

CITY OF CENTRAL FALLS

BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED
JUNE 30, 2008

WITH

INDEPENDENT AUDITOR'S REPORT

CITY OF CENTRAL FALLS

YEAR ENDED JUNE 30, 2008

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CITY OF CENTRAL FALLS

YEAR ENDED JUNE 30, 2008

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of the City Council
City of Central Falls
Central Falls, Rhode Island

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, 2008, which collectively comprise the City's basic financial statements as listed in the accompanying table of contents to this report. These basic financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these basic 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic 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, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 31, 2008 on our consideration of the City's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, Schedule of Funding Progress for Pension Plan, and Budgetary Comparison Schedule for the General Fund on pages 3 through 10 and 41 through 48 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 Fund Financial Statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Combining and Individual Fund Financial Statements has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Bravez PC

December 31, 2008

CITY OF
CENTRAL FALLS



STATE OF
RHODE ISLAND

FINANCE OFFICE
CITY HALL
580 BROAD STREET
CENTRAL FALLS, RI 02863
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December 31, 2008

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

Management's Discussion and Analysis

Fiscal Year Ended June 30, 2008

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, 2008. This is the City's sixth (6th) 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 auditor's report for 2008 expresses an unqualified (i.e. "clean") opinion on the financial statements of the City of Central Falls. The City's basic financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City.

The Government-Wide Statement of Net Assets indicates that the City's total net assets, a negative \$12,251,346 worsened by \$2,402,853 over the previous year's balance.

The Government-Wide Statement of Activities indicates that the City's total general revenues of \$16,858,530 combined with additional program revenues of \$2,446,996 less program expenses of \$21,708,379, resulted in a decrease of \$2,402,853 in total net assets from a year ago.

The Governmental Fund Financial Statements indicate that for the City's general fund, the ending fund balance at year end was substantially reduced to \$840,429, a decrease of \$1,598,041 over the prior year.

The Financial Statements

The financial statements presented herein include all the activities of the City of Central Falls using the integrated approach as prescribed by GASB Statement No. 34.

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

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

Overview of the Financial Statements Government-Wide Financial Statements

The Statement of Net Assets and the Statement of Activities

The Statement of Net Assets 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 revenues and expenses are taken into account, regardless of when cash is received or paid.

These two statements report the City's net assets and changes in them. Net assets are 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 assets are indicators 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 Assets and the Statement of Activities as follows:

Governmental Activities

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

Fund Financial Statements

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

Governmental Funds

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

Proprietary Funds

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

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

Fiduciary Funds

The City of Central Falls is the trustee, or fiduciary, for certain funds held on behalf of the beneficiaries. The City's fiduciary activities are reported in separate Statements of Fiduciary Net Assets. 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 sixth (6th) year of implementation of the provisions of GASB Statement No. 34, the City continues to provide certain disclosures and compare 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 assets for the City of Central Falls have decreased by \$2,271,823 over the prior year's balance. This decrease is first identified in the change in net assets as recorded in the Statement of Activities and then flows through the Statement of Net Assets. 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 assets for the City of Central Falls for the fiscal year ended June 30, 2008 were:

Net Assets

Governmental Activities

	<u>2008</u>	<u>2007</u>
Current and other assets	\$ 8,534,950	\$ 10,841,714
Capital assets	<u>27,160,801</u>	<u>23,830,876</u>
Total Assets	35,695,751	34,672,590
Current liabilities	5,603,992	4,221,839
Long-term liabilities	<u>42,343,105</u>	<u>40,299,244</u>
Total Liabilities	47,947,097	44,521,083
Net Assets:	\$(12,251,346)	\$ (9,848,493)
Invested in capital assets, net of debt	\$ 10,263,095	\$ 6,933,170
Restricted	3,079,045	4,763,833
Unrestricted	<u>(25,593,486)</u>	<u>(21,545,496)</u>
Total Net Assets	\$(12,251,346)	\$ (9,848,493)

This year the City of Central Falls is able to report positive balances in two (2) areas of net assets. Invested in capital assets, net of related debt amounts is the amount of \$10,263,095 and restricted net assets amount to \$3,079,045. The negative balance of \$25,593,486 in unrestricted net assets is attributable to the City's net pension obligation of \$21,516,671 in the Police and Fire Private Pension Plan (John Hancock).

As indicated in the Statement of Activities, the total cost of governmental activities for the year ended June 30, 2008 was \$21,708,379. This amount was substantially offset, in that some of the cost (i.e. \$2,509,835) was paid by federal, state and private grants and entitlements.

Program and General Revenues

	<u>2008</u>	<u>2007</u>
Charges for services		
General government	\$ 850,768	\$ 875,238
Public safety	345,703	144,336
Public works	<u>10,593</u>	<u>21,080</u>
 Total	 <u>\$ 1,207,064</u>	 <u>\$ 1,040,654</u>

Total revenue received for charges and services in 2008 was \$1,207,064, an increase of \$166,410 compared to the amount received in 2007, which was equal to \$1,040,654.

