311                    | 209,311                 | 265,017        | (55,706)                                    |
| Workers Compensation                   | 23,400                     | 23,400                  | 64,815         | (41,415)                                    |
| Other professional services            | 2,058                      | 2,058                   | 1,616          | 442   |
| Education & training                   | 500                        | 500                     | 555            | (55)  |
| Testing                                | 3,000                      | 3,000                   | 7,435          | (4,435)                                     |
| <b>Total personnel</b>                 | <b>268,655</b>             | <b>268,655</b>          | <b>375,296</b> | <b>(106,641)</b>                            |
| <b>Legal</b>                           |                            |                         |                |   |
| Salaries                               | 42,505                     | 42,505                  | 44,213         | (1,708)                                     |
| Social Security                        | 2,635                      | 2,635                   | 2,360          | 275   |
| Medicare                               | 616                        | 616                     | 783            | (167)                                       |
| Municipal State Pension                | 4,973                      | 4,973                   | 4,973          | -   |
| Medical Insurance                      | 11,607                     | 11,607                  | 11,549         | 58  |
| Dental Insurance                       | 1,073                      | 1,073                   | 1,070          | 3   |
| Dues/subscriptions                     |                            |                         | 85             | (85)  |
| Other professional services            | 97,500                     | 97,500                  | 123,831        | (26,331)                                    |
| Education & training                   | 500                        | 500                     | 155            | 345   |
| <b>Total legal</b>                     | <b>161,409</b>             | <b>161,409</b>          | <b>189,019</b> | <b>(27,610)</b>                             |
| <b>Tax assessor</b>                    |                            |                         |                |   |
| Salaries                               | 91,468                     | 91,468                  | 41,623         | 49,845                                      |
| Longevity Pay                          | 2,000                      | 2,000                   | 2,000          | -   |
| Social Security                        | 5,795                      | 5,795                   | 2,565          | 3,230                                       |
| Medicare                               | 1,355                      | 1,355                   | 543            | 812   |
| Municipal State Pension                | 10,936                     | 10,936                  | 4,518          | 6,418                                       |
| Dental Insurance                       | 1,427                      | 1,427                   | 1,070          | 357   |
| Dues/subscriptions                     | 1,135                      | 1,135                   | 1,181          | (46)  |
| Other professional services            | 16,137                     | 16,137                  | 64,417         | (48,280)                                    |
| Non-capital equipment                  |                            |                         | 3,337          | (3,337)                                     |
| Education & training                   | 500                        | 500                     | -              | 500   |
| <b>Total tax assessor</b>              | <b>130,753</b>             | <b>130,753</b>          | <b>121,254</b> | <b>9,499</b>                                |

CITY OF CENTRAL FALLS

D-2

GENERAL FUND

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL "BUDGETARY BASIS" (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2014**

|  | Original<br>Budget | Final<br>Budget  | Actual           | Variance<br>Positive<br>(Negative) |
|--|--------------------|------------------|------------------|------------------------------------|
| <b>Finance</b>                           |                    |                  |                  |                                    |
| Salaries                                 | 276,188            | 276,188          | 224,208          | 51,980                             |
| Longevity Pay                            | 3,500              | 3,500            | 3,500            | -                                  |
| Sick incentive pay                       |                    |                  | 526              | (526)                              |
| Social Security                          | 17,341             | 17,341           | 14,342           | 2,999                              |
| Medicare                                 | 4,055              | 4,055            | 3,411            | 644                                |
| Municipal State Pension                  | 32,723             | 32,723           | 26,505           | 6,218                              |
| Medical Insurance                        | 46,423             | 46,423           | 38,235           | 8,188                              |
| Dental Insurance                         | 4,294              | 4,294            | 3,243            | 1,051                              |
| Postage                                  | 10,946             | 10,946           | 10,945           | 1                                  |
| Non-capital equipment                    | 1,077              | 1,077            | 1,425            | (348)                              |
| Collection agency                        | 2,165              | 2,165            | -                | 2,165                              |
| Accounting/auditing                      | 36,312             | 36,312           | 37,618           | (1,306)                            |
| Other professional services              | 30,870             | 30,870           | 45,112           | (14,242)                           |
| Education & training                     | 500                | 500              | 275              | 225                                |
| <b>Total finance</b>                     | <b>466,394</b>     | <b>466,394</b>   | <b>409,345</b>   | <b>57,049</b>                      |
| <b>City property</b>                     |                    |                  |                  |                                    |
| Custodial Services                       | 21,061             | 21,061           | 19,968           | 1,093                              |
| Office supplies                          | 6,328              | 6,328            | 6,367            | (39)                               |
| Other supplies                           | 1,113              | 1,113            | 2,039            | (926)                              |
| Janitorial Supplies                      | 1,582              | 1,582            | 1,654            | (72)                               |
| Janitorial Supplies Other City Buildings | 12,063             | 12,063           | 9,900            | 2,163                              |
| Heating Fuel-Other City Buildings        | 8,989              | 8,989            | 8,006            | 983                                |
| Dues/Subscriptions                       | 1,161              | 1,161            | 1,133            | 28                                 |
| Non-capital equipment                    | 1,696              | 1,696            | 13,543           | (11,847)                           |
| Telephone (Other)                        | 19,351             | 19,351           | 16,586           | 2,765                              |
| Telephone (Police)                       | 15,379             | 15,379           | 15,929           | (550)                              |
| Telephone (Fire)                         | 11,033             | 11,033           | 9,570            | 1,463                              |
| Telephone (Highway)                      | 3,507              | 3,507            | 2,698            | 809                                |
| Advertising                              | 16,156             | 16,156           | 11,668           | 4,488                              |
| Electric-Other                           | 32,000             | 32,000           | 33,475           | (1,475)                            |
| Electric-Police                          | 15,854             | 15,854           | 22,462           | (6,608)                            |
| Electric-Fire                            | 15,854             | 15,854           | 22,462           | (6,608)                            |
| Electric-Highway                         | 13,130             | 13,130           | 13,288           | (158)                              |
| General R & M                            | 12,490             | 12,490           | 10,369           | 2,121                              |
| Water                                    | 16,283             | 16,283           | 15,355           | 928                                |
| Water Public Safety Complex              | 12,531             | 12,531           | 19,420           | (6,889)                            |
| Public Safety R&M                        | 2,055              | 2,055            | 1,938            | 117                                |
| Consulting services                      | 42,189             | 42,189           | 55,748           | (13,559)                           |
| Contract R & M                           | 25,130             | 25,130           | 57,252           | (32,122)                           |
| DPW Building R & M                       | 1,527              | 1,527            | 160              | 1,367                              |
| DPW Water                                | 3,399              | 3,399            | 3,240            | 159                                |
| DPW Janitorial Services                  | 5,379              | 5,379            | 5,100            | 279                                |
| Misc. city property                      | 613                | 613              | 2,033            | (1,420)                            |
| Hydrants                                 | 79,104             | 79,104           | 73,453           | 5,651                              |
| Sewer/NBC                                | 14,766             | 14,766           | 3,895            | 10,871                             |
| Street lights                            | 168,756            | 168,756          | 177,099          | (8,343)                            |
| Heating fuel (Police)                    | 15,821             | 15,821           | 6,501            | 9,320                              |
| Heating fuel (Fire)                      | 16,821             | 16,821           | 20,763           | (3,942)                            |
| Heating fuel (DPW)                       | 7,541              | 7,541            | 8,144            | (603)                              |
| <b>Total city property</b>               | <b>620,662</b>     | <b>620,662</b>   | <b>671,218</b>   | <b>(50,556)</b>                    |
| <b>City boards</b>                       |                    |                  |                  |                                    |
| Pension board                            | 675                | 675              | 675              | -                                  |
| Purchasing board                         | 675                | 675              | 675              | -                                  |
| Appeals board                            | 900                | 900              | 731              | 169                                |
| Planning board                           | 1,125              | 1,125            | 825              | 300                                |
| Zoning board                             | 1,750              | 1,750            | 1,500            | 250                                |
| Canvassers board                         | 2,100              | 2,100            | 2,019            | 81                                 |
| Housing authority board                  | 2,750              | 2,750            | 2,750            | -                                  |
| <b>Total city boards</b>                 | <b>9,975</b>       | <b>9,975</b>     | <b>9,175</b>     | <b>800</b>                         |
| <b>Total general government</b>          | <b>2,263,650</b>   | <b>2,263,650</b> | <b>2,348,514</b> | <b>(84,864)</b>                    |

