

CITY OF CENTRAL FALLS

BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

WITH

INDEPENDENT AUDITORS' REPORT

**FOR THE YEAR ENDED
JUNE 30, 2016**

CITY OF CENTRAL FALLS

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JUNE 30, 2016**

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor James Diossa
and Members of the Central Falls City Council

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, 2016, 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, 2016, 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.

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 55 through 69 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 non-major 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 non-major 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 non-major 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 January 31, 2017, 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, RI
January 31, 2017

Management's Discussion and Analysis

Fiscal Year Ended June 30, 2016

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, 2016. This is the City's fourteenth (14th) 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 2016 expresses an unmodified (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, the aggregate remaining fund information of the City and the notes to the financial statements.

The Government-Wide Statement of Net Position indicates that the City's total net position decreased this year to a negative \$22,517,304, reflecting a decrease of \$1,306,580 over FY2015.

The Government-Wide Statement of Activities indicates that the City's total general revenues of \$17,638,737 combined with additional program revenues of \$2,744,580, less program expenses of \$19,076,737, resulted in an increase of \$1,306,580 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 \$586,240, reflecting an increase of \$167,095 (after other financing sources and uses) compared to the FY2015 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 Government Accounting Standard Board (GASB) Statement No. 34.

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 GASB Statement No. 34 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 statement of fiduciary net position. 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 the 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.

Fiduciary Funds

The City of Central Falls is the trustee, or fiduciary, for certain funds held on behalf of 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 fourteenth (14th) 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 \$1,306,580 over the prior year's balance. This increase 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, 2016 was:

	Net Assets	
	Governmental Activities	
	<u>2016</u>	<u>2015</u>
Current and other assets	\$10,477,047	\$10,911,451
Capital assets	\$17,236,989	\$17,276,529
Total Assets	<u>\$27,714,036</u>	<u>\$28,187,980</u>
Deferred Outflow	\$5,476,708	\$8,002,172
Current liabilities	\$3,285,701	\$2,606,133
Long-term liabilities	\$46,107,898	\$57,131,169
Total Liabilities	<u>\$49,393,599</u>	<u>\$59,737,302</u>
Deferred Inflow	<u>\$6,314,449</u>	<u>\$276,734</u>
Net Position:		
Net investment in		
Capital assets	\$4,236,989	\$2,395,285
Restricted	\$5,153,959	\$6,387,697
Unrestricted	<u>(\$31,908,252)</u>	<u>(\$32,606,866)</u>
Total Net Position	<u>(\$22,517,304)</u>	<u>(\$23,823,884)</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 \$4,236,989 and restricted net position amounted to \$5,153,959. The negative balance of \$31,908,252 in unrestricted net position is mostly attributable to the City's net pension liability of \$26,955,151 and the other post-employment benefits obligation of \$3,228,211.

As indicated in the Statement of Activities, the total cost of governmental activities for the year ended June 30, 2016 was \$19,076,737. Some of the costs (i.e. \$898,715) were paid by federal, state and private grants and entitlements.

Program and General Revenues

	<u>2016</u>	<u>2015</u>
Charges for services		
General government	\$1,845,865	\$1,655,142

Total revenue received for charges for services in 2016 was \$1,845,865 an increase of \$190,723 as compared to the amount received in 2015, which was \$1,655,142. The change is mostly attributable to a cost increase in water rates and cost of living expenditure.

	<u>2016</u>	<u>2015</u>
Operating Grants and Contributions		
General government	\$517,749	\$536,772
Public safety	\$61,546	\$137,750
Public recreation	\$96,262	\$28,886
Total	\$675,557	\$703,408

Total revenue received from Operating Grants and Contributions in 2016, was \$675,557 a decrease of \$27,851 as compared to the amount received in 2015, which was equal to \$703,408.

	<u>2016</u>	<u>2015</u>
Capital Grants and Contributions		
General government	\$223,158	\$0
Total	\$223,158	\$0

Total revenue received from Capital Grants and Contributions in 2016 was \$223,158, which was an increase of \$223,158 to the amount received in 2015, which was \$0. The change in amount is revenue that was received for the 115 Illinois Project.

	<u>2016</u>	<u>2015</u>
Total Program Revenues	\$2,744,580	\$2,358,550
General Revenues		
Property taxes	\$14,895,636	\$13,362,074
Grants and contributions (unrestricted)	\$2,476,125	\$2,504,076
Investment earnings	\$8,669	\$4,953
Miscellaneous	\$258,307	\$145,061
Total General Revenues	\$17,638,737	\$16,016,164
Total Government-Wide Revenues	\$20,383,317	\$18,374,714

General revenues in 2016 were \$17,638,737, which reflects an increase \$1,622,573 as compared to the amount received in 2015, which was equal to \$16,016,164. Total Government-Wide Revenues in 2016 were \$20,383,317, an increase of \$2,008,603 as compared to the amount received in 2015, which was equal to \$18,374,714. The change is mostly attributable to an increase in property tax rate and collection efforts.

Statement of Activities

Program Expenses	Total Cost of Services 2016	Net Cost of Services 2016	Total Cost of Services 2015	Net Cost of Services 2015
General Government	\$2,705,590	\$118,818	\$3,512,480	\$1,320,566
Public Safety	7,807,359	7,745,813	7,539,864	7,402,114
Public Works	2,456,989	2,456,989	2,822,067	2,822,067
Public Education	1,377,359	1,377,359	1,358,882	1,358,882
Public Recreation	678,426	582,164	517,679	488,793
Contingency	33,786	33,786	227,440	227,440
Employee Benefits	508,931	508,931	423,877	423,877
Retirement	2,296,007	2,296,007	3,349,320	3,349,320
Debt Service Interest	1,212,290	1,212,290	687,848	687,848
*Total Expenses	\$19,076,737	\$16,332,157	\$20,439,457	\$18,080,907

The City's total program expenses were \$19,076,737. With additional program revenues of \$2,744,580 in FY 2016, the City's net cost of services was \$16,332,157. When subtracted from the City's total general revenues of \$17,638,737, the City realizes a favorable Change in Net Position of \$1,306,580. This favorable change is mostly attributable to an increase in tax revenue and to an overall decrease in expenses. In FY 2015 the City realized an unfavorable Change in Net Position of \$2,064,743.

Transfers

Inter-fund transfers for the year ended June 30, 2016 totaled \$1,177,470 for the year.

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

Statement of Changes in Fund Balances – Governmental Funds

	Fund Balance June 30, 2016	Fund Balance June 30, 2015	Increase (Decrease)
General Fund	\$576,677	\$419,145	\$157,532
State Pension	\$84,047	\$594,552	(\$510,505)
Capital Reserve	\$3,991,231	\$4,223,459	(\$232,228)
Other Governmental	\$1,078,681	\$1,569,686	(\$491,005)
Total	\$5,730,636	\$6,806,842	(\$1,076,206)

The fund balance for the City of Central Falls general fund is \$576,677 as of June 30, 2016. This represents an increase of \$157,532 as compared to FY2015.

General Fund	Percentage			
Revenues	2016	2015	Variance	Change
General property taxes	\$14,945,742	\$14,816,161	\$129,581	0.87%
Intergovernmental	\$2,476,125	\$2,504,076	(\$27,951)	-1.12%
Fees / Non-tax income	\$1,845,865	\$1,655,142	\$190,723	11.52%
Other revenues	\$143,412	\$74,564	\$68,848	92.33%
Total	\$19,411,144	\$19,049,943	\$361,201	1.90%

Analysis

The total increase in the City's general fund balance of \$167,095, under modified accrual was the result of the following:

FY2016 revenues exceeded expenditures by \$1,768,369 before other financing sources and uses were applied. The general fund realized an increase of \$167,095. Per the Bankruptcy Plan, \$1,177,470 was transferred to the Capital Improvement Plan account, which represents the budgetary surplus/(deficit) less \$50,000.

Revenues from general property taxes increased by \$129,581 or .87%, as compared to FY2015. Intergovernmental revenues received from the State of Rhode Island decreased by \$27,951 or -1.13% as compared to last year, resulting from a slight decrease in state aid. Local fees, non-tax, and other income increased by \$190,723 or 11.52%.

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, 2016

Revenue Analysis	Adopted Budget	Final Budget	Actual	Variance
Tax revenue	\$14,152,378	\$14,152,378	\$14,930,683	\$778,305
Fees/Non-tax revenue	1,607,634	1,607,634	1,846,729	239,095
Intergovernmental/State	2,360,521	2,360,521	2,475,261	114,740
Other Income	47,247	47,247	319,608	272,361
Sub-Total	\$18,167,780	\$18,167,780	\$19,572,281	\$1,404,501
Expenditure Analysis				
General government	\$2,535,463	\$2,535,463	\$2,599,691	(\$64,228)
Public safety	7,340,216	7,340,216	6,926,368	413,848
Public works	2,071,686	2,071,686	2,143,412	(71,726)
Public Library	144,871	144,871	144,871	0
Public recreation/Planning	419,210	419,210	409,018	10,192
Municipal debt service	2,485,439	2,485,439	3,084,630	(599,191)
Reserve/Special Projects	90,839	90,839	14,738	76,101
Contingency	20,746	20,746	19,048	1,698
Employee benefits	613,900	613,900	508,931	104,969
Retirement	2,445,410	2,445,410	2,401,631	43,779
Sub-Total	\$18,167,780	\$18,167,780	\$18,252,338	(\$84,558)

Other Governmental Funds

Other governmental funds consist of:

<u>Fund Type</u>	<u>Total Net Position</u>	<u>Note</u>
Un-assigned		Includes the amount of fund balance that cannot be spent
Restricted	1,078,681	Resources restricted for specific purposes
Total	\$ 1,078,681	

It should be noted that the Central Falls School District was not classified as a component unit of the City. It is a component unit of the State of Rhode Island through an act of the Rhode Island Legislature. This act provided for the State to assume administrative takeover of the School District effective July 1, 1991. 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	\$ 7,945,248

Total net position of the City's pension trust funds amount to \$7,945,248 in FY2016, an increase of \$1,244,798 compared to FY2015, 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 2027, 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 statement of net position.

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 \$31.4 million, including \$24.9 million for the pension fund as of July 1, 2016 and \$6.5 million for post-employment benefits as of June 30, 2015.

Debt Administration

At year end the total long-term debt for the City of Central Falls was \$46 million. The breakdown is as follows:

	<u>FY2016 Amount</u>	<u>Percent</u>	<u>FY2015 Amount</u>	<u>Percent</u>
General Obligation Municipal Bonds	6,290,000	14%	6,665,000	12%
RIHEBC Revenue Bonds	6,710,000	15%	8,195,000	14%
Capital Lease	-	0%	21,244	0%
Net Pension Obligation (NPO)	26,955,151	58%	35,623,954	62%
Net OPEB Obligation (NOO)	3,228,211	7%	3,144,940	6%
Due to State	2,666,716	6%	3,266,716	6%
Compensated Absences	257,820	0%	214,315	0%
Total	46,107,898	100%	57,131,169	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 May 26, 2015, Moody's upgraded the City's general obligation bond rating to Ba2 from Ba3, 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.

On March 5, 2015, Standard and Poor reaffirmed its BB rating for the City of Central Falls, with a positive outlook.

Capital Assets

The City of Central Falls has \$17,236,989 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, 2016.

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, MBA
Finance Director

FINANCIAL SECTION

Statement of Net Position
June 30, 2016

	Governmental Activities
ASSETS	
Current assets	
Cash and cash equivalents	\$ 7,355,462
Due from federal and state governments	1,057,243
Property taxes receivable, net	1,850,643
Other receivables, net	121,226
Prepaid Expenses	92,473
Total current assets	10,477,047
Noncurrent assets	
Capital assets (non-depreciable)	1,379,472
Capital assets (net of accumulated depreciation)	15,857,517
Total noncurrent assets	17,236,989
TOTAL ASSETS	27,714,036
DEFERRED OUTFLOWS OF RESOURCES	
Pension related	5,476,708
TOTAL DEFERRED OUTFLOWS OF RESOURCES	5,476,708
LIABILITIES	
Current liabilities	
Accounts payable	1,759,674
Accrued interest payable	145,922
Accrued expenses	292,406
Unearned revenue	1,087,699
Current portion of long-term liabilities	1,915,782
Total current liabilities	5,201,483
Noncurrent liabilities	
Net pension liability	26,955,151
Net OPEB obligation	3,228,211
Long-term liabilities	14,008,754
Total noncurrent liabilities	44,192,116
TOTAL LIABILITIES	49,393,599
DEFERRED INFLOWS OF RESOURCES	
Pension related	6,314,449
TOTAL DEFERRED INFLOWS OF RESOURCES	6,314,449
NET POSITION (DEFICIT)	
Net investment in capital assets	4,236,989
Restricted:	
Retirees supplemental settlement	84,047
Capital projects	4,147,240
Special revenue/grantors	913,109
Unrestricted	(31,898,689)
TOTAL NET POSITION (DEFICIT)	\$ (22,517,304)

**Statement of Activities
For the year ended June 30, 2016**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
General government	\$ 2,705,590	\$ 1,845,865	\$ 517,749	\$ 223,158	\$ (118,818)
Public safety	7,807,359	-	61,546		(7,745,813)
Public works	2,456,989				(2,456,989)
Public education	1,377,359				(1,377,359)
Public recreation	678,426		96,262		(582,164)
Contingency	33,786				(33,786)
Employee benefits	508,931				(508,931)
Retirement	2,296,007				(2,296,007)
Debt service interest	1,212,290				(1,212,290)
Totals	\$ 19,076,737	\$ 1,845,865	\$ 675,557	\$ 223,158	(16,332,157)

General revenues:	
Property taxes	14,895,636
Grants and contributions not restricted to specific programs	2,476,125
Investment earnings	8,669
Miscellaneous	258,307
Total general revenues	17,638,737
Change in net position	1,306,580
Net position (deficit) - beginning	(23,823,884)
Net position (deficit) - ending	\$ (22,517,304)