## GENERAL FUND

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL "BUDGETARY BASIS" (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2014

|   | Original<br>Budget | Final<br>Budget  | Actual           | Variance<br>Positive<br>(Negative) |
|---|--------------------|------------------|------------------|------------------------------------|
| <b>PUBLIC SAFETY</b>                      |                    |                  |                  |                                    |
| <b>Police department</b>                  |                    |                  |                  |                                    |
| Salaries                                  | 1,886,389          | 1,886,389        | 1,743,636        | 142,753                            |
| Police trainee wages                      | 8,800              | 8,800            | 8,240            | 560                                |
| Overtime                                  | 160,000            | 160,000          | 209,521          | (49,521)                           |
| Special Investigations Overtime           | 26,368             | 26,368           | 16,355           | 10,013                             |
| Holiday pay                               | 113,383            | 113,383          | 99,122           | 14,261                             |
| Longevity pay                             | 59,000             | 59,000           | 44,000           | 15,000                             |
| Detective Stipends                        | 7,800              | 7,800            | 7,500            | 300                                |
| Clothing/tool allowances                  | 36,000             | 36,000           | 41,281           | (5,281)                            |
| Sick Incentive Pay                        | 4,000              | 4,000            | 4,882            | (882)                              |
| Police Medicare                           | 33,375             | 33,375           | 37,387           | (4,012)                            |
| Police Dental Insurance                   | 28,948             | 28,948           | 26,715           | 2,233                              |
| Police Social Security                    | -                  | -                | 602              | (602)                              |
| Police Medical Insurance                  | 203,324            | 203,324          | 185,456          | 17,868                             |
| Injuries/Medical (Work Related Injuries)  | 44,449             | 44,449           | 44,345           | 104                                |
| Salaries (Animal control)                 | 35,737             | 35,737           | 34,894           | 843                                |
| Overtime (Animal control)                 | 2,500              | 2,500            | 2,366            | 134                                |
| Sick Incentive Pay (Animal control)       | 110                | 110              | 377              | (267)                              |
| Social Security (Animal control)          | 2,388              | 2,388            | 2,335            | 53                                 |
| Clothing/tool allowance (Animal control)  | 275                | 275              | 275              | -                                  |
| Medicare (Animal control)                 | 558                | 558              | 512              | 46                                 |
| Municipal State Pension (Animal control)  | 4,181              | 4,181            | 4,082            | 99                                 |
| Medical Insurance (Animal control)        | 4,768              | 4,768            | 4,745            | 23                                 |
| Dental Insurance (Animal control)         | 354                | 354              | 353              | 1                                  |
| Boarding of animals(Animal control)       | 5,145              | 5,145            | 4,237            | 908                                |
| Clerk & IT Salaries                       | 75,791             | 75,791           | 75,294           | 497                                |
| Clerk & IT Overtime`                      | 1,000              | 1,000            | 421              | 579                                |
| Clerk & IT Longevity Pay                  | 4,500              | 4,500            | 7,500            | (3,000)                            |
| Clerk & IT Sick Incentive Pay             | 450                | 450              | 439              | 11                                 |
| Clothing/tool allowances civilian         | 275                | 275              | 275              | -                                  |
| Clerk & IT Social Security                | 5,085              | 5,085            | 5,146            | (61)                               |
| Clerk & IT Medicare                       | 1,189              | 1,189            | 1,072            | 117                                |
| Municipal State Pension (Civillian Staff) | 9,394              | 9,394            | 9,393            | 1                                  |
| Clerk & IT Medical Insurance              | 23,211             | 23,211           | 23,099           | 112                                |
| Clerk & IT Dental Insurance               | 2,147              | 2,147            | 2,140            | 7                                  |
| Dispatcher Salaries                       | 233,448            | 233,448          | 203,541          | 29,907                             |
| Dispatcher & Clerk Overtime               | 25,725             | 25,725           | 26,365           | (640)                              |
| Dispatcher Holiday Pay                    | 13,468             | 13,468           | 11,226           | 2,242                              |
| Dispatchers Longevity                     | 6,000              | 6,000            | 4,000            | 2,000                              |
| Dispatchers Sick Incentive Pay            | 220                | 220              | 1,309            | (1,089)                            |
| Dispatcher clothing/tool allowances       | 1,650              | 1,650            | 1,375            | 275                                |
| Dispatcher Social Security                | 17,392             | 17,392           | 15,050           | 2,342                              |
| Dispatchers Medicare                      | 4,067              | 4,067            | 3,479            | 588                                |
| Municipal State Pension (Dispatch)        | 28,015             | 28,015           | 25,809           | 2,206                              |
| Dispatcher & Clerk Medical Insurance      | 49,122             | 49,122           | 44,422           | 4,700                              |
| Dispatcher & Clerk Dental Insurance       | 5,721              | 5,721            | 4,899            | 822                                |
| Shared Equipment R&M                      | 8,000              | 8,000            | 21,426           | (13,426)                           |
| Office supplies                           | 4,219              | 4,219            | 4,265            | (46)                               |
| Other supplies                            | 7,164              | 7,164            | 7,343            | (179)                              |
| Vehicle fuel                              | 89,652             | 89,652           | 85,500           | 4,152                              |
| Dues/Subscriptions                        | 527                | 527              | 526              | 1                                  |
| Detective supplies                        | 4,219              | 4,219            | 4,156            | 63                                 |
| Non-capital equipment                     | 7,383              | 7,383            | 8,013            | (630)                              |
| General R & M                             | 5,145              | 5,145            | 9,221            | (4,076)                            |
| Vehicle R & M                             | 25,580             | 25,580           | 34,969           | (9,389)                            |
| Other professional services               | 50,189             | 50,189           | 50,212           | (23)                               |
| Finger printing                           | 2,637              | 2,637            | 2,965            | (328)                              |
| Education & training                      | 14,967             | 14,967           | 15,268           | (301)                              |
| College tuitions                          | 26,368             | 26,368           | 14,885           | 11,483                             |
| Capital Expenditures                      | 44,613             | 44,613           | 92,539           | (47,926)                           |
| <b>Total police department</b>            | <b>3,466,385</b>   | <b>3,466,385</b> | <b>3,340,760</b> | <b>125,625</b>                     |

CITY OF CENTRAL FALLS

D-2

GENERAL FUND

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL "BUDGETARY BASIS" (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2014**

|  | <u>Original<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Actual</u>    | <u>Variance<br/>Positive<br/>(Negative)</u> |
|--|----------------------------|-------------------------|------------------|---|
| <b><i>Fire department</i></b>            |                            |                         |                  |   |
| Salaries                                 | 1,914,731                  | 1,914,731               | 1,874,596        | 40,135                                      |
| Overtime                                 | 160,000                    | 160,000                 | 156,479          | 3,521                                       |
| Holiday pay                              | 109,307                    | 109,307                 | 109,097          | 210   |
| Longevity pay                            | 57,000                     | 57,000                  | 55,000           | 2,000                                       |
| Out of rank pay                          | 21,095                     | 21,095                  | 17,579           | 3,516                                       |
| Rescue pay                               | 7,280                      | 7,280                   | 7,000            | 280   |
| Sick incentive pay                       | 12,000                     | 12,000                  | 7,997            | 4,003                                       |
| Clothing/tool allowance                  | 37,000                     | 37,000                  | 37,000           | -   |
| Social Security                          | 1,245                      | 1,245                   | 3,084            | (1,839)                                     |
| Medicare                                 | 33,617                     | 33,617                  | 30,206           | 3,411                                       |
| Medical Insurance                        | 270,799                    | 270,799                 | 279,594          | (8,795)                                     |
| Dental Insurance                         | 28,216                     | 28,216                  | 29,052           | (836)                                       |
| Injuries/Medical (Work Related Injuries) | 73,047                     | 73,047                  | 72,568           | 479   |
| Other supplies                           | 15,435                     | 15,435                  | 23,320           | (7,885)                                     |
| Vehicle fuel                             | 25,040                     | 25,040                  | 25,436           | (396)                                       |
| Dues/subscriptions                       | 84                         | 84                      | 35               | 49  |
| Non-capital equipment                    | 15,435                     | 15,435                  | 5,225            | 10,210                                      |
| General R & M                            | 5,145                      | 5,145                   | 9,363            | (4,218)                                     |
| Vehicle R & M                            | 25,725                     | 25,725                  | 71,596           | (45,871)                                    |
| Other professional services              | 11,425                     | 11,425                  | 8,009            | 3,416                                       |
| Education & training                     | 6,380                      | 6,380                   | 3,441            | 2,939                                       |
| College tuitions                         | 3,000                      | 3,000                   | 1,648            | 1,352                                       |
| Capital Expenditures                     | 35,797                     | 35,797                  | 3,525            | 32,272                                      |
| Fire Fighter Equipment                   | 16,464                     | 16,464                  | 26,764           | (10,300)                                    |
| <b><i>Total fire department</i></b>      | <b>2,885,267</b>           | <b>2,885,267</b>        | <b>2,857,614</b> | <b>27,653</b>                               |
| <b><i>Probate court</i></b>              |                            |                         |                  |   |
| Salaries                                 | 7,309                      | 7,309                   | 7,309            | -   |
| <b><i>Total probate court</i></b>        | <b>7,309</b>               | <b>7,309</b>            | <b>7,309</b>     | <b>-</b>                                    |
| <b><i>Municipal court</i></b>            |                            |                         |                  |   |
| Salaries                                 | 36,622                     | 36,622                  | 36,362           | 260   |
| Overtime                                 | 1,690                      | 1,690                   | 1,630            | 60  |
| Longevity Pay                            | 2,000                      | 2,000                   | 2,000            | -   |
| Sick Incentive Pay                       | 450                        | 450                     | 411              | 39  |
| Social Security                          | 2,544                      | 2,544                   | 2,420            | 124   |
| Clothing Allowance                       | 275                        | 275                     | -                | 275   |
| Medicare                                 | 595                        | 595                     | 553              | 42  |
| Municipal State Pension                  | 4,519                      | 4,519                   | 4,528            | (9)   |
| Medical Insurance                        | 11,606                     | 11,606                  | 11,549           | 57  |
| Dental Insurance                         | 1,073                      | 1,073                   | 1,070            | 3   |
| Office supplies                          | 5,500                      | 5,500                   | 6,383            | (883)                                       |
| Other Professional Services              | 14,000                     | 14,000                  | 14,080           | (80)  |
| <b><i>Total municipal court</i></b>      | <b>80,874</b>              | <b>80,874</b>           | <b>80,986</b>    | <b>(112)</b>                                |
| <b><i>Inspection officers</i></b>        |                            |                         |                  |   |
| Plumbing officer                         | 4,323                      | 4,323                   | 4,323            | -   |
| Electrical inspector                     | 4,323                      | 4,323                   | 4,323            | -   |
| <b><i>Total inspection officers</i></b>  | <b>8,646</b>               | <b>8,646</b>            | <b>8,646</b>     | <b>-</b>                                    |
| <b><i>Total public safety</i></b>        | <b>6,448,481</b>           | <b>6,448,481</b>        | <b>6,295,315</b> | <b>153,166</b>                              |

## CITY OF CENTRAL FALLS

D-2

## GENERAL FUND

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL "BUDGETARY BASIS" (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2014