Balance Sheet
Governmental Funds
June 30, 2016

	General Fund	Retirees Supplemental Settlement	Capital Reserve	Other Governmental Funds	Total Governmental Funds
ASSETS:					
Cash and cash equivalents	\$ 5,763,571	\$ 84,047	\$ -	\$ 1,507,844	\$ 7,355,462
Due from federal and state governments	288,163			769,080	1,057,243
Property taxes receivable, net	1,850,643				1,850,643
Other receivables, net	121,226				121,226
Prepaid expenses	92,473				92,473
Due from other funds	8,568		4,341,708	2,055,120	6,405,396
TOTAL ASSETS	\$ 8,124,644	\$ 84,047	\$ 4,341,708	\$ 4,332,044	\$ 16,882,443
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 784,023	\$ -	\$ 360,040	\$ 615,611	\$ 1,759,674
Accrued expenses	292,406			-	292,406
Due to other funds	4,749,704			1,655,692	6,405,396
Unearned revenue	105,639			982,060	1,087,699
TOTAL LIABILITIES	5,931,772	-	360,040	3,253,363	9,545,175
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - taxes	1,606,632				1,606,632
TOTAL DEFERRED INFLOWS OF RESOURCES	1,606,632	-	-	-	1,606,632
FUND BALANCES :					
Nonspendable	92,473				92,473
Restricted	-	84,047	3,981,668	1,078,681	5,144,396
Committed	243,767				243,767
Unassigned	250,000			-	250,000
TOTAL FUND BALANCES	586,240	84,047	3,981,668	1,078,681	5,730,636
TOTAL LIABILITIES AND FUND BALANCES	\$ 8,124,644	\$ 84,047	\$ 4,341,708	\$ 4,332,044	

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.	17,236,989
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(46,107,898)
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.	1,606,632
Pension related deferred outflows less pension related deferred inflows on the statement of net position	(837,741)
Accrued interest on long-term liabilities have been included in the governmental activities in the Statement of Net Position.	(145,922)
Net Position of Governmental Activities (A-1)	\$ (22,517,304)

**Statement of Revenues, Other Financing Sources , Expenditures,
Other Financing Uses and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2016**

	General Fund	Retirees Supplemental Settlement	Capital Reserve	Other Governmental Funds	Total Governmental Funds
REVENUES					
General property taxes	\$ 14,945,742	\$ -	\$ -	\$ -	\$ 14,945,742
Interest and investment income	-	1,076		7,593	8,669
Intergovernmental	2,476,125			898,715	3,374,840
Fees/non-tax income	1,845,865				1,845,865
Other revenues	143,412			114,895	258,307
Total revenues	19,411,144	1,076	-	1,021,203	20,433,423
EXPENDITURES					
Current:					
General government	1,990,128			434,452	2,424,580
Public safety	6,926,368	511,581		90,456	7,528,405
Public works	2,143,412				2,143,412
Public education	144,871				144,871
Public recreation	409,018			91,285	500,303
Contingency	33,786				33,786
Employee benefits	508,931				508,931
Retirement	2,401,631				2,401,631
Debt service:					
Principal and interest	3,084,630				3,084,630
Capital:					
Capital expenditures	-		819,261	1,319,819	2,139,080
Total expenditures	17,642,775	511,581	819,261	1,936,012	20,909,629
Excess of revenues over (under) expenditures before other financing sources (uses)	1,768,369	(510,505)	(819,261)	(914,809)	(476,206)
Other financing sources (uses)					
Payments made to State	(600,000)				(600,000)
Transfers in	176,196		1,177,470	600,000	1,953,666
Transfers out	(1,177,470)		(600,000)	(176,196)	(1,953,666)
Net other financing sources (uses)	(1,601,274)	-	577,470	423,804	(600,000)
Excess (deficiency) of revenues and other sources over expenditures and other financing (uses)	167,095	(510,505)	(241,791)	(491,005)	(1,076,206)
Fund balance - beginning of the year	419,145	594,552	4,223,459	1,569,686	6,806,842
Fund balance - end of the year	\$ 586,240	\$ 84,047	\$ 3,981,668	\$ 1,078,681	\$ 5,730,636

*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, 2016*

Net Change in Fund Balances - Total Governmental Funds (B-2)	\$ (1,076,206)
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.	(39,540)
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.	2,460,092
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds.	(50,106)
Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>12,340</u>
Change in Net Position of Governmental Activities in the Statement of Activities (A-2)	<u>\$ 1,306,580</u>

FIDUCIARY FUNDS

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016

	Pension Trust Funds	OPEB Trust Fund	Agency Funds
ASSETS			
Cash and cash equivalents	\$ 1,095,795		\$ 32,986
Investments	6,816,476	\$ 108,160	
Other receivables	32,977		
TOTAL ASSETS	<u>7,945,248</u>	<u>108,160</u>	<u>\$ 32,986</u>
LIABILITIES			
Deposits Held in Custody for Others	-	-	<u>\$ 32,986</u>
NET POSITION			
<i>Restricted for pension and post-employment benefits</i>	<u>\$ 7,945,248</u>	<u>\$ 108,160</u>	

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the year ended June 30, 2016

	Pension Trust Funds	OPEB Trust Fund
ADDITIONS:		
Contributions	\$ 2,860,573	\$ 100,000
Investment income	204,050	8,258
Net appreciation in fair value of investments	474,671	
Total additions	3,539,294	108,258
DEDUCTIONS:		
Benefits paid to retirees	2,275,504	
Other expenses	18,992	98
Total deductions	2,294,496	98
CHANGE IN NET POSITION	1,244,798	108,160
Net Position, restricted for pension and post-employment benefits - beginning	6,700,450	-
Net Position, restricted for pension and post-employment benefits - ending	\$ 7,945,248	\$ 108,160

CITY OF CENTRAL FALLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

NOTE 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 by the State of Rhode Island 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 accounting principles generally accepted in the United States of America ("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

During the fiscal year ended June 30, 2016 the City implemented the following new accounting pronouncements:

- ✓ GASB Statement No. 72 – *Fair Value Measurement and Application*, effective fiscal year ending June 30, 2016. The impact of this statement has been presented in the notes to the financial statements.
- ✓ GASB Statement No. 73 – *Accounting and Financial Reporting for Pensions and Related Assets that are not within the scope of GASB Statement No. 68. And amendments for certain provisions of GASB Statements No. 67 and No. 68*, effective for the City's fiscal year ending June 30, 2016. There has been no effect on these financial statements due to the adoption of this statement.
- ✓ GASB Statement No. 76 – *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, effective for fiscal year ending June 30, 2016. There has been no effect on these financial statements due to the adoption of this statement.
- ✓ GASB Statement No. 78 – *Pension Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*, effective for the fiscal year ending June 30, 2016. There has been no effect on these financial statements due to the adoption of this statement.
- ✓ GASB Statement No. 79 – *Certain External Investment Pools and Pool Participants* for the fiscal year ending June 30, 2016. There has been no effect on these financial statements due to the adoption of this statement.

The following are recently issued government accounting standards which will be applicable to the City in its following future years:

- ✓ GASB Statement No. 74 – *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, effective for the fiscal year ending June 30, 2017.

CITY OF CENTRAL FALLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Issued Accounting Standards (Continued)

- ✓ GASB Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for fiscal year ending June 30, 2018.
- ✓ GASB Statement No. 77 – *Tax Abatement Disclosures*, effective for fiscal year ending June 30, 2017.
- ✓ GASB Statement No. 80 – *Blending Requirements for Certain Component Units* for the fiscal year ending June 30, 2017.
- ✓ GASB Statement No. 81 – *Irrevocable Split-Interest Agreements* for the fiscal year ending June 30, 2018.
- ✓ GASB Statement No. 82 – *Pensions Issues* for the fiscal year ending June 30, 2017.
- ✓ GASB Statement No. 83 – *Certain Asset Retirement Obligations* for the fiscal year ending June 30, 2019.

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

Reporting Entity

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement No. 61 *The Financial Reporting Entity: Omnibus- An Amendment of GASB Statements No. 14 and No. 34*. 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 2016:

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

CITY OF CENTRAL FALLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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, 2016.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are 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. Taxes and other items not properly included among program revenues are reported as general revenues.

Governmental Fund Financial Statements

Governmental fund financial statements of the reporting entity are organized into funds each of which is considered to be a separate accounting entity. 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 (the General 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:

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.

CITY OF CENTRAL FALLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Fund Financial Statements (Continued)

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 does not have any funds that meet the definition of Proprietary Funds.

Fiduciary Funds (not included in government wide statements)

Agency Funds

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

Pension Trust Funds

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

OPEB Trust Funds

OPEB trust funds are used to accumulate resources legally held in trust and restricted for the payment of retiree health benefits and retiree life insurance.

CITY OF CENTRAL FALLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Major Funds

In addition to the General Fund the City presents the following funds as major funds:

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.

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, expenditures related to compensated absences, pension obligations, claims and judgments, and other post-employment benefits which are recorded only when payment is due. The City considers property taxes as available if they are collected within 60 days after year end.

All proprietary funds, agency funds, pension trust funds and OPEB 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.

CITY OF CENTRAL FALLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus and Basis of Accounting (Continued)

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.

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 within fund balance, committed or assigned fund balance, 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, deferred outflows of resources, and liabilities, deferred inflows of resources 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 Equivalents

Cash equivalents are all highly liquid investments with a maturity of three months or less when purchased.

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. State statutes authorize the City to invest in obligations of the U. S. Treasury, commercial paper, corporate bonds and repurchase agreements.

CITY OF CENTRAL FALLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus and Basis of Accounting (Continued)

Accounts Receivable

In the government-wide statements receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. The allowance for uncollectible property taxes amounted to \$810,000 at June 30, 2016. Receivable balances for the governmental activities include property taxes of \$1,850,643 and other receivables of \$121,226.

In the fund financial statements, receivables in the government funds include revenue accruals such as property taxes and grants and other similar intergovernmental revenues since they are usually both measureable 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.

Accounts Payable

Accounts payable balances consist primarily of payables to vendors.

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.

CITY OF CENTRAL FALLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus and Basis of Accounting (Continued)

Deferred Inflows/Outflows of Resources

In addition to assets, the statement of net position and/or balance sheet can report deferred outflows of resources. Deferred outflow of resources represents a consumption of net position, that apply to a future period which will not be recognized as an outflow of resources (expense/expenditure) until that later date. At June 30, 2016 the City reports deferred outflows related to pension in the government-wide statement of net position. A deferred outflow of resources related to pension results from differences between expected and actual experience, changes in assumptions or other inputs. These amounts are deferred and included in pension expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees).

In addition to liabilities, the statement of net position and/or balance sheet can report deferred inflows of resources. 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. At June 30, 2016 the City had two items qualifying as a deferred inflow of resources. In the governmental funds balance sheet, the City reports unavailable tax revenue.

This amount is deferred and will be recognized as an inflow of resources in the years in which the amounts become available. The City also reports a deferred inflow of resources related to pensions in the government-wide statement of net position. A deferred inflow of resources related to pension results from differences between expected and actual experience, changes in assumptions or other inputs. These amounts are deferred and include in pension expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees).

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.

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. In government funds financial statements capital assets are recorded as capital outlay expenditures in the acquiring fund when purchased.

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:

CITY OF CENTRAL FALLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus and Basis of Accounting (Continued)

Capital Assets (Continued)

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

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 (due from other funds / due to other funds).
 - Interfund services are reported as revenues in the seller fund and as expenditures or expenses in the purchasing fund.
- Non-reciprocal interfund activities:
 - Interfund transfers are reported in governmental funds as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers.
 - 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 \$1,953,666 for the year ended June 30, 2016, representing transfer from the General Fund to Capital Reserve of \$1,177,470, transfers from capital reserve to other governmental funds of \$600,000 and transfer from other governmental funds to General fund of \$176,196.

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. Deferred outflows of resources and deferred inflow of resources that are attributable to the acquisition, construction or improvement of those assets or related debt would also be included in the net position component.

CITY OF CENTRAL FALLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus and Basis of Accounting (Continued)

Government-Wide Statements (Continued)

- (b) Restricted net position - Consists of net position restricted to specific purposes due to constraints placed on the use of those resources 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.
- 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.
- 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.

CITY OF CENTRAL FALLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus and Basis of Accounting (Continued)

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.

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.

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 \$(46,107,898) difference are as follows:

Bonds payable	\$ (13,000,000)
Pension liability	(26,955,151)
Net other post-employment benefit obligation	(3,228,211)
Compensated absences	(257,820)
Due to State	<u>(2,666,716)</u>
Total differences	<u><u>\$ (46,107,898)</u></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 \$(39,540) difference are as follows:

CITY OF CENTRAL FALLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

NOTE 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)

Capital outlays (net of disposals)	\$ 2,139,255
Depreciation expense	<u>(2,178,795)</u>
Net difference	<u>\$ (39,540)</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 \$2,460,092 difference are as follows:

Increase in compensated absences	\$ (43,505)
Increase in OPEB	(83,271)
Decrease in due to State	600,000
Decrease in pension liability	105,624
Debt repayments	<u>1,881,244</u>
Net difference	<u>\$ 2,460,092</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 \$50,106 difference are as follows:

Deferred inflows - beginning	\$ (1,656,738)
Deferred inflows - ending	<u>1,606,632</u>
Net difference	<u>\$ (50,106)</u>

Another element of that reconciliation states that “some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.” The details of this \$12,340 difference is as follows:

Change in accrued interest	<u>\$ 12,340</u>
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CITY OF CENTRAL FALLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

NOTE 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 under accounting principles generally accepted in the United States of America.