|  | Original<br>Budget | Final<br>Budget  | Actual           | Variance<br>Positive<br>(Negative) |
|--|--------------------|------------------|------------------|------------------------------------|
| <b>PUBLIC WORKS</b>                                  |                    |                  |                  |                                    |
| <i>Highway department</i>                            |                    |                  |                  |                                    |
| Salaries   | 495,937            | 495,937          | 442,684          | 53,253                             |
| Overtime   | 47,463             | 47,463           | 31,961           | 15,502                             |
| Longevity pay  | 23,500             | 23,500           | 28,000           | (4,500)                            |
| Specialty pay  | 550                | 550              | 503              | 47                                 |
| Clothing/tool allowance                              | 3,025              | 3,025            | 2,200            | 825                                |
| Social Security                                      | 35,369             | 35,369           | 29,252           | 6,117                              |
| Medicare   | 8,272              | 8,272            | 6,637            | 1,635                              |
| Municipal State Pension                              | 56,075             | 56,075           | 50,725           | 5,350                              |
| Medical Insurance                                    | 81,240             | 81,240           | 85,262           | (4,022)                            |
| Dental Insurance                                     | 10,015             | 10,015           | 8,347            | 1,668                              |
| Other supplies                                       | 1,793              | 1,793            | 4,688            | (2,895)                            |
| Other Professional Services                          | 30,000             | 30,000           | 30,030           | (30)                               |
| Education & Training                                 | 515                | 515              |                  | 515                                |
| Property Protection                                  | 10,000             | 10,000           |                  | 10,000                             |
| Vehicle Fuel   | 13,917             | 13,917           | 21,463           | (7,546)                            |
| Non-capital equipment                                | 7,003              | 7,003            | 14,703           | (7,700)                            |
| Winter road supplies                                 | 10,063             | 10,063           | 19,478           | (9,415)                            |
| General R & M  | -                  | -                | 4,484            | (4,484)                            |
| Vehicle R & M  | 46,842             | 46,842           | 61,333           | (14,491)                           |
| DPW Building R&M                                     | 1,703              | 1,703            | -                | 1,703                              |
| Road R & M   | 137,463            | 137,463          | 106,345          | 31,118                             |
| Traffic Signal R & M                                 | 3,164              | 3,164            | 15,875           | (12,711)                           |
| Misc. Highway  | 712                | 712              | 655              | 57                                 |
| <b>Total highway department</b>                      | <b>1,024,621</b>   | <b>1,024,621</b> | <b>964,625</b>   | <b>59,996</b>                      |
| <i>Public works</i>                                  |                    |                  |                  |                                    |
| Solid waste removal/disposal                         | 152,935            | 152,935          | 136,047          | 16,888                             |
| Trash Removal/Recycling                              | 503,000            | 503,000          | 498,745          | 4,255                              |
| <b>Total public works</b>                            | <b>655,935</b>     | <b>655,935</b>   | <b>634,792</b>   | <b>21,143</b>                      |
| <b>Total public works</b>                            | <b>1,680,556</b>   | <b>1,680,556</b> | <b>1,599,417</b> | <b>81,139</b>                      |
| <b>PUBLIC EDUCATION</b>                              |                    |                  |                  |                                    |
| <i>Library</i>                                       |                    |                  |                  |                                    |
| City Contribution                                    | 105,946            | 105,946          | 105,946          | -                                  |
| Other professional services                          | 14,022             | 14,022           | 35,597           | (21,575)                           |
| <b>Total public education</b>                        | <b>119,968</b>     | <b>119,968</b>   | <b>141,543</b>   | <b>(21,575)</b>                    |
| <b>PUBLIC RECREATION</b>                             |                    |                  |                  |                                    |
| <i>Parks, Recreation And Community Service</i>       |                    |                  |                  |                                    |
| Salaries   | 43,697             | 43,697           | 63,864           | (20,167)                           |
| Social Security                                      | 2,709              | 2,709            | 4,042            | (1,333)                            |
| Medicare   | 634                | 634              | 967              | (333)                              |
| Municipal State Pension                              | 5,113              | 5,113            | 4,975            | 138                                |
| Medical Insurance                                    | 11,606             | 11,606           | 5,850            | 5,756                              |
| Dental Insurance                                     | 1,073              | 1,073            | 427              | 646                                |
| Other supplies                                       | 5,274              | 5,274            | 5,401            | (127)                              |
| General R & M  | 6,856              | 6,856            | 13,509           | (6,653)                            |
| Other professional services                          | 37,389             | 37,389           | 26,449           | 10,940                             |
| Public events & activities                           | 1,055              | 1,055            | 5,449            | (4,394)                            |
| Misc. recreation                                     | 2,927              | 2,927            | 16,611           | (13,684)                           |
| <b>Total parks, recreation and community service</b> | <b>118,333</b>     | <b>118,333</b>   | <b>147,544</b>   | <b>(29,211)</b>                    |
| <i>Planning</i>                                      |                    |                  |                  |                                    |
| Salaries   | 50,000             | 50,000           | 59,897           | (9,897)                            |
| Social Security                                      | 3,100              | 3,100            | 3,679            | (579)                              |
| Medicare   | 725                | 725              | 896              | (171)                              |
| Municipal State Pension                              | 5,850              | 5,850            | 7,029            | (1,179)                            |
| Medical Insurance                                    | -                  | -                | 791              | (791)                              |
| Dental Insurance                                     | -                  | -                | 59               | (59)                               |
| Capital expenditures                                 | -                  | -                | 9,755            | (9,755)                            |
| Other Professional Services                          | -                  | -                | 11,219           | (11,219)                           |
| <b>Total planning</b>                                | <b>59,675</b>      | <b>59,675</b>    | <b>93,325</b>    | <b>(33,650)</b>                    |
| <b>TOTAL PUBLIC RECREATION</b>                       | <b>178,008</b>     | <b>178,008</b>   | <b>240,869</b>   | <b>(62,861)</b>                    |

CITY OF CENTRAL FALLS

D-2

GENERAL FUND

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL "BUDGETARY BASIS" (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2014**

|  | <u>Original<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Actual</u>       | <u>Variance<br/>Positive<br/>(Negative)</u> |
|--|----------------------------|-------------------------|---------------------|---|
| <b>CITY DEBT SERVICE</b>   |                            |                         |                     |   |
| Bond principal   | 1,620,000                  | 1,620,000               | 1,242,132           | 377,868                                     |
| Bond interest  | 918,586                    | 918,586                 | 821,393             | 97,193                                      |
| Other debt fees  | 9,278                      | 9,278                   | 2,200               | 7,078                                       |
| Lease purchase   | 22,977                     | 22,977                  | 22,093              | 884   |
| <b>Total city debt service</b>   | <b>2,570,841</b>           | <b>2,570,841</b>        | <b>2,087,818</b>    | <b>483,023</b>                              |
| <b>CONTINGENCY</b>   |                            |                         |                     |   |
| Legal contingencies  | 75,000                     | 75,000                  | 14,694              | 60,306                                      |
| General contingencies  | 37,500                     | 37,500                  | 1,228               | 36,272                                      |
| Post-confirmation Attorney Fees  | 38,000                     | 38,000                  | 9,887               | 28,113                                      |
| Creditor Pool  | 200,000                    | 200,000                 | 194,082             | 5,918                                       |
| <b>Total contingency</b>   | <b>350,500</b>             | <b>350,500</b>          | <b>219,891</b>      | <b>130,609</b>                              |
| <b>OTHER CITY GOVERNMENT</b>   |                            |                         |                     |   |
| Compensated absences   | 52,500                     | 52,500                  | 16,233              | 36,267                                      |
| Unemployment compensation  | 61,360                     | 61,360                  | 65,266              | (3,906)                                     |
| Group Life   | 11,150                     | 11,150                  | 10,064              | 1,086                                       |
| Medical insurance  | 425,000                    | 425,000                 | 288,540             | 136,460                                     |
| HRA - Health Reimbursement   | 115,000                    | 115,000                 | 110,764             | 4,236                                       |
| <b>Total other city government</b>   | <b>665,010</b>             | <b>665,010</b>          | <b>490,867</b>      | <b>174,143</b>                              |
| <b>RETIREMENT</b>  |                            |                         |                     |   |
| Police retirement- Public Safety Pension   | 57,325                     | 57,325                  | 57,325              | -   |
| Fire retirement - Public Safety Pension  | 57,325                     | 57,325                  | 57,325              | -   |
| Public Pension - JH Other Paygo  | 2,289,501                  | 2,289,501               | 2,214,297           | 75,204                                      |
| <b>Total retirement</b>  | <b>2,404,151</b>           | <b>2,404,151</b>        | <b>2,328,947</b>    | <b>75,204</b>                               |
| <b>Total expenditures</b>  | <b>16,681,165</b>          | <b>16,681,165</b>       | <b>15,753,181</b>   | <b>927,984</b>                              |
| <b>Other financing sources (uses)</b>  |                            |                         |                     |   |
| Transfers from other funds   | -                          | -                       | 3,763               | 3,763                                       |
| <b>Total other financing sources (uses)</b>  | <b>-</b>                   | <b>-</b>                | <b>3,763</b>        | <b>3,763</b>                                |
| <b>Excess of revenues and other sources over<br/>expenditures and other uses - budgetary basis</b> | <b>\$ 1,230</b>            | <b>\$ 1,230</b>         | <b>\$ 1,965,349</b> | <b>\$ 1,964,119</b>                         |

**CITY OF CENTRAL FALLS**  
**Budgetary and Legal Compliance**  
**For the Year Ended June 30, 2014**

D-3

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

|  |                      |
|--|----------------------|
| <b>Total budgetary revenues and other financing sources</b>  | \$ 17,718,530        |
| Reclassification of:   |                      |
| Property tax revenue- sixty day rule   | 217,146              |
| Prior years property tax revenue - sixty day rule  | (549,207)            |
| Bond proceeds  | 5,510,000            |
| Payments made by State for receivership costs  | 13,691               |
| Revenue from various special revenue funds combined with General Fund per GASB 54 requirements:              | 14,864               |
| <b>Total GAAP revenues and other financing sources</b>   | <u>\$ 22,925,024</u> |
| <br>   |                      |
| <b>Total budgetary expenditures and other financing uses</b>   | \$ 15,753,181        |
| Reclassification of:   |                      |
| Receivership costs   | 13,691               |
| Encumbrances outstanding as of June 30, 2014   | (137,902)            |
| Encumbrances outstanding as of June 30, 2013   | 552,894              |
| Refunding of bond  | 5,425,000            |
| Bond issuance costs  | 85,000               |
| Expenses and transfers of various special revenue funds combined with General Fund per GASB 54 requirements: | 14,699               |
| Transfer to capital reserve fund, not part of budget   | 1,915,514            |
| <b>Total GAAP expenditures and other financing uses</b>  | <u>\$ 23,622,077</u> |

**CITY OF CENTRAL FALLS**  
***Excess of Expenditures Over Appropriations***  
***For the Year Ended June 30, 2014***

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D-4

For the year ended June 30, 2014, expenditures exceeded budget at the department level as follows:

| <u>Department</u> | <u>Excess</u> |
|-------------------|---------------|
| City Council      | \$ 907        |
| Personnel         | \$ 106,641    |
| Legal             | \$ 27,610     |
| City Property     | \$ 50,556     |
| Municipal Court   | \$ 112        |
| Planning          | \$ 33,650     |
| Public Education  | \$ 21,575     |
| Recreation        | \$ 29,211     |

CITY OF CENTRAL FALLS

*Schedule of Changes in the Net Position Restricted for Pensions  
and in the Net Pension Liability and Related Ratios  
For the Year Ended 6/30/2014*

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*Changes in the Net Pension Liability:*

|  | 2014          |
|--|---------------|
| Total Pension Liability-Beginning      | \$ 30,167,669 |
| Service Cost                           | 429,158       |
| Interest on Liability and Service Cost | 2,371,254     |
| Benefit Payments                       | (2,256,604)   |
| Interest on Benefit Payments           | (87,443)      |
| Actuarial (Gain) and Loss              | 610,112       |
| Total Pension Liability-Ending         | 31,234,146    |

*Changes in Net Position Restricted for Pensions:*

|                            |             |
|----------------------------|-------------|
| June 30, 2013 Net Position | 5,670,231   |
| Employer Contributions     | 2,328,947   |
| Employee Contributions     | 414,204     |
| Benefit Payments           | (2,264,892) |
| Expenses                   | (19,990)    |
| Investment Income          | 263,238     |
| June 30, 2014 Net Position | 6,391,738   |

|                              |               |
|------------------------------|---------------|
| Net Pension Liability-Ending | \$ 24,842,408 |
|------------------------------|---------------|

|  |       |
|--|-------|
| Plan Fiduciary Net Positions as a percentage<br>of the Total Pension Liability | 20.5% |
|--|-------|

|                          |        |
|--------------------------|--------|
| Covered-employee Payroll | 617.2% |
|--------------------------|--------|

CITY OF CENTRAL FALLS

*Schedule of Investment Returns  
For the Year Ended 6/30/2014*

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|   | <u>2014</u> |
|---|-------------|
| Annual money-weighted rate of return<br>net of investment expense | 4.18%       |

***NON-MAJOR GOVERNMENTAL FUNDS***

**CITY OF CENTRAL FALLS**

**Combining Balance Sheet  
Non-Major Governmental Funds  
June 30, 2014**

|  | CDBG<br>Revolving | CDBG<br>2009  | CDBG<br>2010  | CDBG<br>2012   | CDBG<br>2013   | UDAG<br>Revolving<br>Loan Fund |
|--|-------------------|---------------|---------------|----------------|----------------|--------------------------------|
| <b>ASSETS</b>                          |                   |               |               |                |                |                                |
| Cash and cash equivalents              | \$ 667,058        | \$ -          | \$ -          | \$ -           | \$ -           | \$ 35,234                      |
| Due from federal and state governments |                   | 14,799        | 17,957        | 314,605        | 332,900        |                                |
| Due from other funds                   |                   |               | 4,989         |                |                |                                |
| <b>TOTAL ASSETS</b>                    | <b>667,058</b>    | <b>14,799</b> | <b>22,946</b> | <b>314,605</b> | <b>332,900</b> | <b>35,234</b>                  |
| <b>LIABILITIES</b>                     |                   |               |               |                |                |                                |
| Accounts payable                       | 3,305             |               |               | 26,750         |                | -                              |
| Due to other funds                     |                   |               |               |                |                | 3,352                          |
| Unearned revenue                       |                   | 14,799        | 22,946        | 287,855        | 332,900        |                                |
| <b>TOTAL LIABILITIES</b>               | <b>3,305</b>      | <b>14,799</b> | <b>22,946</b> | <b>314,605</b> | <b>332,900</b> | <b>3,352</b>                   |
| <b>FUND BALANCE</b>                    |                   |               |               |                |                |                                |
| Restricted                             | 663,753           |               |               |                |                | 31,882                         |
| Unassigned                             |                   |               |               |                |                |                                |
| <b>TOTAL FUND BALANCE</b>              | <b>\$ 663,753</b> | <b>\$ -</b>   | <b>\$ -</b>   | <b>\$ -</b>    | <b>\$ -</b>    | <b>\$ 31,882</b>               |

**CITY OF CENTRAL FALLS**

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance  
Non-Major Governmental Funds  
For the year ended June 30, 2014**

|  | CDBG<br>Revolving | CDBG<br>2009 | CDBG<br>2010 | CDBG<br>2012   | CDBG<br>2013 | UDAG<br>Revolving<br>Loan Fund |
|--|-------------------|--------------|--------------|----------------|--------------|--------------------------------|
| <b>Revenues:</b>   |                   |              |              |                |              |                                |
| Interest and investment income   | \$ -              | \$ -         | \$ -         | \$ -           | \$ -         | \$ -                           |
| Licenses, fees, permits and fines  |                   |              |              |                |              |                                |
| Intergovernmental  |                   |              |              | 162,633        |              |                                |
| Other  |                   |              |              |                |              |                                |
| <b>Total revenues</b>  | <b>-</b>          | <b>-</b>     | <b>-</b>     | <b>162,633</b> | <b>-</b>     | <b>-</b>                       |
| <b>Expenditures:</b>   |                   |              |              |                |              |                                |
| General government   |                   |              |              | 162,633        |              | 3,351                          |
| Public safety  |                   |              |              |                |              |                                |
| Recreation   |                   |              |              |                |              |                                |
| Capital outlays  |                   |              |              |                |              |                                |
| <b>Total expenditures &amp; capital outlays</b>                                      | <b>-</b>          | <b>-</b>     | <b>-</b>     | <b>162,633</b> | <b>-</b>     | <b>3,351</b>                   |
| <b>Excess of revenue over (under) expenditures before transfers</b>                  | <b>-</b>          | <b>-</b>     | <b>-</b>     | <b>-</b>       | <b>-</b>     | <b>(3,351)</b>                 |
| <b>Other financing sources (uses):</b>   |                   |              |              |                |              |                                |
| Transfers out  |                   |              |              |                |              |                                |
| <b>Net other financing sources (uses)</b>  | <b>-</b>          | <b>-</b>     | <b>-</b>     | <b>-</b>       | <b>-</b>     | <b>-</b>                       |
| <b>Excess of revenues and other sources over (under) expenditures and other uses</b> | <b>-</b>          | <b>-</b>     | <b>-</b>     | <b>-</b>       | <b>-</b>     | <b>(3,351)</b>                 |
| <b>Fund balance, beginning of the year, as restated</b>                              | <b>663,753</b>    | <b>-</b>     | <b>-</b>     | <b>-</b>       | <b>-</b>     | <b>35,233</b>                  |
| <b>Fund balance, end of the year</b>   | <b>\$ 663,753</b> | <b>\$ -</b>  | <b>\$ -</b>  | <b>\$ -</b>    | <b>\$ -</b>  | <b>\$ 31,882</b>               |