NOTE 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, 2016, the carrying amount of the City's deposits was \$7,388,448 and the bank balance was \$7,691,791 of which \$250,000 was covered by federal depository insurance and the remaining bank balance of \$7,441,791 was collateralized by the financial institutions and/or third parties in the name of the City.

Investments

At June 30, 2016 the City's investments totaled \$6,924,636 (all of which are held in its Fiduciary Funds) and consisted of the following:

Description	Fair Value	Interest Rate	Maturity	Credit Rating
Fixed Income Funds	\$ 2,754,715	n/a	n/a	n/a
Equity Funds	2,326,054.00	n/a	n/a	n/a
Common Stock	1,520,774.00	n/a	n/a	n/a
Group annuity contracts	214,933.00	n/a	n/a	n/a
Pooled Equity Index Funds	83,543.00	n/a	n/a	n/a
Pooled Fixed Income Index Funds	24,617.00	n/a	n/a	n/a
Total	<u>\$ 6,924,636</u>			

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 restricted for pension benefits or other post-employment benefits.

CITY OF CENTRAL FALLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decline because of rising interest rates. The City's investments are held in mutual funds, common stock and group annuity contracts. These investments do not specify an interest rate rather the rate of return is dependent on operating results and economic conditions.

Credit Risk

The City has no investment policy that would limit its investment choices due to credit risk other than the State Statutes governing investments in obligations of any State or political subdivision or in obligations to the State of Rhode Island or political subdivision. At June 30, 2016 the City had a diversified portfolio and was not deemed to be concentrated in any one investment category. The 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.

Fair Value of Financial Instruments

GASB 72 establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available, of how the market would price the asset or liability. The fair value hierarchy is categorized into three levels based on the inputs as follows:

- Level 1 – Unadjusted quoted priced in active markets that are accessible at the measurement date for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices in active markets for identical assets and liabilities that are observable either directly or indirectly for substantially the full term of the asset or liability.
- Level 3 – Unobservable inputs for the asset or liability (supported by little or no market activity). Level 3 Inputs include management's own assumption about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk).

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

CITY OF CENTRAL FALLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

Fixed Income Funds

Fixed income investments generally pay a return on a fixed schedule, though the amount of the payments can vary. Individual bonds may be the best known type of fixed income security, but the category also includes bond funds, ETFs, CDs, and money market funds.

Equity Funds and Common Stock

Debt and equity securities classified as Level 1 of the fair value hierarchy are valued using quoted prices at June 30 (or the most recent market close date if the markets are closed on June 30) in active markets from the custodian bank's primary external pricing vendors.

Group Annuity Contracts

A group annuity is a defined-benefit plan. It guarantees a pension benefit to qualified participants, and it defines how that benefit is calculated, and how long and to whom it will be paid. An employer establishes a group annuity on behalf of its employees by signing a master contract with the insurer. This contract details the agreement between the insurer and employer -- such as plan type, contribution requirements and administrative fees. The group annuity plan outlines the requirements for employee eligibility and participation. Early group annuity contracts usually required contributions from both employer and employees while they were working at the company.

Pooled Equity Index Funds

A pooled equity fund is a mutual fund that invests principally in stocks. It can be actively or passively (index fund) managed. These funds are also known as pooled stock funds. Stock mutual funds are principally categorized according to company size, the investment style of the holdings in the portfolio and geography.

Pooled Fixed Income Index Funds

A mutual fund is an investment vehicle made up of a pool of funds collected from many investors for the purpose of investing in securities such as stocks, bonds, money market instruments and similar assets.

Mutual funds are operated by money managers, who invest the fund's capital and attempt to produce capital gains and income for the fund's investors. A mutual fund's portfolio is structured and maintained to match the investment objectives stated in its prospectus.

CITY OF CENTRAL FALLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

Pooled Fixed Income Index Funds (Continued)

Following is a description of the valuation methodologies used for assets measured at fair value. There has been no change in valuation methodology used in 2016.

Description	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Fair Value
June 30, 2016:			
Fixed income funds	\$ 2,754,715		\$ 2,754,715
Equity funds	2,326,054		2,326,054
Common stock	1,520,774		1,520,774
Group annuity contracts		\$ 214,933	214,933
Pooled Equity Index Funds		83,543	83,543
Pooled Fixed Income Index Funds		24,617	24,617
Investments at fair value	<u>\$ 6,601,543</u>	<u>\$ 323,093</u>	<u>\$ 6,924,636</u>

There was no transfers between any levels during the year ended June 30, 2016.

NOTE 4 - CAPITAL ASSETS

Activity for governmental activity capital assets is summarized below:

	Balances July 1, 2015	Total Additions	Total Deductions	Balances June 30, 2016
Capital Assets:				
Land (not being depreciated)	\$ 653,430	\$ 77,213	\$ -	\$ 730,643
Construction in progress (not depreciated)		648,829		648,829
	<u>653,430</u>	<u>726,042</u>	<u>-</u>	<u>1,379,472</u>
Buildings and land improvements	39,541,907	293,062	-	39,834,969
Motor vehicles	3,556,345	601,097	72,344	4,085,098
Equipment	1,808,941	119,577	-	1,928,518
Infrastructure	12,799,656	399,477	-	13,199,133
Total Capital Assets	<u>58,360,279</u>	<u>2,139,255</u>	<u>72,344</u>	<u>60,427,190</u>
Less: Accumulated Depreciation				
Buildings and land improvements	(25,160,167)	(1,674,591)	-	(26,834,758)
Motor vehicles	(2,851,803)	(286,377)	(72,344)	(3,065,836)
Equipment	(1,692,774)	(107,352)	-	(1,800,126)
Infrastructure	(11,379,006)	(110,475)	-	(11,489,481)
Total Accumulated Depreciation	<u>(41,083,750)</u>	<u>(2,178,795)</u>	<u>(72,344)</u>	<u>(43,190,201)</u>
Net Capital Assets	<u>\$ 17,276,529</u>	<u>\$ (39,540)</u>	<u>\$ -</u>	<u>\$ 17,236,989</u>

CITY OF CENTRAL FALLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

NOTE 4 - CAPITAL ASSETS (CONTINUED)

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

Governmental activities:		
General government	\$	153,267
Public safety		301,340
Public works		313,577
Public recreation		178,123
Public education		<u>1,232,488</u>
 Total	 \$	 <u><u>2,178,795</u></u>

NOTE 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, 2016, the various components of unearned revenue and unavailable revenue reported in the governmental funds and governmental activities were as follows:

General Fund		
Unearned revenue - advanced tax collections	\$	41,227
Unearned revenue - other		<u>64,412</u>
 Total General Fund	 \$	 <u><u>105,639</u></u>
 Other Governmental Funds		
Unearned Revenue Grants	\$	<u><u>982,060</u></u>

NOTE 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	\$ 6,290,000	14%
R.I. Health & Education Building Corporation (RIHEBC) revenue bonds	6,710,000	15%
Net pension liability	26,955,151	58%
Net OPEB obligation	3,228,211	7%
Due to State	2,666,716	6%
Compensated absences	<u>257,820</u>	<u>1%</u>
 Total	 \$ <u><u>46,107,898</u></u>	 <u><u>100%</u></u>

CITY OF CENTRAL FALLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

NOTE 6 - LONG-TERM DEBT (CONTINUED)

Schedule of long-term bond requirements:

Year Ending June 30,	Principal	Interest	Total
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	2,000,000	286,181	2,286,181
2021	555,000	207,556	762,556
2022-2025	2,525,000	583,123	3,108,123
2026-2028	<u>2,155,000</u>	<u>137,577</u>	<u>2,292,577</u>
Total	<u>\$ 13,000,000</u>	<u>\$ 2,540,727</u>	<u>\$ 15,540,727</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, 2016, 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, 2016, the City was in compliance with this limit.

Due to State

Due to State of \$2,266,716 at June 30, 2016 represents non-interest bearing 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 as follows:

FY 2018	\$ 636,500
FY 2019	636,500
FY 2020	636,500
FY 2021	<u>357,216</u>
	<u>\$ 2,266,716</u>

CITY OF CENTRAL FALLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

NOTE 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:

	Date of Issue	Maturity Date	Amount of Issue	Interest Rate	Outstanding July 01, 2015	Additions	Deductions	Outstanding June 30, 2016	Current Portion
General obligation municipal bonds	10/1/2007	7/15/2027	\$ 8,700,000	4.0%-5.5%	\$ 6,665,000		\$ 375,000	\$ 6,290,000	\$ 395,000
RIHEBC revenue bonds	12/12/2013	5/15/2020	\$ 5,510,000	2.58%	4,480,000		870,000	3,610,000	880,000
RIHEBC revenue bonds	8/15/2007	4/1/2027	\$ 1,300,000	4.25%-5.00%	955,000		60,000	895,000	60,000
RIHEBC revenue bonds	6/29/2010	5/5/2020	\$ 750,000	5.39%	410,000		85,000	325,000	85,000
RIHEBC revenue bonds	6/30/2010	5/5/2020	\$ 4,250,000	6.00%	2,350,000		470,000	1,880,000	470,000
Capital leases	4/10/2009	7/5/2013	\$ 201,501	5.00%	21,244		21,244	-	-
Total bonds and leases					<u>14,881,244</u>	<u>-</u>	<u>1,881,244</u>	<u>13,000,000</u>	<u>1,890,000</u>
Accrued compensated absences					214,315	\$ 257,820	214,315	257,820	25,782
Net pension liability					35,623,954	-	8,668,803	26,955,151	-
Net OPEB obligation					3,144,940	83,271	-	3,228,211	-
Due to State					3,266,716	-	600,000	2,666,716	-
Total long-term debt					<u>\$ 57,131,169</u>	<u>\$ 341,091</u>	<u>\$ 11,364,362</u>	<u>\$ 46,107,898</u>	<u>\$ 1,915,782</u>

Total interest paid on general long-term debt for the year ended June 30, 2016 was \$601,789.

CITY OF CENTRAL FALLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

NOTE 7 - DUE FROM / DUE TO OTHER FUNDS AND OPERATIONAL AND / OR FUND DEFICITS

Interfund receivables and payables at June 30, 2016 were as follows:

	Due from Other Funds	Due to Other Funds
General Fund	\$ 8,568	\$ 4,749,704
Capital Reserve Fund	4,341,708	-
Other Governmental Funds	2,055,120	1,655,692
	<u>\$ 6,405,396</u>	<u>\$ 6,405,396</u>

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

The following funds had operational and/or fund deficits:

	Operational	Fund Deficit
Capital Reserve	\$ 241,791	\$ -
Retirees Supplemental Settlement	\$ 510,505	\$ -
Historic Trust	\$ 39,847	\$ -
Champs Grant	\$ 15,172	\$ -
CDBG Revolving	\$ 228,997	\$ -
EPA	\$ -	\$ 1,687
Home	\$ 50,240	\$ -
ED	\$ 201,796	\$ -
Emergency Equipment Replacement	\$ 127,275	\$ -
Public Rescue	\$ 176,196	\$ -

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

CITY OF CENTRAL FALLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

NOTE 8 - FUND BALANCES

Fund Balance within the government funds may be classified as one of five categories: Nonspendable, Restricted, Committed, Assigned, or Unassigned.

At June 30, 2016 *Restricted Fund Balance* consisted of the following:

	General Fund	Retirees Supplemental Settlement	Capital Reserve	Other Government Funds	Total
Retirees Supplemental Settlement	\$ -	\$ 84,047			\$ 84,047
Capital Reserve			\$ 3,981,668		3,981,668
CDBG Revolving				\$ 245,317	245,317
Home				8,760	8,760
ED				195,143	195,143
Grant in Aid				58,306	58,306
Recreation Summer Lunch				9,042	9,042
Police C.A.R.E				1,005	1,005
Police Federal Forfeiture				74,134	74,134
Police Special Accounts				10,769	10,769
School Building Capital				173,093	173,093
Rural Grants				49	49
Emergency Equipment Replacement				1,987	1,987
Recycling Account				8,142	8,142
Redevelopment Agency				100,000	100,000
Property Development				161,179	161,179
Recreation Capital				4,393	4,393
EPA				(1,687)	(1,687)
Historic Trust				29,049	29,049
Total Restricted Fund Balance	\$ -	\$ 84,047	\$ 3,981,668	\$ 1,078,681	\$ 5,144,396

At June 30, 2016 *Committed Fund Balance* consisted of the following:

Committed fund balance:

	General Fund	Retirees Supplemental Settlement	Capital Reserve	Other Government Funds	Total
Sixty-day property tax collections budgeted in subsequent fiscal year	\$ 243,767	\$ -	\$ -	\$ -	\$ 243,767
Total Committed Fund Balance	\$ 243,767	\$ -	\$ -	\$ -	\$ 243,767

CITY OF CENTRAL FALLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

NOTE 8 - FUND BALANCES (CONTINUED)

At June 30, 2016 *Unassigned Fund Balance* consisted of the following:

Unassigned fund balance:

	General Fund	Retirees Supplemental Settlement	Capital Reserve	Other Government Funds	Total
General Fund	\$ 250,000	\$ -	\$ -	\$ -	\$ 250,000
Total Unassigned Fund Balance	<u>\$ 250,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 250,000</u>

At June 30, 2016 *Nonspendable Fund Balance* consisted of the following:

Nonspendable fund balance:

	General Fund	Retirees Supplemental Settlement	Capital Reserve	Other Government Funds	Total
General Fund - prepaid expenses	\$ 92,473	\$ -	\$ -	\$ -	\$ 92,473
Total Nonspendable Fund Balance	<u>\$ 92,473</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 92,473</u>

NOTE 9 - PENSION PLANS

The City has adopted GASB Statement No. 68 *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date*. These changes enhance the Plan’s accounting and disclosure for the pension and expand the Required Supplemental Information (RSI) data with new schedules. These were issued to improve the financial reporting by state and local government pension plans. The following provides information required to be disclosed under GASB Statements No. 68 and 71.