**CITY OF CENTRAL FALLS**

**Combining Balance Sheet  
Non-Major Governmental Funds  
June 30, 2014**

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

**CITY OF CENTRAL FALLS**

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance  
Non-Major Governmental Funds  
For the year ended June 30, 2014**

|  | Home             | ED                | COPS Grant    | EDI Community Center | Grant In Aid     | RI Foundation |
|--|------------------|-------------------|---------------|----------------------|------------------|---------------|
| <b>Revenues:</b>   |                  |                   |               |                      |                  |               |
| Interest and investment income   | \$ -             | \$ -              | \$ -          | \$ -                 | \$ -             | \$ -          |
| Licenses, fees, permits and fines  |                  |                   |               |                      |                  |               |
| Intergovernmental  |                  |                   | 21,090        |                      |                  |               |
| Other  |                  |                   |               |                      |                  | -             |
| <b>Total revenues</b>  | <b>-</b>         | <b>-</b>          | <b>21,090</b> |                      | <b>-</b>         | <b>-</b>      |
| <b>Expenditures:</b>   |                  |                   |               |                      |                  |               |
| General government   |                  |                   |               |                      |                  |               |
| Public safety  |                  |                   | 21,090        |                      |                  |               |
| Recreation   |                  |                   |               |                      |                  |               |
| Capital outlays  |                  |                   |               |                      |                  |               |
| <b>Total expenditures &amp; capital outlays</b>                                      | <b>-</b>         | <b>-</b>          | <b>21,090</b> |                      | <b>-</b>         | <b>-</b>      |
| <b>Excess of revenue over (under) expenditures before transfers</b>                  | <b>-</b>         | <b>-</b>          | <b>-</b>      |                      | <b>-</b>         | <b>-</b>      |
| <b>Other financing sources (uses):</b>   |                  |                   |               |                      |                  |               |
| Transfers out  |                  |                   |               | (1)                  |                  |               |
| <b>Net other financing sources (uses)</b>  | <b>-</b>         | <b>-</b>          | <b>-</b>      | <b>(1)</b>           | <b>-</b>         | <b>-</b>      |
| <b>Excess of revenues and other sources over (under) expenditures and other uses</b> | <b>-</b>         | <b>-</b>          | <b>-</b>      | <b>(1)</b>           | <b>-</b>         | <b>-</b>      |
| <b>Fund balance, beginning of the year, as restated</b>                              | <b>59,201</b>    | <b>396,939</b>    | <b>-</b>      | <b>1</b>             | <b>58,306</b>    | <b>-</b>      |
| <b>Fund balance, end of the year</b>   | <b>\$ 59,201</b> | <b>\$ 396,939</b> | <b>\$ -</b>   | <b>\$ -</b>          | <b>\$ 58,306</b> | <b>\$ -</b>   |

(CONTINUED)

**CITY OF CENTRAL FALLS**

**Combining Balance Sheet  
Non-Major Governmental Funds  
June 30, 2014**

|  | Recreation<br>Summer Lunch<br>Program | Police<br>C.A.R.E. | DARE<br>Program | Police<br>Special<br>Accounts | 2012 JAG<br>Grant | JAG<br>Grant  |
|--|---------------------------------------|--------------------|-----------------|-------------------------------|-------------------|---------------|
| <b>ASSETS</b>                          |                                       |                    |                 |                               |                   |               |
| Cash and cash equivalents              | \$ -                                  | \$ -               | \$ -            | \$ 90,031                     | \$ -              | \$ -          |
| Due from federal and state governments |                                       | 11,680             |                 |                               |                   |               |
| Due from other funds                   | 15,417                                | 33,153             |                 | 5,376                         | 104               | 26,757        |
| <b>TOTAL ASSETS</b>                    | <b>15,417</b>                         | <b>44,833</b>      |                 | <b>95,407</b>                 | <b>104</b>        | <b>26,757</b> |
| <b>LIABILITIES</b>                     |                                       |                    |                 |                               |                   |               |
| Accounts payable                       | 1,555                                 | 728                |                 | 58,802                        |                   | 23,094        |
| Due to other funds                     | 12,358                                | 43,100             |                 | 41,859                        | 123               | 3,663         |
| Unearned revenue                       |                                       |                    |                 |                               |                   |               |
| <b>TOTAL LIABILITIES</b>               | <b>13,913</b>                         | <b>43,828</b>      |                 | <b>100,661</b>                | <b>123</b>        | <b>26,757</b> |
| <b>FUND BALANCE</b>                    |                                       |                    |                 |                               |                   |               |
| Restricted                             | 1,504                                 | 1,005              |                 |                               |                   | -             |
| Unassigned                             |                                       |                    |                 | (5,254)                       | (19)              |               |
| <b>TOTAL FUND BALANCE</b>              | <b>\$ 1,504</b>                       | <b>\$ 1,005</b>    | <b>\$ -</b>     | <b>\$ (5,254)</b>             | <b>\$ (19)</b>    | <b>\$ -</b>   |

**CITY OF CENTRAL FALLS**

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance  
Non-Major Governmental Funds  
For the year ended June 30, 2014**

|  | Recreation<br>Summer Lunch<br>Program | Police<br>C.A.R.E. | DARE<br>Program | Police<br>Special<br>Accounts | 2012 JAG<br>Grant | JAG<br>Grant  |
|--|---------------------------------------|--------------------|-----------------|-------------------------------|-------------------|---------------|
| <b>Revenues:</b>   |                                       |                    |                 |                               |                   |               |
| Interest and investment income   | \$ -                                  | \$ -               | \$ -            | \$ 120                        | \$ -              | \$ -          |
| Licenses, fees, permits and fines  |                                       |                    |                 |                               |                   |               |
| Intergovernmental  | 15,417                                | 65,110             |                 | 8,947                         | 104               | 26,757        |
| Other  |                                       |                    |                 |                               |                   |               |
| <b>Total revenues</b>  | <b>15,417</b>                         | <b>65,110</b>      |                 | <b>9,067</b>                  | <b>104</b>        | <b>26,757</b> |
| <b>Expenditures:</b>   |                                       |                    |                 |                               |                   |               |
| General government   |                                       |                    |                 |                               |                   |               |
| Public safety  |                                       | 88,672             |                 | 40,050                        | 123               | 26,757        |
| Recreation   | 13,913                                |                    |                 |                               |                   |               |
| Capital outlays  |                                       |                    |                 |                               |                   |               |
| <b>Total expenditures &amp; capital outlays</b>                                      | <b>13,913</b>                         | <b>88,672</b>      |                 | <b>40,050</b>                 | <b>123</b>        | <b>26,757</b> |
| <b>Excess of revenue over (under) expenditures before transfers</b>                  | <b>1,504</b>                          | <b>(23,562)</b>    |                 | <b>(30,983)</b>               | <b>(19)</b>       | <b>-</b>      |
| <b>Other financing sources (uses):</b>   |                                       |                    |                 |                               |                   |               |
| Transfers out  |                                       |                    | (3)             |                               |                   |               |
| <b>Net other financing sources (uses)</b>  | <b>-</b>                              | <b>-</b>           | <b>(3)</b>      | <b>-</b>                      | <b>-</b>          | <b>-</b>      |
| <b>Excess of revenues and other sources over (under) expenditures and other uses</b> | <b>1,504</b>                          | <b>(23,562)</b>    | <b>(3)</b>      | <b>(30,983)</b>               | <b>(19)</b>       | <b>-</b>      |
| <b>Fund balance, beginning of the year, as restated</b>                              | <b>-</b>                              | <b>24,567</b>      | <b>3</b>        | <b>25,729</b>                 | <b>-</b>          | <b>-</b>      |
| <b>Fund balance, end of the year</b>   | <b>\$ 1,504</b>                       | <b>\$ 1,005</b>    | <b>\$ -</b>     | <b>\$ (5,254)</b>             | <b>\$ (19)</b>    | <b>\$ -</b>   |

**CITY OF CENTRAL FALLS**

**Combining Balance Sheet  
Non-Major Governmental Funds  
June 30, 2014**

|  | Public<br>Rescue  | Rural<br>Grants | Emergency<br>Equipment<br>Replacement | Recycling<br>Account | Channel<br>One |
|--|-------------------|-----------------|---------------------------------------|----------------------|----------------|
| <b>ASSETS</b>                          |                   |                 |                                       |                      |                |
| Cash and cash equivalents              | \$ 221,519        | \$ -            | \$ -                                  | \$ -                 | \$ -           |
| Due from federal and state governments | 160,753           | 49              | 144,400                               | 10,331               | -              |
| Due from other funds                   | -                 | -               | -                                     | -                    | -              |
| <b>TOTAL ASSETS</b>                    | <b>382,272</b>    | <b>49</b>       | <b>144,400</b>                        | <b>10,331</b>        | <b>-</b>       |
| <b>LIABILITIES</b>                     |                   |                 |                                       |                      |                |
| Accounts payable                       | 16,827            | -               | -                                     | -                    | -              |
| Due to other funds                     | 184,995           | -               | -                                     | -                    | -              |
| Unearned revenue                       | -                 | -               | -                                     | 10,306               | -              |
| <b>TOTAL LIABILITIES</b>               | <b>201,822</b>    | <b>-</b>        | <b>-</b>                              | <b>10,306</b>        | <b>-</b>       |
| <b>FUND BALANCE</b>                    |                   |                 |                                       |                      |                |
| Restricted                             | 180,450           | 49              | 144,400                               | 25                   | -              |
| Unassigned                             | -                 | -               | -                                     | -                    | -              |
| <b>TOTAL FUND BALANCE</b>              | <b>\$ 180,450</b> | <b>\$ 49</b>    | <b>\$ 144,400</b>                     | <b>\$ 25</b>         | <b>\$ -</b>    |

**CITY OF CENTRAL FALLS**

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance  
Non-Major Governmental Funds  
For the year ended June 30, 2014  
June 30, 2014**

|  | Public<br>Rescue  | Rural<br>Grants | Emergency<br>Equipment<br>Replacement | Recycling<br>Account | Channel<br>One |
|--|-------------------|-----------------|---------------------------------------|----------------------|----------------|
| <b>Revenues:</b>   |                   |                 |                                       |                      |                |
| Interest and investment income   | \$ -              | \$ -            | \$ -                                  | \$ -                 | \$ -           |
| Licenses, fees, permits and fines  | -                 | -               | -                                     | -                    | -              |
| Intergovernmental  | -                 | -               | -                                     | -                    | -              |
| Other  | -                 | -               | -                                     | -                    | -              |
| <b>Total revenues</b>  | <b>-</b>          | <b>-</b>        | <b>-</b>                              | <b>-</b>             | <b>-</b>       |
| <b>Expenditures:</b>   |                   |                 |                                       |                      |                |
| General government   | -                 | -               | -                                     | -                    | -              |
| Public safety  | 4,094             | -               | -                                     | -                    | -              |
| Recreation   | -                 | -               | -                                     | -                    | -              |
| Capital outlays  | -                 | -               | -                                     | -                    | -              |
| <b>Total expenditures &amp; capital outlays</b>                                      | <b>4,094</b>      | <b>-</b>        | <b>-</b>                              | <b>-</b>             | <b>-</b>       |
| <b>Excess of revenue over (under) expenditures before transfers</b>                  | <b>(4,094)</b>    | <b>-</b>        | <b>-</b>                              | <b>-</b>             | <b>-</b>       |
| <b>Other financing sources (uses):</b>   |                   |                 |                                       |                      |                |
| Transfers out  | -                 | -               | -                                     | -                    | (3,759)        |
| <b>Net other financing sources (uses)</b>  | <b>-</b>          | <b>-</b>        | <b>-</b>                              | <b>-</b>             | <b>(3,759)</b> |
| <b>Excess of revenues and other sources over (under) expenditures and other uses</b> | <b>(4,094)</b>    | <b>-</b>        | <b>-</b>                              | <b>-</b>             | <b>(3,759)</b> |
| Fund balance, beginning of the year, as restated                                     | 184,544           | 49              | 144,400                               | 25                   | 3,759          |
| <b>Fund balance, end of the year</b>   | <b>\$ 180,450</b> | <b>\$ 49</b>    | <b>\$ 144,400</b>                     | <b>\$ 25</b>         | <b>\$ -</b>    |

**CITY OF CENTRAL FALLS**  
**Combining Balance Sheet**  
**Non-Major Governmental Funds**  
**June 30, 2014**

|  | Property<br>Development | Recreation<br>Capital | School<br>Construction | Historic<br>Trust | GRAND<br>TOTALS     |
|--|-------------------------|-----------------------|------------------------|-------------------|---------------------|
| <b>ASSETS</b>                          |                         |                       |                        |                   |                     |
| Cash and cash equivalents              | \$ -                    | \$ -                  | \$ 35,383              | \$ 38,402         | \$ 1,543,767        |
| Due from federal and state governments |                         |                       |                        |                   | 713,362             |
| Due from other funds                   | 161,179                 | 4,393                 |                        | 31,553            | 662,714             |
| <b>TOTAL ASSETS</b>                    | <b>161,179</b>          | <b>4,393</b>          | <b>35,383</b>          | <b>69,955</b>     | <b>2,919,843</b>    |
| <b>LIABILITIES</b>                     |                         |                       |                        |                   |                     |
| Accounts payable                       |                         |                       |                        |                   | 131,061             |
| Due to other funds                     |                         |                       |                        | 6,052             | 316,923             |
| Unearned revenue                       |                         |                       |                        |                   | 674,760             |
| <b>TOTAL LIABILITIES</b>               | <b>-</b>                | <b>-</b>              | <b>-</b>               | <b>6,052</b>      | <b>1,122,744</b>    |
| <b>FUND BALANCE</b>                    |                         |                       |                        |                   |                     |
| Restricted                             | 161,179                 | 4,393                 | 35,383                 | 63,903            | 1,802,372           |
| Unassigned                             |                         |                       |                        |                   | (5,273)             |
| <b>TOTAL FUND BALANCE</b>              | <b>\$ 161,179</b>       | <b>\$ 4,393</b>       | <b>\$ 35,383</b>       | <b>\$ 63,903</b>  | <b>\$ 1,797,099</b> |