The City contributes to two defined benefit pension plans – (a) The City of Central Falls Pension Plan, a single employer plan which is reported as a pension trust fund; and (b) the Municipal Employees’ Retirement System (MERS) – an agent multiple-employer defined benefit pension plan of the State of Rhode Island, which covers substantially all of the City’s employees except police officers, and firefighters. The City also contributes to (c) TIAA-CREF and the Employees’ Retirement System of Rhode Island administered defined contribution plan, which covers certain municipal employees participating in MERS.

CITY OF CENTRAL FALLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

NOTE 9 - PENSION PLANS (CONTINUED)

(a) City of Central Falls Pension Plan

Plan Description

All full-time non-civilian police and fire employees hired after July 1, 1972 are eligible and must participate in this 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. The following plan information was based on an actuarial valuations completed as of July 1, 2016.

As of June 30, 2016, membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	66
Inactive plan members entitled to but not yet receiving benefits	56
Active plan members	<u>80</u>
Total	<u><u>202</u></u>

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.

Investment Policy

The City invests in various types of investments, which are stated at fair value. State statutes authorize the City to invest in obligations of the U. S. Treasury, commercial paper, corporate bonds and repurchase agreements. The Administrative Financial Officer manages the investment portfolios and has full authority for the investment and reinvestment of trust fund assets. Separate plan financial statements are not issued.

For the year ended June 30, 2016 the annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was 9.97 percent.

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

CITY OF CENTRAL FALLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

NOTE 9 - PENSION PLANS (CONTINUED)

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

Actuarial Assumptions (Continued)

Actuarial Cost	Individual entry age method
Asset valuation method	Market Value
Inflation	3.00%
Salary increases	3% per year, including longevity and holiday pay
Investment rate of return	7.50%, net of investment managements fees
Cost of living adjustments	2.0% per year without compounding

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.

Assumed Rate of Return and Target Allocation

The long-term expected rate of return best-estimate on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return and by adding expected inflation.

The assets held in the trust are invested as directed by the City. The target allocations and expected long-term (25 years) rates of return reflecting investment rate of return and inflation are shown in the following table:

	Target Allocation	Long Term Rates of Return
Cash	0% - 10%	2.75%
Fixed Income - Investment Grade	90% - 100%	7.50%

Discount Rate

The Discount Rate of 7.50%, a change from prior year of 5.75%, was selected based on a projection of employer and employee contributions, benefit payments, expenses and the long term expected rate of return on trust assets. Under bankruptcy agreement and state law, the city is required to make the necessary contributions to the trust such that the plan reaches a full funding status by 2043. Based on these laws and assumptions, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF CENTRAL FALLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

NOTE 9 - PENSION PLANS (CONTINUED)

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

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, 2016, employee contributions were \$455,617. The City is required to contribute at an actuarially determined rate; the current rate is 52.1% of annual covered payroll. The employer contribution for the fiscal year ended June 30, 2016 was \$2,404,956.

Net Pension Liability

The following presents the net pension liability of the system calculated using the discount rate of 7.50%, 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 (6.50%) or 1-percentage point higher (8.50%) than the current rate:

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Net Pension Liability	<u>\$ 28,741,530</u>	<u>\$ 24,927,346</u>	<u>\$ 21,737,666</u>

The Plan Fiduciary Net Position as a percentage of the Total Pension Liability is 24.2%.

CITY OF CENTRAL FALLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

NOTE 9 - PENSION PLANS (CONTINUED)

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

The components of the net position liability of the Retirement System were as follows:

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance as of June 30, 2015	\$ 40,255,644	\$ 6,700,450	\$ 33,555,194
Service cost	782,937		782,937
Interest on liability and service cost	2,359,718		2,359,718
Interest on benefit payments	(64,506)		(64,506)
Experience (gain) and loss	(1,003,524)		(1,003,524)
Employer contributions		2,404,956	(2,404,956)
Employee contributions		455,617	(455,617)
Expenses		(18,992)	18,992
Change in assumptions*	(7,182,170)		(7,182,170)
Benefit payments	(2,275,505)	(2,275,504)	(1)
Net investment income		678,721	(678,721)
Net Changes	<u>(7,383,050)</u>	<u>1,244,798</u>	<u>(8,627,848)</u>
Balance as of June 30, 2016	<u>\$ 32,872,594</u>	<u>\$ 7,945,248</u>	<u>\$ 24,927,346</u>

* The change in assumptions is related to a change in the rate of investment return from 5.75% to 7.5%.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2016 the employer recognized pension expense of \$2,463,475. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Previous Deferred outflows	\$ 7,743,580	\$ -
Differences in assumptions		5,924,347
Recognition of prior Deferred outflows	(1,698,614)	
Net asset (gain)	(188,837)	
Differences between Expected and Actual Experience	(827,775)	
Total	<u>\$ 5,028,354</u>	<u>\$ 5,924,347</u>

CITY OF CENTRAL FALLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

NOTE 9 - PENSION PLANS (CONTINUED)

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

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30</u>	<u>Net Deferred Inflows of Resources</u>
2017	\$ 217,833
2018	217,833
2019	217,832
2020	(531,659)
2021	<u>(1,017,832)</u>
Total	<u>\$ (895,993)</u>

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

Plan Description

The Municipal Employees' Retirement System (MERS) – an agent multiple-employer defined benefit pension plan - provides certain retirement, disability and death benefits to plan members and beneficiaries. MERS was established under Rhode Island General Law and placed under the management of the Employee's Retirement System of Rhode Island (ERSRI) Board to provide retirement allowances to employees of municipalities, housing authorities, water and sewer districts, and municipal police and fire persons that have elected to participate. Benefit provisions are subject to amendment by the General Assembly.

MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the ERSRI website at www.ersri.org

Benefits Provided

General employees of electing municipalities participate in MERS. Eligible employees become members at their date of employment. Anyone employed by a municipality at the time the municipality joins MERS may elect not to be covered. Elected officials may opt to be covered by MERS. Employees covered under another plan maintained by the municipality may not become members of MERS.

Key Plan Terms

Salary: Salary includes the member's base earnings plus any payments under a regular longevity or incentive plan. Salary excludes overtime, unused sick and vacation leave, severance pay, and other extraordinary compensation. Certain amounts that are excluded from taxable wages, such as amounts sheltered under a Section 125 plan or amounts picked up by the employer under IRC Section 414(h), are not excluded from salary.

CITY OF CENTRAL FALLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

NOTE 9 - PENSION PLANS (CONTINUED)

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

Service: Employees receive credit for service while a member. In addition, a member may purchase credit for certain periods by making an additional contribution to purchase the additional service. Special rules and limits govern the purchase of additional service and the contribution required.

Final Average Compensation (FAC): Prior to July 1, 2012 and for general employee members eligible to retire as of June 30, 2012, the average was based on the member's highest three consecutive annual salaries. Effective July 1, 2012, the average was based on the member's highest five consecutive annual salaries. Once a member retires or is terminated, the applicable FAC will be the greater of the member's highest three year FAC as of July 1, 2012 or the five year FAC as of the retirement/termination date. Monthly benefits are based on one-twelfth of this amount.

Subsequent to June 30, 2015, litigation challenging the various pension reform measures enacted in previous years by the General Assembly (2009, 2010 and 2011) was settled. The final settlement approved by the Court on July 8, 2015 also included enactment of the pension settlement provisions by the General Assembly. These amended benefit provisions, which have been included in the determination of the total pension liability at the June 30, 2015 measurement date and are reflected in the summary of benefit provisions described below.

Retirement Benefits

Members with less than five years of contributory service as of June 30, 2012 and members hired on or after that date are eligible for retirement on or after their Social Security normal retirement age (SSNRA).

Members who had at least five years of contributory service as of June 30, 2012 will be eligible for retirement at an individually determined age. This age is the result of interpolating between the member's prior Retirement Date, described below, and the retirement age applicable to members hired after June 30, 2012. The interpolation is based on service as of June 30, 2012 divided by projected service at the member's prior Retirement Date. The minimum retirement age is 59.

Members with 10 or more years of contributory service on June 30, 2012 may choose to retire at their prior Retirement Date if they continue to work and contribute until that date. If this option is elected, the retirement benefit will be calculated using the benefits accrued as of June 30, 2012, i.e., the member will accumulate no additional defined benefits after this date, but the benefit will be paid without any actuarial reduction.

Effective July 1, 2015, members will be eligible to retire with full benefits at the earlier of their current Rhode Island Retirement Security Act (RIRSA) date described above or upon the attainment of age 65 with 30 years of service, age 64 with 31 years of service, age 63 with 32 years of service, or age 62 with 33 years of service.

A member who is within five years of reaching their retirement eligibility date and has 20 or more years of service, may elect to retire at any time with an actuarially reduced benefit.

Prior to July 1, 2012, members were eligible for retirement on or after age 58 if they had credit for 10 or more years of service, or at any age if they had credit for at least 30 years of service. Members eligible to retire before July 1, 2012 were not impacted by the changes to retirement eligibility above.

CITY OF CENTRAL FALLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

NOTE 9 - PENSION PLANS (CONTINUED)

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

Retirement Benefits (Continued)

The annual benefit is equal to 2.00% of the member's monthly FAC for each year of service prior to July 1, 2012 and 1.00% of the member's monthly FAC for each year of service from July 1, 2012 through June 30, 2015. For all service after June 30, 2015, the annual benefit is equal to 1.0% per year unless the member had 20 or more years of service as of June 30, 2012 in which case the benefit accrual is 2.0% per year for service after June 30, 2015. The benefit cannot exceed 75% of the member's FAC. Benefits are paid monthly.

Other benefit provisions

Death and disability benefits are also provided to members. A member is eligible for a disability retirement provided he/she has credit for at least five years of service or if the disability is work-related. Members are not eligible for an ordinary disability benefit if they are eligible for unreduced retirement.

Joint and survivor benefit options are available to retirees. For some employees, a Social Security Option is also available where an annuity is paid at one amount prior to age 62, and at a reduced amount after age 62, designed to provide a level total income when combined with the member's age 62 Social Security benefit. Benefits cease upon the member's death.

Post-retirement benefit increases are paid to members who retire after June 30, 2012. Members will be eligible to receive cost of living increases at the later of the member's third anniversary of retirement and the month following their SSNRA (age 55 for members designated as police officers and/or firefighters). When a municipality elects coverage, it may elect either COLA C (covering only current and future active members and excluding members already retired) or COLA B (covering current retired members as well as current and future active members).

- a. The COLA will be suspended for any unit whose funding level is less than 80%; however, an interim COLA may be granted in four-year intervals while the COLA is suspended. The first interim COLA may begin January 1, 2018.
- b. Effective July 1, 2015, the COLA is determined based on 50% of the plan's five-year average investment rate of return less 5.5% limited to a range of 0.0% to 4.0%, plus 50% of the lesser of 3.0% or last year's CPI-U increase for a total maximum increase of 3.50%. Previously, it was the plan's five-year average investment rate of return less 5.5% limited to a range of 0.0% to 4.0%.
- c. The COLA will be limited to the first \$25,000 of the member's annual pension benefit. For retirees and beneficiaries who retired on or before July 1, 2015, years in which a COLA is payable based on the every fourth year provision will be limited to the first \$30,000. These limits will be indexed annually to increase in the same manner as COLAs, with the known values of \$25,000 for 2013, \$25,000 for 2014, \$25,168 for 2015, \$25,855 for 2016, and \$26,098 for 2017.

CITY OF CENTRAL FALLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

NOTE 9 - PENSION PLANS (CONTINUED)

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

Employees Covered by Benefit Terms

At the June 30, 2014 valuation date, membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	34
Inactive plan members entitled to but not yet receiving benefits	70
Active plan members	<u>36</u>
Total	<u><u>140</u></u>

Contributions

The amount of employee and employer contributions have been established under Rhode Island General Law Chapter 45-21. General employees with less than 20 years of service as of June 30, 2012 are required to contribute 1% of their salaries. General employees with more than 20 years of service as of June 30, 2012 are required to contribute 8.25%. The City of Central Falls contributes at a rate of covered employee payroll as determined by an independent actuary on an annual basis. The General Assembly can amend the amount of these contribution requirements. The City of Central Falls contributed \$266,285 in the year ended June 30, 2015 which was 14.53% of annual covered payroll.

Actuarial Assumptions

The total pension liability was determined by actuarial valuations performed as of June 30, 2014 and rolled forward to June 30, 2015, using the following actuarial assumptions, applied to all periods included in the measurement.

CITY OF CENTRAL FALLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

NOTE 9 - PENSION PLANS (CONTINUED)

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

Actuarial Assumptions (Continued)

Summary of Actuarial Assumptions Used in the Valuations to determine the Net Pension Liability at the June 30, 2015 measurement date (June 30, 2014 valuation rolled forward to June 30, 2015)	
Actuarial Cost Method	Entry Age Normal - the Individual Entry Age Actuarial Cost methodology is used.
Amortization Method	Level Percent of Payroll – Closed
Actuarial Assumptions:	
Investment Rate of Return	7.50%
Projected Salary Increases	General Employees - 3.50% to 7.50% ; Police & Fire Employees - 4.00% to 14.00%
Inflation	2.75%
Mortality	Male Employees, MERS General and MERS P&F: 115% of RP-2000 Combined Healthy for Males with White Collar adjustments, projected with Scale AA from 2000. Female Employees, MERS General and MERS P&F: 95% of RP-2000 Combined Healthy for Females with White Collar adjustments, projected with Scale AA from 2000.
Cost of Living Adjustments	A 2% COLA is assumed after January 1, 2014.

The actuarial assumptions used in the June 30, 2014 valuation rolled forward to June 30, 2015 and the calculation of the total pension liability at June 30, 2014 were consistent with the results of an actuarial experience study performed as of June 30, 2013.

Assumed Rate of Return and Target Allocation

The long-term expected rate of return best-estimate on pension plan investments was determined by the actuary using a building-block method. The actuary started by calculating best-estimate future expected real rates of return (expected returns net of pension plan investment expense and inflation) for each major asset class, based on a collective summary of capital market expectations from 23 sources. The June 30, 2015 expected arithmetic returns over the long-term (20 years) by asset class are summarized in the following table:

CITY OF CENTRAL FALLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

NOTE 9 - PENSION PLANS (CONTINUED)

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

Assumed Rate of Return and Target Allocation (Continued)

<u>Type of Investment</u>	<u>Target Allocation</u>	<u>Long-term expected real rate of return</u>
Global Equity:	38.0%	-
U.S. Equity	-	6.93%
International Developed	-	7.32%
International Emerging Markets	-	9.52%
Equity Hedge Funds	8.0%	3.98%
Private Equity	7.0%	9.99%
Core Fixed Income	15.0%	2.18%
Absolute Return Hedge Funds	7.0%	3.98%
Infrastructure	3.0%	5.70%
Real Estate	8.0%	4.85%
Other Real Return Assets:	11.0%	-
Master Limited Partnerships	-	4.51%
Credit	-	4.51%
Inflation Linked Bonds	-	1.24%
Cash, Overlay, Money Market	3.0%	7.80%
	<u>100.0%</u>	

These return assumptions are then weighted by the target asset allocation percentage, factoring in correlation effects, to develop the overall long-term expected rate of return best-estimate on an arithmetic basis.

Discount Rate

The discount rate used to measure the total pension liability of the plans was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from the employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF CENTRAL FALLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

NOTE 9 - PENSION PLANS (CONTINUED)

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

Changes in the Net Position Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance as of June 30, 2014	\$ 7,064,892	\$ 4,996,132	\$ 2,068,760
Service Cost	105,194		105,194
Interest on the total pension liability	514,938		514,938
Changes in benefits	(12,537)		(12,537)
Difference between expected and actual experience	(254,173)		(254,173)
Employer contributions		266,285	(266,285)
Employee contributions		18,326	(18,326)
Net investment income		114,533	(114,533)
Other changes		(146)	146
Administrative expense		(4,621)	4,621
Benefit payments, including employee refunds	(503,299)	(503,299)	-
Net Changes	(149,877)	(108,922)	(40,955)
Balance as of June 30, 2015	<u>\$ 6,915,015</u>	<u>\$ 4,887,210</u>	<u>\$ 2,027,805</u>

Sensitivity of the Net Position Liability to Changes in the Discount Rate

The following presents the net pension liability (asset) of the employers calculated using the discount rate of 7.5 percent, as well as what the employers' net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

1.00% Decrease 6.50%	Current Discount Rate 7.50%	1.00% Increase 8.50%
\$ 2,772,179	\$ 2,027,805	\$ 1,418,438

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued ERSRI financial report.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2016 the employer recognized pension expense of \$129,566. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

CITY OF CENTRAL FALLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

NOTE 9 - PENSION PLANS (CONTINUED)

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

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions in 2016 (subsequent to measurement date)	\$ 246,916	\$ -
Difference in Experience	-	186,163
Differences in Assumptions	-	9,055
Excess (Deficit) Investment Returns	201,438	194,884
Total	<u>\$ 448,354</u>	<u>\$ 390,102</u>

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Net Deferred Inflows of Resources
2017	\$ (90,446)
2018	(83,833)
2019	(64,746)
2020	50,361
Total	<u>\$ (188,664)</u>

(c) TIAA-CREF and the Employees' Retirement System of Rhode Island - Defined Contribution Plan

Defined Contribution Plan Description

Certain employees participating in the defined benefit plan, as described above, may also participate in a defined contribution plan 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. Employees may choose among various investment options available to plan participants. Employees contribute 5% of their annual covered salary and employers contribute 1% (see below) of annual covered salary. Employee contributions are immediately vested while employer contributions and any investment earnings thereon are vested after three years of contributory service. Benefit terms and 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.

CITY OF CENTRAL FALLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

NOTE 9 - PENSION PLANS (CONTINUED)

(c) TIAA-CREF and the Employees' Retirement System of Rhode Island - Defined Contribution Plan (Continued)

Defined Contribution Plan Description (Continued)

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

The City of Central Falls recognized pension expense of \$18,709, for the fiscal year ended June 30, 2016.

The System issues a publicly available financial report that includes financial statements and required supplementary information for plans administered by the system. The report may be obtained at <http://www.ersri.org>.

NOTE 10 - POST RETIREMENT BENEFITS

Plan Description

The City's Post-Employment Medical Benefit Plan is a single-employer defined benefit post-retirement health insurance program. 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 26 retired employees during fiscal year ending June 30, 2016. Current membership consists of 121 active employees and 41 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, 2016 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 Ending	Annual OPEB Cost	Contributions Made	% of OPEB Contributed	Net OPEB Obligation
6/30/2016	\$ 373,576	\$ 290,305	77.7%	\$ 3,228,211
6/30/2015	\$ 361,565	\$ 222,119	61.4%	\$ 3,144,940
6/30/2014	\$ 591,443	\$ 288,540	48.8%	\$ 3,005,494

The City's annual OPEB cost and net OPEB obligation for the year ended June 30, 2016 was as follows:

CITY OF CENTRAL FALLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

NOTE 10 - POST RETIREMENT BENEFITS (CONTINUED)

Funding Policy (Continued)

Annual required contribution	\$ 367,954
Interest on net OPEB obligation	125,798
Adjustment to annual required contribution	(120,176)
Annual OPEB cost (expense)	<u>373,576</u>
Contributions made	<u>(290,305)</u>
Increase in net OPEB obligation	83,271
Net OPEB obligation-beginning of year	<u>3,144,940</u>
Net OPEB obligation-end of year	<u><u>\$ 3,228,211</u></u>

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (1)	Actuarial Liability (AAL) (2)	Unfunded AAL (UAAL) (2) - (1) (3)	AVA as a Percent of AAL (1) / (2) (4)	Covered Payroll (5)	UAAL as a Percent of Covered Payroll (3) / (5) (6)
6/30/2015	0	\$ 6,548,626	\$ 6,548,626	0%	\$ 5,872,102	111.52%
6/30/2013	0	\$ 12,000,546	\$ 12,000,546	0%	\$ 6,214,955	193.09%
12/31/2011	0	\$ 14,112,791	\$ 14,112,791	0%	\$ 3,620,778	389.77%

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. There are 21 years left to amortize at June 30, 2016. 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.

NOTE 11 - COMMITMENTS AND CONTINGENT LIABILITIES

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

The City 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.

CITY OF CENTRAL FALLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

NOTE 11 - COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

The City Pension Plan invests in various investment securities. 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 will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statement of fiduciary net position.

NOTE 12 - RISK MANAGEMENT

The City of Central Falls is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; and natural disasters. As a result, the City participates in a non-profit, public entity risk pool (Rhode Island Interlocal Risk Management Trust, Inc.) which provides coverage for property/liability claims. Upon joining the Trust, the City signed a participation agreement which outlines the rights and responsibilities of both the Trust and the City. The Trust provides this insurance coverage through a pooled, self-insurance mechanism which includes reinsurance purchased by the Trust to protect against large, catastrophic claims above the losses the Trust retains internally for payment from the pooled contributions of its Members. Under the participation agreement, the City is insured for a maximum of \$2,000,000 per occurrence. Settled claims resulting from these risks have not exceeded the Trust Coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage during the year ended June 30, 2016.

NOTE 13 - BANKRUPTCY

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

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

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

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, 2016 was \$0.

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.

REQUIRED SUPPLEMENTARY INFORMATION

(UNAUDITED)

CITY OF CENTRAL FALLS

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Schedules of Funding Progress and Employer Contributions - OPEB Trust

Last Ten Fiscal Years

Schedule of funding progress for the Post-Employment Benefits Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	(Unfunded) AAL (UAAL) (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as percentage Of Covered Payroll ((a-b)/c)
6/30/2015	\$ -	\$ 6,548,626	\$ (6,548,626)	0%	\$ 5,872,102	-111.52%
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

Schedule of Employer Contributions

Year Ended	Annual Required Contribution	Percentage Contributed
6/30/2014	\$ 586,612	49%
6/30/2015	\$ 356,192	62%
6/30/2016	\$ 367,954	79%

CITY OF CENTRAL FALLS

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GENERAL FUND

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL "BUDGETARY BASIS"
FOR THE YEAR ENDED JUNE 30, 2016

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Tax revenue				
Tax revenue (current year)	\$ 14,042,645	\$ 14,042,645	\$ 14,588,710	\$ 546,065
Tax revenue (prior years)	250,159	250,159	341,973	91,814
Emergency Reserve Fund	(140,426)	(140,426)	-	140,426
Total tax revenue	14,152,378	14,152,378	14,930,683	778,305
Fees / non-tax revenue				
Interest on taxes	242,144	242,144	341,914	99,770
VIN check fees	17,843	17,843	26,792	8,949
Probate fees	13,392	13,392	11,584	(1,808)
Realty Stamps	33,343	33,343	50,735	17,392
Real Estate Recordings	42,987	42,987	68,790	25,803
Licenses (other than marriage)	67,144	67,144	80,535	13,391
Certificates (vital records)	7,139	7,139	14,575	7,436
Marriage Licenses	533	533	1,480	947
Reports/copying fees	971	971	1,905	934
City Clerk miscellaneous fees	15,064	15,064	11,211	(3,853)
Fire code inspection fees/other fire permits	13,075	13,075	6,262	(6,813)
Alarm box fees & smoke detector certificates	27,687	27,687	20,952	(6,735)
Rescue runs	327,674	327,674	398,724	71,050
Hazardous material permits	1,904	1,904	1,700	(204)
Building permits	34,616	34,616	37,559	2,943
Plumbing & mechanical permits	23,093	23,093	24,033	940
Electrical permits	20,714	20,714	19,285	(1,429)
Certificates of occupancy	5,032	5,032	4,500	(532)
CARE account revenue	19,516	19,516	23,530	4,014
Municipal Court Fees/Traffic Fines/Other Fines	93,037	93,037	124,937	31,900
Administrative and Other Fees	47,726	47,726	60,382	12,656
Vehicle Fees for Road Details	32,524	32,524	95,470	62,946
Code Court Fees	476	476	5,760	5,284
Property preservation revenue	3,318	3,318	13,930	10,612
Misc. departmental revenue	13,770	13,770	150,527	136,757
Local Pilot Revenue	302,207	302,207	237,708	(64,499)
Public works	9,132	9,132	10,885	1,753
Federal Revenue	191,573	191,573	864	(190,709)
Restitution	-	-	200	200
Total fees / non-tax revenue	1,607,634	1,607,634	1,846,729	239,095
State revenue				
MV Phase out	94,066	94,066	96,208	2,142
Distressed Communities Aid	303,293	303,293	305,869	2,576
Public Service Corporation Tax/Telephone tax	262,600	262,600	249,834	(12,766)
Hotel/meals & beverage tax	118,159	118,159	122,807	4,648
School Housing Aid - Direct payment	888,839	888,839	1,462,202	573,363
School Housing Aid - RIHBEC reimbursement	501,659	501,659	40,222	(461,437)
Debt Service QSCB Subsidy	147,119	147,119	137,115	(10,004)
Non Profit Organizations	18,740	18,740	34,958	16,218
Miscellaneous state aid/grants	26,046	26,046	26,046	-
Total state revenue	2,360,521	2,360,521	2,475,261	114,740
Other income				
Misc. other revenue	47,247	47,247	106,572	59,325
Other Financial Sources			213,036	213,036
Total other income	47,247	47,247	319,608	272,361
Total revenues	18,167,780	18,167,780	19,572,281	1,404,501

CITY OF CENTRAL FALLS

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GENERAL FUND

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL "BUDGETARY BASIS"
FOR THE YEAR ENDED JUNE 30, 2016

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
GENERAL GOVERNMENT				
City executive management				
Salaries	180,649	180,649	155,017	25,632
Social Security	12,072	12,072	10,423	1,649
Medicare	2,619	2,619	2,438	181
Municipal State Pension	24,604	24,604	20,635	3,969
TIAA-Cref	2,710	2,710	1,791	919
Medical Insurance	15,110	15,110	12,982	2,128
Dental Insurance	1,272	1,272	699	573
Supplies - Executive	1,000	1,000	802	198
Community Outreach	3,000	3,000	9,546	(6,546)
Professional Development & Training	6,000	6,000	5,041	959
Total city executive management	249,036	249,036	219,374	29,662
City council				
Stipends	20,580	20,580	20,580	-
Total city council	20,580	20,580	20,580	-
City clerk				
Salaries	192,580	192,580	181,210	11,370
Longevity	4,000	4,000	6,000	(2,000)
Social Security	12,188	12,188	11,627	561
Medicare	2,850	2,850	2,719	131
Municipal State Pension	27,319	27,319	25,545	1,774
TIAA Cref	2,949	2,949	1,876	1,073
Medical Insurance	30,209	30,209	28,851	1,358
Dental Insurance	3,186	3,186	2,424	762
Dues/subscriptions	500	500	490	10
Non-capital equipment	500	500	296	204
Claims/Settlement	15,000	15,000	3,970	11,030
Other professional services	27,729	27,729	42,549	(14,820)
Education & Training	1,000	1,000	916	84
Total city clerk	320,010	320,010	308,473	11,537
Board of canvassers				
Election workers	19,500	19,500	10,233	9,267
Total board of canvassers	19,500	19,500	10,233	9,267
Personnel				
Workers Compensation	77,516	77,516	75,289	2,227
Other professional services	34,076	34,076	2,580	31,496
Education & training	2,000	2,000	10,000	(8,000)
Testing	15,000	15,000	7,014	7,986
Total personnel	128,592	128,592	94,883	33,709
Legal				
Salaries	45,012	45,012	45,361	(349)
Social Security	2,791	2,791	2,645	146
Medicare	638	638	618	20
Municipal State Pension	6,131	6,131	6,177	(46)
TIAA Cref	675	675	454	221
Medical Insurance	10,706	10,706	10,279	427
Dental Insurance	957	957	828	129
Legal contingencies	15,000	15,000	11,791	3,209
Other professional services	119,000	119,000	112,036	6,964
Total legal	200,910	200,910	190,189	10,721