**CITY OF CENTRAL FALLS**

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Non-Major Governmental Funds**  
**For the year ended June 30, 2014**

|  | Property<br>Development | Recreation<br>Capital | School<br>Construction | Historic<br>Trust | GRAND<br>TOTALS     |
|--|-------------------------|-----------------------|------------------------|-------------------|---------------------|
| <b>Revenues:</b>   |                         |                       |                        |                   |                     |
| Interest and investment income   | \$ -                    | \$ -                  | \$ -                   | \$ 37             | \$ 157              |
| Licenses, fees, permits and fines  |                         |                       |                        |                   | -                   |
| Intergovernmental  |                         |                       |                        |                   | 300,058             |
| Other  |                         |                       |                        | 3,422             | 3,422               |
| <b>Total revenues</b>  | <b>-</b>                | <b>-</b>              | <b>-</b>               | <b>3,459</b>      | <b>303,637</b>      |
| <b>Expenditures:</b>   |                         |                       |                        |                   |                     |
| General government   |                         |                       |                        |                   | 165,984             |
| Public safety  |                         |                       |                        |                   | 180,786             |
| Recreation   |                         |                       |                        |                   | 13,913              |
| Capital outlays  |                         |                       | 77,329                 |                   | 77,329              |
| <b>Total expenditures &amp; capital outlays</b>                                      | <b>-</b>                | <b>-</b>              | <b>77,329</b>          | <b>-</b>          | <b>438,012</b>      |
| <b>Excess of revenue over (under) expenditures before transfers</b>                  | <b>-</b>                | <b>-</b>              | <b>(77,329)</b>        | <b>3,459</b>      | <b>(134,375)</b>    |
| <b>Other financing sources (uses):</b>   |                         |                       |                        |                   |                     |
| Transfers out  |                         |                       |                        |                   | (3,763)             |
| <b>Net other financing sources (uses)</b>  | <b>-</b>                | <b>-</b>              | <b>-</b>               | <b>-</b>          | <b>(3,763)</b>      |
| <b>Excess of revenues and other sources over (under) expenditures and other uses</b> | <b>-</b>                | <b>-</b>              | <b>(77,329)</b>        | <b>3,459</b>      | <b>(138,138)</b>    |
| <b>Fund balance, beginning of the year, as restated</b>                              | <b>161,179</b>          | <b>4,393</b>          | <b>112,712</b>         | <b>60,444</b>     | <b>1,935,237</b>    |
| <b>Fund balance, end of the year</b>   | <b>\$ 161,179</b>       | <b>\$ 4,393</b>       | <b>\$ 35,383</b>       | <b>\$ 63,903</b>  | <b>\$ 1,797,099</b> |

(CONCLUDED)

## ***AGENCY FUNDS***

*Statement of Changes in Assets and Liabilities  
Agency Funds  
For the year ended June 30, 2014*

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|                                     | Beginning<br>Balance | Additions     | Deductions  | Ending<br>Balance |
|-------------------------------------|----------------------|---------------|-------------|-------------------|
| <b><u>Unclaimed Estates</u></b>     |                      |               |             |                   |
| <b>ASSETS</b>                       |                      |               |             |                   |
| Cash                                | \$ 32,629            | \$ 116        | \$ -        | \$ 32,745         |
| <b>LIABILITY</b>                    |                      |               |             |                   |
| Deposits Held in Custody for Others | \$ 32,629            | \$ 116        | \$ -        | \$ 32,745         |
| <b><u>Totals</u></b>                |                      |               |             |                   |
| <b>ASSETS</b>                       |                      |               |             |                   |
| Cash                                | \$ 32,629            | \$ 116        | \$ -        | \$ 32,745         |
| <b>TOTAL ASSETS</b>                 | <b>\$ 32,629</b>     | <b>\$ 116</b> | <b>\$ -</b> | <b>\$ 32,745</b>  |
| <b>LIABILITIES</b>                  |                      |               |             |                   |
| Deposits Held in Custody for Others | \$ 32,629            | \$ 116        | \$ -        | \$ 32,745         |
| <b>TOTAL LIABILITIES</b>            | <b>\$ 32,629</b>     | <b>\$ 116</b> | <b>\$ -</b> | <b>\$ 32,745</b>  |

***GENERAL FUND***

CITY OF CENTRAL FALLS

**SCHEDULE OF PROPERTY TAXES RECEIVABLE  
YEAR ENDED JUNE 30, 2014**

| <u>Assessment of</u>                       | <u>Balance<br/>Uncollected<br/>July 1, 2013</u> | <u>2013<br/>Assessment</u> | <u>Additions &amp;<br/>Adjustments</u> | <u>Abatements</u> | <u>Amount to be<br/>Collected</u> | <u>Current Year<br/>Collections</u> | <u>Balance<br/>June 30, 2014</u> |
|--|---|----------------------------|--|-------------------|-----------------------------------|-------------------------------------|----------------------------------|
| 2013                                       | \$ -  | \$ 14,221,500              | \$ -                                   | \$ (63,030)       | \$ 14,158,470                     | \$13,300,479                        | \$ 857,991                       |
| 2012                                       | 1,077,742                                       |                            | -                                      | (12,859)          | 1,064,883                         | 132,910                             | 931,973                          |
| 2011                                       | 478,794   |                            | -                                      | (8,833)           | 469,961                           | 31,747                              | 438,214                          |
| 2010                                       | 470,798   |                            |  | (8,065)           | 462,733                           | 24,560                              | 438,173                          |
| 2009                                       | 143,467   |                            |  | (1,650)           | 141,817                           | 28,726                              | 113,091                          |
| 2008                                       | 154,881   |                            |  | -                 | 154,881                           | 105,247                             | 49,634                           |
| 2007                                       | 161,098   |                            |  | (1,100)           | 159,998                           | 7,265                               | 152,733                          |
| 2006                                       | 85,124  |                            |  | -                 | 85,124                            | 222                                 | 84,902                           |
| 2005                                       | 64,535  |                            |  | -                 | 64,535                            | 114                                 | 64,421                           |
| 2004                                       | 67,225  |                            |  | -                 | 67,225                            | 51                                  | 67,174                           |
| 2003                                       | 66,477  |                            |  | -                 | 66,477                            | 58                                  | 66,419                           |
| 2002                                       | 69,356  |                            |  | -                 | 69,356                            | 73                                  | 69,283                           |
| 2001                                       | 76,678  |                            |  | -                 | 76,678                            | 240                                 | 76,438                           |
| 2000                                       | 62,723  |                            |  | -                 | 62,723                            | -                                   | 62,723                           |
| 1999                                       | 84,241  |                            |  | -                 | 84,241                            | 47                                  | 84,194                           |
| 1998 and prior                             | 621,413   |                            |  | -                 | 621,413                           | 174                                 | 621,239                          |
|  | 3,684,552                                       | \$ 14,221,500              | \$ -                                   | \$ (95,537)       | \$ 17,810,515                     | \$ 13,631,913                       | 4,178,602                        |
| Less: allowance for uncollectible accounts | (850,000)                                       |                            |  |                   |                                   |                                     | (850,000)                        |
|  | <u>\$ 2,834,552</u>                             |                            |  |                   |                                   |                                     | <u>\$ 3,328,602</u>              |

**Schedule of property valuation assessed as of December 31, 2012:**

|                  |                      |
|------------------|----------------------|
| Real estate      | \$ 11,966,778        |
| Motor vehicles   | 2,563,527            |
| Tangibles        | 1,116,249            |
| Less: exemptions | (1,487,587)          |
| Adjustments      | 62,533               |
|                  | <u>\$ 14,221,500</u> |

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

City of Central Falls  
Central Falls, Rhode Island

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of City of Central Falls, Rhode Island, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise City of Central Falls, Rhode Island's basic financial statements, and have issued our report thereon dated February 3, 2015.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered City of Central Falls, Rhode Island's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Central Falls, Rhode Island's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Central Falls, Rhode Island's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

***Compliance and Other Matters***

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

***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Marcum LLP*

Providence, Rhode Island  
February 3, 2015