CITY OF CENTRAL FALLS

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GENERAL FUND

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL "BUDGETARY BASIS"
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Tax assessor				
Salaries	38,363	38,363	39,981	(1,618)
Longevity Pay	2,000	2,000	2,000	-
Sick incentive pay	474	474	-	474
Social Security	2,503	2,503	2,570	(67)
Medicare	585	585	601	(16)
Municipal State Pension	5,498	5,498	5,537	(39)
TIAA Cref	605	605	407	198
Dental Insurance	957	957	828	129
Dues/subscriptions	1,061	1,061	636	425
Other professional services	66,100	66,100	45,771	20,329
Revaluation services	10,960	10,960	(6,795)	17,755
Total tax assessor	129,106	129,106	91,536	37,570
Finance				
Salaries	267,522	267,522	273,436	(5,914)
Longevity Pay	3,500	3,500	3,500	-
Sick incentive pay	607	607	554	53
Social Security	16,803	16,803	16,316	487
Medicare	3,930	3,930	3,816	114
Municipal State Pension	37,390	37,390	37,235	155
TIAA Cref	4,065	4,065	2,734	1,331
Medical Insurance	53,530	53,530	51,394	2,136
Dental Insurance	3,828	3,828	3,480	348
Postage	18,086	18,086	22,343	(4,257)
Collection agency	2,500	2,500	21,038	(18,538)
Accounting/auditing	45,000	45,000	87,000	(42,000)
Other professional services	40,000	40,000	83,404	(43,404)
Education & training	500	500	170	330
Total finance	497,261	497,261	606,420	(109,159)
City property				
Office supplies	8,550	8,550	9,337	(787)
Other supplies	5,000	5,000	11,437	(6,437)
Janitorial Supplies	1,696	1,696	1,526	170
Dues/Subscriptions	5,384	5,384	2,921	2,463
Non-capital equipment	12,000	12,000	19,664	(7,664)
Advertising	15,000	15,000	26,230	(11,230)
IT Consulting services	20,000	20,000	10,428	9,572
R&M Contracts - City Buildings	40,000	40,000	40,563	(563)
General liability insurance	247,465	247,465	244,654	2,811
Capital Expenditures-City Property	-	-	10,676	(10,676)
Misc. City Property	2,000	2,000	72,944	(70,944)
Heating fuel (Police)	12,000	12,000	5,014	6,986
Heating fuel (Fire)	21,000	21,000	11,864	9,136
Water Public Safety Complex	19,000	19,000	14,711	4,289
Telephone (Police)	15,705	15,705	15,325	380
Telephone (Fire)	11,033	11,033	9,333	1,700
Electric-Police	31,000	31,000	25,086	5,914
Electric-Fire	31,000	31,000	23,208	7,792
Custodial Services - Public Safety	25,000	25,000	19,968	5,032
Heating fuel (DPW)	6,000	6,000	4,649	1,351
DPW Water/Sewer	3,399	3,399	3,428	(29)
Telephone-DWP Building	4,000	4,000	3,180	820
Electric-DWP Building	21,000	21,000	19,915	1,085
DPW Custodial Services	6,273	6,273	5,100	1,173
Heating Fuel-Other City Buildings	7,000	7,000	5,528	1,472
Telephone Other City Buildings	16,000	16,000	21,087	(5,087)
Repairs/Maint.-Other City Buildings	10,000	10,000	9,478	522
Water/Sewer-Other City Buildings	16,283	16,283	25,736	(9,453)
Electric-Other City Buildings	37,221	37,221	33,573	3,648
Custodial Services -Other City Buildings	10,812	10,812	9,900	912
Hydrants	67,000	67,000	119,400	(52,400)
Sewer/ NBC	10,000	10,000	2,947	7,053
Street lights	222,000	222,000	208,848	13,152
Total city property	959,821	959,821	1,047,658	(87,837)

CITY OF CENTRAL FALLS

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GENERAL FUND

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL "BUDGETARY BASIS"
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
City boards				
Pension board	675	675	675	-
Personnel board	675	675	675	-
Purchasing board	675	675	619	56
Appeals board	900	900	900	-
Planning board	1,125	1,125	1,013	112
Zoning board	1,750	1,750	1,750	-
Canvassers board	2,100	2,100	1,963	137
Housing authority board	2,750	2,750	2,750	-
Total city boards	10,650	10,650	10,345	305
Total general government	2,535,466	2,535,466	2,599,691	(64,225)
PUBLIC SAFETY				
Police department				
Salaries	2,090,975	2,090,975	1,998,131	92,844
Police trainee wages	8,240	8,240	1,410	6,830
Overtime	168,795	168,795	149,529	19,266
Special Investigations Overtime	25,575	25,575	21,732	3,843
Community Policing	20,000	20,000	19,921	79
K-9	9,500	9,500	5,684	3,816
Holiday pay	130,548	130,548	122,051	8,497
Longevity pay	65,500	65,500	66,800	(1,300)
Detective Stipends	7,800	7,800	7,860	(60)
Clothing/tool allowances	45,600	45,600	43,970	1,630
Sick Incentive Pay	2,986	2,986	3,182	(196)
Police Medicare	31,429	31,429	43,692	(12,263)
Police Medical Insurance	232,293	232,293	224,690	7,603
Police Dental Insurance	26,448	26,448	22,823	3,625
Injuries/Medical (Work Related Injuries)	47,685	47,685	50,765	(3,080)
Office supplies	4,400	4,400	4,378	22
Other supplies	8,200	8,200	8,561	(361)
Vehicle fuel	85,000	85,000	54,663	30,337
Dues/Subscriptions	800	800	705	95
Detective supplies	5,300	5,300	4,826	474
Non-capital equipment	6,000	6,000	8,038	(2,038)
General R & M	7,000	7,000	9,825	(2,825)
Vehicle R & M	28,000	28,000	33,853	(5,853)
Other professional services	93,103	93,103	85,042	8,061
Finger printing	2,500	2,500	2,430	70
Education & training	20,000	20,000	25,651	(5,651)
College tuitions	30,000	30,000	28,035	1,965
Salaries (Animal control)	36,559	36,559	32,062	4,497
Overtime (Animal control)	2,563	2,563	479	2,084
Animal Control Longevity Pay	1,500	1,500	1,500	-
Sick Incentive Pay (Animal control)	403	403	-	403
Clothing/tool allowance (Animal control)	275	275	275	-
Social Security (Animal control)	2,360	2,360	2,073	287
Medicare (Animal control)	552	552	485	67
Municipal State Pension (Animal control)	5,184	5,184	4,570	614
TIAA-Cref - Animal Control	571	571	336	235
Medical Insurance (Animal control)	4,398	4,398	4,398	-
Dental Insurance (Animal control)	315	315	285	30
Boarding of animals (Animal control)	4,274	4,274	3,093	1,181
Clerk & IT Salaries	79,396	79,396	80,011	(615)
Clerk & IT Overtime	1,000	1,000	622	378
Clerk & IT Longevity Pay	4,500	4,500	4,500	-
Clerk & IT Sick Incentive Pay	507	507	-	507
Clothing/tool allowances civilian	275	275	275	-
Clerk & IT Social Security	5,202	5,202	4,961	241
Clerk & IT Medicare	1,216	1,216	1,160	56
Municipal State Pension (Civilian Staff)	12,039	12,039	11,508	531
TIAA-Cref - Civilian	1,258	1,258	412	846
Clerk & IT Medical Insurance	21,412	21,412	20,557	855
Clerk & IT Dental Insurance	1,914	1,914	1,657	257
Dispatcher Salaries	319,032	319,032	170,718	148,314
Dispatcher & Clerk Overtime	50,000	50,000	17,890	32,110
Dispatcher Holiday Pay	22,831	22,831	8,653	14,178
Dispatchers Longevity	9,000	9,000	-	9,000
Dispatchers Sick Incentive Pay	940	940	460	480
Dispatcher clothing/tool allowances	2,200	2,200	1,375	825
Dispatcher Social Security	20,338	20,338	11,773	8,565
Dispatchers Medicare	4,756	4,756	2,753	2,003
Municipal State Pension (Dispatch)	45,904	45,904	24,810	21,094
TIAA-Cref - Dispatch	4,920	4,920	1,841	3,079
Dispatcher & Clerk Medical Insurance	66,725	66,725	13,234	53,491
Dispatcher & Clerk Dental Insurance	5,731	5,731	1,257	4,474
Public Safety Dispatcher Shared Equip R&M	6,000	6,000	1,685	4,315
Total police department	3,949,727	3,949,727	3,479,915	469,812

CITY OF CENTRAL FALLS

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GENERAL FUND

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL "BUDGETARY BASIS"
FOR THE YEAR ENDED JUNE 30, 2016

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Fire department				
Salaries-Fire	2,051,280	2,051,280	2,099,209	(47,929)
Stipend	-	-	250	(250)
Overtime-Fire	290,000	290,000	323,370	(33,370)
Holiday pay-Fire	146,795	146,795	126,159	20,636
Longevity pay-Fire	67,000	67,000	68,100	(1,100)
Out of rank pay	15,000	15,000	11,994	3,006
Rescue pay	7,280	7,280	7,016	264
Sick incentive pay -Fire	7,307	7,307	7,691	(384)
Clothing/tool allowance-Fire	37,000	37,000	37,000	-
Social Security-Fire	2,030	2,030	1,202	828
Medicare-Fire	30,744	30,744	36,467	(5,723)
Municipal State Pension-Fire Clerk	4,459	4,459	2,843	1,616
TIAA-Cref - Fire Clerk	491	491	1,960	(1,469)
Medical Insurance-Fire	340,000	340,000	286,641	53,359
Dental Insurance-Fire	28,341	28,341	25,478	2,863
Injuries/Medical (Work Related Injuries)-Fire	74,342	74,342	85,821	(11,479)
Other supplies-Fire	20,500	20,500	18,917	1,583
Vehicle fuel-Fire	25,040	25,040	16,741	8,299
Dues/subscriptions-Fire	500	500	500	-
Non-capital equipment-Fire	6,000	6,000	12,091	(6,091)
General R & M-Fire	10,000	10,000	23,769	(13,769)
Vehicle R & M-Fire	37,000	37,000	60,825	(23,825)
Other professional services-Fire	44,300	44,300	40,956	3,344
Education & training-Fire	6,300	6,300	6,077	223
College tuitions-Fire	3,000	3,000	996	2,004
Fire Fighter Equipment	15,000	15,000	19,833	(4,833)
Total fire department	3,269,709	3,269,709	3,321,906	(52,197)
Municipal court				
Salaries - Municipal	38,364	38,364	40,884	(2,520)
Overtime - Municipal	1,690	1,690	2,119	(429)
Court Security	2,280	2,280	1,326	954
Longevity Pay	2,500	2,500	2,500	-
Sick Incentive Pay	474	474	433	41
Social Security	2,534	2,534	2,681	(147)
Medicare	593	593	627	(34)
Municipal State Pension	5,566	5,566	5,908	(342)
TIAA-Cref - Municipal Court	613	613	540	73
Medical Insurance	10,706	10,706	10,279	427
Dental Insurance	957	957	828	129
Office supplies	6,500	6,500	8,422	(1,922)
Municipal Court Judge	14,000	14,000	14,000	-
Housing Court Judge	12,000	12,000	12,000	-
Probate Court Judge	12,000	12,000	12,000	-
Total municipal court	110,777	110,777	114,547	(3,770)
Inspection officers				
Plumbing officer	5,000	5,000	5,000	-
Electrical inspector	5,000	5,000	5,000	-
Total inspection officers	10,000	10,000	10,000	-
Total public safety	7,340,213	7,340,213	6,926,368	413,845

CITY OF CENTRAL FALLS

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GENERAL FUND

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL "BUDGETARY BASIS"
FOR THE YEAR ENDED JUNE 30, 2016

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
PUBLIC WORKS				
<i>Highway department</i>				
Salaries-DPW/Code	562,256	562,256	532,012	30,244
Overtime-DPW/Code	47,000	47,000	33,977	13,023
Longevity pay-DPW/Code	23,000	23,000	23,000	-
Sick Incentive Pay-DPW/Code	541	541	1,038	(497)
Clothing/tool allowance-DPW/Code	2,475	2,475	2,200	275
Social Security-DPW/Code	36,286	36,286	35,454	832
Medicare-DPW/Code	8,486	8,486	8,292	194
Municipal State Pension-DPW/Code	73,978	73,978	70,640	3,338
TIAA-Cref - DPW/Code	8,147	8,147	4,194	3,953
Medical Insurance-DPW/Code	90,046	90,046	82,955	7,091
Dental Insurance-DPW/Code	7,971	7,971	7,523	448
Other supplies-DPW/Code	2,000	2,000	6,494	(4,494)
Other Professional Services-DPW/Code	46,000	46,000	29,885	16,115
Education & training-DPW/Code	500	500	72	428
Property protection-DPW/Code	10,000	10,000	680	9,320
Vehicle Fuel-DPW/Code	25,000	25,000	8,959	16,041
Non-capital equipment-DPW/Code	6,000	6,000	8,795	(2,795)
Winter road supplies-DPW/Code	40,000	40,000	26,057	13,943
General R & M-DPW/Code	5,000	5,000	3,542	1,458
Vehicle R & M-DPW/Code	50,000	50,000	71,006	(21,006)
DPW Building R&M-DPW/Code	2,000	2,000	896	1,104
Road R & M-DPW/Code	240,000	240,000	190,365	49,635
Traffic Signal R & M-DPW/Code	3,000	3,000	14,771	(11,771)
Capital Expenditures-DPW/Code	-	-	205,985	(205,985)
Misc. Highway-DPW/Code	500	500	1,104	(604)
Total highway department	1,290,186	1,290,186	1,369,896	(79,710)
Public works				
Solid waste removal/disposal	144,000	144,000	138,356	5,644
Trash Removal/Recycling	637,500	637,500	635,160	2,340
Total public works	781,500	781,500	773,516	7,984
Total public works	2,071,686	2,071,686	2,143,412	(71,726)
PUBLIC EDUCATION				
<i>Library</i>				
City Contribution	118,825	118,825	118,825	-
State Library Grant-In-Aid	26,046	26,046	26,046	-
Total public education	144,871	144,871	144,871	-
PUBLIC RECREATION				
<i>Parks, Recreation And Community Service</i>				
Salaries	54,000	54,000	40,316	13,684
Temporary Salary	16,035	16,035	16,677	(642)
Grant Writer	35,000	35,000	35,681	(681)
Street Beautification Workers	20,214	20,214	25,854	(5,640)
Youth Fellowship	6,000	6,000	2,396	3,604
Social Security	7,765	7,765	7,696	69
Medicare	1,816	1,816	1,788	28
Municipal State Pension	7,355	7,355	6,745	610
TIAA-Cref - Parks/Recreation	810	810	495	315
Medical Insurance	4,398	4,398	2,111	2,287
Dental Insurance	315	315	71	244
Other supplies	5,000	5,000	5,228	(228)
General R & M	11,489	11,489	11,767	(278)
Other professional services	5,000	5,000	19,991	(14,991)
Public events & activities	10,000	10,000	24,943	(14,943)
Misc. recreation	2,000	2,000	5,459	(3,459)
Total parks, recreation and community service	187,197	187,197	207,218	(20,021)
Planning				
Salaries	142,000	142,000	128,481	13,519
Social Security	8,804	8,804	7,932	872
Medicare	2,059	2,059	1,855	204
Municipal State Pension	19,340	19,340	16,673	2,667
TIAA-Cref - Planning	2,130	2,130	1,225	905
Medical Insurance	19,503	19,503	6,031	11,472
Dental Insurance	1,588	1,588	1,111	477
Other supplies	1,000	1,000	998	2
Education/Training	1,500	1,500	3,629	(2,129)
Other Professional Services	34,089	34,089	31,865	2,224
Total planning	232,013	232,013	201,800	30,213
TOTAL PUBLIC RECREATION	419,210	419,210	409,018	10,192

CITY OF CENTRAL FALLS

D-2

GENERAL FUND

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL "BUDGETARY BASIS"
FOR THE YEAR ENDED JUNE 30, 2016**

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
CITY DEBT SERVICE				
Bond principal	1,860,000	1,860,000	1,860,000	-
Bond interest	600,939	600,939	600,937	2
Other debt fees	2,000	2,000	1,600	400
Lease purchase	22,500	22,500	22,093	407
Repayment to State of RI	-	-	600,000	(600,000)
Total city debt service	2,485,439	2,485,439	3,084,630	(599,191)
CONTINGENCY				
General contingencies	20,746	20,746	19,048	1,698
Total contingency	20,746	20,746	19,048	1,698
SPECIAL PROJECTS				
			14,738	(14,738)
OTHER CITY GOVERNMENT				
Compensated absences	57,491	57,491	27,501	29,990
Unemployment compensation	31,200	31,200	21,468	9,732
Group Life	11,000	11,000	10,864	136
Medical insurance	280,494	280,494	188,862	91,632
OPEB	100,000	100,000	100,000	-
HRA - Health Reimbursement	133,715	133,715	160,236	(26,521)
Total other city government	613,900	613,900	508,931	104,969
RESERVE				
0.59% of total budget	90,839	90,839	-	90,839
Total Reserve	90,839	90,839		90,839
RETIREMENT				
Police retirement- Public Safety Pension	92,003	92,003	88,678	3,325
Fire retirement - Public Safety Pension	92,003	92,003	92,003	-
Public Pension - JH Other Paygo	2,261,404	2,261,404	2,220,950	40,454
Total retirement	2,445,410	2,445,410	2,401,631	43,779
Total expenditures	18,167,780	18,167,780	18,252,338	(84,558)
Other financing sources (uses)				
Transfers from other funds	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Excess of revenues and other sources over expenditures and other uses - budgetary basis	\$ -	\$ -	\$ 1,319,943	\$ 1,319,943

CITY OF CENTRAL FALLS
Budgetary and Legal Compliance

D-3

For the Year Ended 6/30/2016

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

Total budgetary revenues and other financing sources	\$ 19,572,281
Reclassification of:	
Property tax revenue- sixty day rule	234,204
Prior years property tax revenue - sixty day rule	(219,145)
Total GAAP revenues and other financing sources	<u>\$ 19,587,340</u>
Total budgetary expenditures and other financing uses	\$ 18,252,338
Reclassification of:	
Encumbrances outstanding as of June 30, 2016	(9,563)
Transfer to capital reserve fund, not part of budget	1,177,470
Total GAAP expenditures and other financing uses	<u>\$ 19,420,245</u>

CITY OF CENTRAL FALLS

D-4

*General Fund
Excess of Expenditures Over Appropriations*

For the Year Ended June 30, 2016

For the year ended June 30, 2016, expenditures exceeded budget at the department level as follows:

<u>Department</u>	<u>Excess</u>
Finance	\$ 109,159
Special Projects	\$ 14,738
City Property	\$ 87,837
Fire Department	\$ 52,197
Highway Department	\$ 79,710
Parks, Recreation And Community Service	\$ 20,021
Municipal Court	\$ 3,770

**SCHEDULE OF CHANGES IN CITY OF CENTRAL FALLS
NET PENSION LIABILITY AND RELATED RATIOS
MERS**

D-5

Last Two Fiscal Years

	Year Ended June 30, 2015	Year Ended June 30, 2014
A. Total pension liability		
1. Service Cost	\$ 105,194	\$ 112,984
2. Interest on the Total Pension Liability	514,938	510,493
3. Changes of benefit terms	(12,537)	-
4. Difference between expected and actual experience of the Total Pension Liability	(254,173)	
5. Changes of assumptions		(24,723)
6. Benefit payments, including refunds of employee contributions	(503,299)	(567,898)
7. Net change in total pension liability	(149,877)	30,856
8. Total pension liability – beginning	7,064,892	7,034,036
9. Total pension liability – ending (a)	<u>\$ 6,915,015</u>	<u>\$ 7,064,892</u>
B. Plan fiduciary net position		
1. Contributions – employer	\$ 266,285	\$ 162,612
2. Contributions – employee	18,326	16,471
3. Net investment income	114,533	665,429
4. Benefit payments, including refunds of employee contributions	(503,299)	(567,898)
5. Pension Plan Administrative Expense	(4,621)	(4,167)
6. Other	(146)	(28,883)
7. Net change in plan fiduciary net position	(108,922)	243,564
8. Plan fiduciary net position – beginning	4,996,132	4,752,568
9. Plan fiduciary net position – ending (b)	<u>\$ 4,887,210</u>	<u>\$ 4,996,132</u>
C. Net pension liability - ending (a) - (b)	<u>\$ 2,027,805</u>	<u>\$ 2,068,760</u>
D. Plan fiduciary net position as a percentage of the total pension liability	70.68%	70.72%
E. Covered employee payroll	<u>\$ 1,832,653</u>	<u>\$ 1,647,003</u>
F. Net pension liability as a percentage of covered payroll	110.65%	125.61%

This schedule is presented as required by accounting principles generally accepted in the United States of America, however, until a full 10 year trend is compiled, information is presented for those years available.

**SCHEDULE OF CHANGES IN THE CITY OF CENTRAL FALLS
NET PENSION LIABILITY AND RELATED RATIOS
CITY PLAN**

D-6

Last Two Fiscal Years

	Year Ended June 30, 2016	Year Ended June 30, 2015
A. Total pension liability		
1. Service Cost	\$ 782,937	\$ 451,646
2. Interest on Liability and Service Cost	2,359,718	2,455,649
3. Change in Plan Provisions	-	-
4. Experience (Gain) and Loss	(1,003,524)	411,659
5. Changes of Assumptions	(7,182,170)	8,108,455
6. Benefit Payments	(2,275,505)	(2,317,773)
7. Interest on Benefit Payments	(64,506)	(88,138)
8. Net change in total pension liability	(7,383,050)	9,021,498
9. Total pension liability – beginning	40,255,644	31,234,146
10. Total pension liability – ending (a)	<u>\$ 32,872,594</u>	<u>\$ 40,255,644</u>
B. Plan fiduciary net position		
1. Contributions – employer	\$ 2,404,956	\$ 2,412,068
2. Contributions – employee	455,617	410,224
3. Other Payments	-	-
4. Benefit Payments	(2,275,504)	(2,317,773)
5. Expenses	(18,992)	(19,312)
6. Investment Income	678,721	(176,495)
7. Net change in plan fiduciary net position	1,244,798	308,712
8. Plan fiduciary net position – beginning	6,700,450	6,391,738
9. Plan fiduciary net position – ending (b)	<u>\$ 7,945,248</u>	<u>\$ 6,700,450</u>
C. Net pension liability - ending (a) - (b)	<u>\$ 24,927,346</u>	<u>\$ 33,555,194</u>
D. Plan fiduciary net position as a percentage of the total pension liability	24.17%	16.64%
E. Covered employee payroll	<u>\$ 4,777,056</u>	<u>\$ 4,482,450</u>
F. Net pension liability as a percentage of covered payroll	521.81%	748.59%

This schedule is presented as required by accounting principles generally accepted in the United States of America, however, until a full 10 year trend is compiled, information is presented for those years available.

CITY OF CENTRAL FALLS
Schedule of Investment Returns
City Plan

D-7

Last Two Fiscal Years

	2016	2015
Annual money-weighted rate of return net of investment expense	9.97%	2.68%

CITY OF CENTRAL FALLS

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**Schedule of City of Central Falls Contributions
Municipal Employees' Retirement System
Last Two Fiscal Years**

	<u>Fiscal 2016</u>	<u>Fiscal 2015</u>
Actuarially determined contribution	\$ 246,916	\$ 266,285
Contributions in relation to the actuarially determined contribution	<u>246,916</u>	<u>266,285</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	<u>\$ 1,832,653</u>	<u>\$ 1,647,003</u>
Contributions as a percentage of covered-employee payroll	13.47%	14.53%

Notes:

- 1.) *Employers participating in the Municipal Employee's Retirement System are required by RI General Laws, Section 45-21-42, to contribute an actuarially determined contribution rate each year.*

- 2.) *Schedule is intended to show information for 10 years - additional years will be displayed as they become available.*

CITY OF CENTRAL FALLS

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Schedule of City of Central Falls Contributions
City Plan
Last Ten Fiscal Years

	<u>Fiscal 2016</u>	<u>Fiscal 2015</u>	<u>Fiscal 2014</u>	<u>Fiscal 2013</u>	<u>Fiscal 2012</u>
Actuarially determined contribution	\$ 2,335,487	\$ 2,227,079	\$ 2,006,770	\$ 2,014,476	\$ 2,030,996
Contributions in relation to the actuarially determined contribution	<u>2,451,749</u>	<u>2,412,068</u>	<u>2,328,947</u>	<u>2,309,325</u>	<u>2,547,562</u>
Contribution deficiency (excess)	<u>\$ (116,262)</u>	<u>\$ (184,989)</u>	<u>\$ (322,177)</u>	<u>\$ (294,849)</u>	<u>\$ (516,566)</u>
Covered-employee payroll	<u>\$ 4,777,056</u>	<u>\$ 4,482,450</u>	<u>\$ 4,025,037</u>	<u>\$ 3,849,274</u>	<u>\$ 3,620,778</u>
Contributions as a percentage of covered-employee payroll	51.32%	53.81%	57.86%	59.99%	70.36%

Notes:

1.) Schedule is intended to show information for 10 years - additional years will be displayed as they become available.

NON-MAJOR GOVERNMENTAL FUNDS

CITY OF CENTRAL FALLS

E-1

**Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2016**

	<u>CDBG Revolving</u>	<u>CDBG 2009</u>	<u>CDBG 2010</u>	<u>CDBG 2012</u>	<u>CDBG 2013</u>	<u>CDBG 2014</u>
ASSETS						
Cash and cash equivalents	\$ 663,753	\$ -	\$ -	\$ -	\$ -	\$ -
Due from federal and state governments			6	34,675	50,381	407,597
Due from other funds			22,941	42,434	89,448	100,111
TOTAL ASSETS	663,753	-	22,947	77,109	139,829	507,708
LIABILITIES						
Accounts payable				6,547		14,871
Due to other funds	418,436		17,952	21,212	90,333	246,743
Unearned revenue			4,995	49,350	49,496	246,094
TOTAL LIABILITIES	418,436	-	22,947	77,109	139,829	507,708
FUND BALANCE						
Restricted	245,317	-	-	-	-	-
TOTAL FUND BALANCE	\$ 245,317	\$ -				

CITY OF CENTRAL FALLS

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Non-Major Governmental Funds
For the year ended June 30, 2016**

	<u>CDBG Revolving</u>	<u>CDBG 2009</u>	<u>CDBG 2010</u>	<u>CDBG 2012</u>	<u>CDBG 2013</u>	<u>CDBG 2014</u>
Revenues:						
Interest and investment income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental		14,799	17,952	22,759	90,333	261,614
Other		-	-			
Total revenues	-	14,799	17,952	22,759	90,333	261,614
Expenditures:						
General government	15,731			22,759	90,333	42,025
Public safety						
Recreation						
Capital outlays	213,266	14,799	17,952			219,589
Total expenditures & capital outlays	228,997	14,799	17,952	22,759	90,333	261,614
Excess of revenue over (under) expenditures before transfers	(228,997)	-	-	-	-	-
Other financing sources (uses):						
Transfers in						
Transfer out						
Net other financing sources (uses)	-	-	-	-	-	-
Excess of revenues and other sources over (under) expenditures and other uses	(228,997)	-	-	-	-	-
Fund balance, beginning of the year	474,314	-	-	-	-	-
Fund balance, end of the year	\$ 245,317	\$ -				

CITY OF CENTRAL FALLS

E-1

**Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2016**

	<u>CDBG 2015</u>	<u>UDAG Revolving Loan Fund</u>	<u>Home</u>	<u>ED</u>	<u>COPS Grant</u>	<u>Mortgage Foreclosure Prevention</u>
ASSETS						
Cash and cash equivalents	\$ -	\$ 35,234	\$ 60,701	\$ 396,939	\$ -	\$ -
Due from federal and state governments	255,000				21,421	
Due from other funds	-					222,315
TOTAL ASSETS	255,000	35,234	60,701	396,939	21,421	222,315
LIABILITIES						
Accounts payable	56,294		1,230			3,667
Due to other funds	-	35,234	50,711	201,796	21,421	51,331
Unearned revenue	198,706					167,317
TOTAL LIABILITIES	255,000	35,234	51,941	201,796	21,421	222,315
FUND BALANCE						
Restricted	-	-	8,760	195,143	-	-
TOTAL FUND BALANCE	\$ -	\$ -	\$ 8,760	\$ 195,143	\$ -	\$ -

CITY OF CENTRAL FALLS

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Non-Major Governmental Funds
For the year ended June 30, 2016**

	<u>CDBG 2015</u>	<u>UDAG Revolving Loan Fund</u>	<u>Home</u>	<u>ED</u>	<u>COPS Grant</u>	<u>Mortgage Foreclosure Prevention</u>
Revenues:						
Interest and investment income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	56,294					53,998
Other	-					
Total revenues	56,294	-	-	-	-	53,998
Expenditures:						
General government						
Public safety						53,998
Recreation						
Capital outlays	56,294		50,240	201,796		
Total expenditures & capital outlays	56,294	-	50,240	201,796	-	53,998
Excess of revenue over (under) expenditures before transfers	-	-	(50,240)	(201,796)	-	-
Other financing sources (uses):						
Transfers in						
Transfer out						
Net other financing sources (uses)	-	-	-	-	-	-
Excess of revenues and other sources over (under) expenditures and other uses	-	-	(50,240)	(201,796)	-	-
Fund balance, beginning of the year	-		59,000	396,939	-	-
Fund balance, end of the year	\$ -	\$ -	\$ 8,760	\$ 195,143	\$ -	\$ -

CITY OF CENTRAL FALLS

E-1

**Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2016**

	Grant In Aid	RI Foundation	Recreation Summer Lunch Program	Police C.A.R.E.	Police Federal Forfeiture	Police Special Accounts
ASSETS						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ 103,273	\$ 192,339
Due from federal and state governments				-		
Due from other funds	58,306	5,954	113,087	29,730		33,824
TOTAL ASSETS	58,306	5,954	113,087	29,730	103,273	226,163
LIABILITIES						
Accounts payable				1,670	9,625	67,271
Due to other funds			104,045	27,055	19,514	148,123
Unearned revenue		5,954				
TOTAL LIABILITIES	-	5,954	104,045	28,725	29,139	215,394
FUND BALANCE						
Restricted	58,306		9,042	1,005	74,134	\$ 10,769
TOTAL FUND BALANCE	\$ 58,306	\$ -	\$ 9,042	\$ 1,005	\$ 74,134	\$ 10,769

CITY OF CENTRAL FALLS

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Non-Major Governmental Funds
For the year ended June 30, 2016**

	Grant In Aid	RI Foundation	Recreation Summer Lunch Program	Police C.A.R.E.	Police Federal Forfeiture	Police Special Accounts
Revenues:						
Interest and investment income	\$ -	\$ -	\$ -	\$ -	\$ 1,575	\$ 5,978
Intergovernmental			96,262	61,546		
Other	-		1,050.00	14,738	56,770	33,457
Total revenues	-		97,312	76,284	58,345	39,435
Expenditures:						
General government				61,546	12,920	
Public safety				14,738		21,720
Recreation			91,285			
Capital outlays						
Total expenditures & capital outlays	-		91,285	76,284	12,920	21,720
Excess of revenue over (under) expenditures before transfers	-		6,027	-	45,425	17,715
Other financing sources (uses):						
Transfers in						
Transfer out						
Net other financing sources (uses)	-	-	-	-	-	-
Excess of revenues and other sources over (under) expenditures and other uses	-	-	6,027	-	45,425	17,715
Fund balance, beginning of the year	58,306	-	3,015	1,005	28,709	(6,946)
Fund balance, end of the year	\$ 58,306	\$ -	\$ 9,042	\$ 1,005	\$ 74,134	\$ 10,769

CITY OF CENTRAL FALLS

E-1

**Combining Balance Sheet
Non-Major Government Funds
June 30, 2016**

	2014 JAG Grant	Public Rescue	School Bldg Capital	Rural Grants	Emergency Equipment Replacement	Recycling Account
ASSETS						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ 17,125	\$ -
Due from federal and state governments						
Due from other funds	26,301		500,000	49		19,383
TOTAL ASSETS	26,301	-	500,000	49	17,125	19,383
LIABILITIES						
Accounts payable			234,857			
Due to other funds	26,301		92,050		15,138	935
Unearned revenue						10,306
TOTAL LIABILITIES	26,301	-	326,907	-	15,138	11,241
FUND BALANCE						
Restricted	-	-	173,093	49	1,987	8,142
TOTAL FUND BALANCE	\$ -	\$ -	\$ 173,093	\$ 49	\$ 1,987	\$ 8,142

CITY OF CENTRAL FALLS

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Non-Major Governmental Funds
For the year ended June 30, 2016**

	2014 JAG Grant	Public Rescue	School Bldg Capital	Rural Grants	Emergency Equipment Replacement	Recycling Account
Revenues:						
Interest and investment income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental						
Other						8,880
Total revenues	-	-	-	-	-	8,880
Expenditures:						
General government			126,329			935
Public safety						
Recreation						
Capital outlays			200,578		127,275	
Total expenditures & capital outlays	-	-	326,907	-	127,275	935
Excess of revenue over (under) expenditures before transfers	-	-	(326,907)	-	(127,275)	7,945
Other financing sources (uses):						
Transfers in			500,000			
Transfer out		(176,196)				
Net other financing sources (uses)	-	(176,196)	500,000	-	-	-
Excess of revenues and other sources over (under) expenditures and other uses	-	(176,196)	173,093	-	(127,275)	7,945
Fund balance, beginning of the year	-	176,196	-	49	129,262	197
Fund balance, end of the year	\$ -	\$ -	\$ 173,093	\$ 49	\$ 1,987	\$ 8,142

CITY OF CENTRAL FALLS

E-1

**Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2016**

	<u>EPA</u>	<u>Champs Grant</u>	<u>Property Development</u>	<u>Redevelopment Agency</u>
ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Due from federal and state governments				
Due from other funds		22,208	161,179	100,000
TOTAL ASSETS		22,208	161,179	100,000
LIABILITIES				
Accounts payable		-		
Due to other funds	1,687	22,208		
Unearned revenue				
TOTAL LIABILITIES	1,687	22,208	-	-
FUND BALANCE				
Restricted	(1,687)	-	161,179	100,000
TOTAL FUND BALANCE	\$ (1,687)	\$ -	\$ 161,179	\$ 100,000

CITY OF CENTRAL FALLS

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Non-Major Governmental Funds
For the year ended June 30, 2016**

	<u>EPA</u>	<u>Champs Grant</u>	<u>Property Development</u>	<u>Redevelopment Agency</u>
Revenues:				
Interest and investment income		\$ -	\$ -	
Intergovernmental				
Other				
Total revenues		-	-	-
Expenditures:				
General government	1,687	15,172		
Public safety				
Recreation				
Capital outlays				
Total expenditures & capital outlays	1,687	15,172	-	-
Excess of revenue over (under) expenditures before transfers	(1,687)	(15,172)	-	-
Other financing sources (uses):				
Transfers in				100,000
Transfer out				
Net other financing sources (uses)	-	-	-	100,000
Excess of revenues and other sources over (under) expenditures and other uses	(1,687)	(15,172)	-	100,000
Fund balance, beginning of the year		15,172	161,179	-
Fund balance, end of the year	\$ (1,687)	\$ -	\$ 161,179	\$ 100,000

CITY OF CENTRAL FALLS

E-1

**Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2016**

	<u>Recreation Capital</u>	<u>115 Illinois Street</u>	<u>Historic Trust</u>	<u>TOTALS</u>
ASSETS				
Cash and cash equivalents	\$ -		\$ 38,480	\$ 1,507,844
Due from federal and state governments				769,080
Due from other funds	4,393	\$ 473,000	30,457	2,055,120
TOTAL ASSETS	4,393	473,000	68,937	4,332,044
LIABILITIES				
Accounts payable		218,030	1,549	615,611
Due to other funds		5,128	38,339	1,655,692
Unearned revenue		249,842		982,060
TOTAL LIABILITIES	-	473,000	39,888	3,253,363
FUND BALANCE				
Restricted	4,393	-	29,049	1,078,681
TOTAL FUND BALANCE	\$ 4,393	\$ -	\$ 29,049	\$ 1,078,681

CITY OF CENTRAL FALLS

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Non-Major Governmental Funds
For the year ended June 30, 2016**

	<u>Recreation Capital</u>	<u>115 Illinois Street</u>	<u>Historic Trust</u>	<u>TOTALS</u>
Revenues:				
Interest and investment income	\$ -	\$ -	\$ 40	\$ 7,593
Intergovernmental		223,158		898,715
Other	-			114,895
Total revenues	-	223,158	40	1,021,203
Expenditures:				
General government		5,128	39,887	434,452
Public safety				90,456
Recreation				91,285
Capital outlays		218,030		1,319,819
Total expenditures & capital outlays	-	223,158	39,887	1,936,012
Excess of revenue over (under) expenditures before transfers	-	-	(39,847)	(914,809)
Other financing sources (uses):				
Transfers in				600,000
Transfer out				(176,196)
Net other financing sources (uses)	-	-	-	423,804
Excess of revenues and other sources over (under) expenditures and other uses	-	-	(39,847)	(491,005)
Fund balance, beginning of the year	4,393	-	68,896	1,569,686
Fund balance, end of the year	\$ 4,393	\$ -	\$ 29,049	\$ 1,078,681

AGENCY FUNDS

Statement of Changes in Assets and Liabilities
Agency Funds
For the year ended June 30, 2016

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<u>Unclaimed Estates</u>				
ASSETS				
Cash	\$ 32,861	\$ 125	\$ -	\$ 32,986
LIABILITY				
Deposits Held in Custody for Others	\$ 32,861	\$ 125	\$ -	\$ 32,986
<u>Totals</u>				
ASSETS				
Cash	\$ 32,861	\$ 125	\$ -	\$ 32,986
TOTAL ASSETS	\$ 32,861	\$ 125	\$ -	\$ 32,986
LIABILITIES				
Deposits Held in Custody for Others	\$ 32,861	\$ 125	\$ -	\$ 32,986
TOTAL LIABILITIES	\$ 32,861	\$ 125	\$ -	\$ 32,986

GENERAL FUND

CITY OF CENTRAL FALLS**SCHEDULE OF PROPERTY TAXES RECEIVABLE
YEAR ENDED JUNE 30, 2016**

<u>Assessment of</u>	<u>Balance Uncollected July 1, 2015</u>	<u>2015 Assessment</u>	<u>Additions & Adjustments</u>	<u>Abatements</u>	<u>Amount to be Collected</u>	<u>Current Year Collections</u>	<u>Balance Uncollected June 30, 2016</u>
2015	\$ -	\$ 15,157,431	\$ 4,583	\$ (152,943)	\$ 15,009,071	\$14,010,202	\$ 998,869
2014	909,949		6,821	(83,724)	833,046	558,138	274,908
2013	401,042		1,752	(58,414)	344,380	110,633	233,747
2012	362,357		5	(50,860)	311,502	81,766	229,736
2011	379,293		424	(48,124)	331,593	58,440	273,153
2010	394,550		665	(41,310)	353,905	95,575	258,330
2009	129,443		-	(38,202)	91,241	6,815	84,426
2008	143,136		100	(38,470)	104,766	3,763	101,003
2007	159,132			(29,184)	129,948	3,862	126,086
2006	84,559			(3,330)	81,229	845	80,384
2005	62,422		1,894	(63,672)	644	644	-
	<u>3,025,883</u>	<u>\$ 15,157,431</u>	<u>\$ 16,244</u>	<u>\$ (608,233)</u>	<u>\$ 17,591,325</u>	<u>\$ 14,930,683</u>	<u>2,660,642</u>
Less: allowance for uncollectible accounts	<u>(1,150,000)</u>						<u>(810,000)</u>
	<u>\$ 1,875,883</u>						<u>\$ 1,850,642</u>

Schedule of property valuation assessed as of December 31, 2014:

Real estate	\$ 12,785,611
Motor vehicles	2,660,653
Tangibles	1,153,655
Less: exemptions	(1,587,874)
Adjustments	145,386
	<u>\$ 15,157,431</u>

Schedule of General Property Taxes:

Current Year Collections	\$ 14,930,683
Prior year 60 day Collections	(219,145)
Current year 60 Collections	234,204
	<u>\$ 14,945,742</u>