	<u>2008</u>	<u>2007</u>
Operating Grants and Contributions		
General government	\$ 1,070,039	\$ 1,324,360
Public safety	113,661	623,305
Public works	9,533	21,602
Public recreation	122,818	383,945
Capital outlays	<u>-</u>	<u>-</u>
 Total	 <u>\$ 1,316,051</u>	 <u>\$ 2,353,212</u>

Total revenue received from Operating Grants and Contributions in 2008 was \$1,316,051, a decrease of \$1,037,161 compared to the amount received in 2007, which was equal to \$2,353,212.

	<u>2008</u>	<u>2007</u>
Capital Grants and Contributions		
Capital outlays	<u>\$ 6,781</u>	<u>\$ 2,911</u>
 Total	 <u>\$ 6,781</u>	 <u>\$ 2,911</u>

Total revenue received from Capital Grants and Contributions in 2008 was \$6,781, an increase of \$3,870 compared to the amount received in 2007, which was equal to \$2,911.

	<u>2008</u>	<u>2007</u>
Total Program Revenues	<u>\$ 2,529,896</u>	<u>\$ 3,396,777</u>

	<u>2008</u>	<u>2007</u>
General Revenues		
Property taxes	\$ 9,898,722	\$ 9,715,259
Grants and contributions (unrestricted)	5,348,368	5,740,674
Investment earnings	90,733	321,149
Gain on sale of assets	378,540	1,100,000
Miscellaneous	<u>1,142,167</u>	<u>726,397</u>
 Total General Revenues	 <u>\$ 16,858,530</u>	 <u>\$ 17,603,479</u>

General revenues in 2008 were \$16,858,530 a decrease of \$744,949, compared to the amount received in 2007, which was equal to \$17,603,479.

Total Government-Wide Revenues **\$ 19,305,526** **\$ 21,000,256**

Total Government-Wide Revenues in 2008 were \$19,305,526, a decrease of \$1,694,730 compared to the amount received in 2007, which was equal to \$21,000,256.

Statement of Activities

Program Expenses	<u>Total Cost of Services 2008</u>	<u>Net Cost of Services 2008</u>	<u>Total Cost of Services 2007</u>	<u>Net Cost of Services 2007</u>
General government	\$ 2,817,663	\$ 896,856	\$ 3,387,738	\$ 1,188,140
Public safety	6,400,991	5,941,627	6,838,560	6,070,919
Public works	1,663,997	1,643,871	1,650,835	1,608,153
Public education	1,396,932	1,396,932	1,392,647	1,392,647
Public recreation	647,886	525,068	530,532	146,587
Contingency	405,531	405,531	90,784	90,784
Employee benefits	5,021,594	5,021,594	4,046,277	4,046,277
Retirement	2,341,344	2,341,344	3,001,927	3,001,927
Capital outlays		6,781	439,662	436,751
Debt service interest	<u>1,012,441</u>	<u>1,012,441</u>	<u>975,538</u>	<u>975,538</u>
Total Expenses	\$ 21,708,379	\$ 19,178,483	\$ 22,354,500	\$ 18,957,723

The City's total program expenses are \$21,708,379. With additional program revenues of \$2,509,835 in FY 2008, the City's net cost of services is \$19,178,483. When subtracted from the City's total general revenues of \$16,906,660, the City realizes an unfavorable Change in Net Assets of \$2,271,823. Last year in FY 2007 the City realized an unfavorable Change in Net Assets of \$1,354,244.

Transfers

Interfund transfers for the year ended June 30, 2008 totaled \$391,116 for the year. Transfers in the total amount of \$378,185 were recorded in the general fund. A total amount of \$12,931 was transferred between non-major funds. Unexpended appropriations in the general fund at year end designated for certain capital projects, were not "carried over" to establish a new capital projects fund in 2009.

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

Statement of Changes in Fund Balances -- Governmental Funds

	Fund Balance June 30, 2008	Fund Balance June 30, 2007	Increase (Decrease)
General Fund	\$ 840,429	\$ 2,438,470	\$ (1,598,041)
\$10 Million Muni Bond	507,130	2,190,663	(1,683,533)
Other Governmental	<u>2,571,915</u>	<u>2,573,170</u>	<u>(1,255)</u>
Total	\$ 3,919,474	\$ 7,202,303	\$ (3,282,829)

The fund balance for the City of Central Falls general fund is \$840,429, as of June 30, 2008. Excess revenues (and other sources) over expenditures (and other uses) amounted to \$(1,598,041), a 65.5% decrease over the prior year fund balance of \$2,438,470. \$1,100,000 of designated fund balance, received from the sale of infrastructure assets (i.e. water pipes) to the Pawtucket Water Supply Board (PWSB), was contributed to the Police and Fire Private Pension Trust Fund (John Hancock) in 2008.

General Fund

Revenues	2008	2007	Variance	Percentage Change
General property taxes	\$ 9,946,852	\$ 9,715,259	\$ 231,593	+ 2.4%
Interest and investment income	48,674	60,465	(11,791)	- 19.5%
Intergovernmental	5,348,368	5,740,674	(392,306)	- 6.8%
Fees / Non-tax income	769,093	818,100	(49,007)	- 6.0%
Departmental revenue	345,320	139,654	205,666	+ 147.3%
Other revenues	675,938	1,597,667	(921,729)	- 57.7%
Total	\$ 17,134,245	\$ 18,071,819	\$ (937,574)	- 5.2%

Analysis

The total decrease in the amount of \$1,598,041 in the City's general fund balance under modified accrual was result of the following:

Total revenues decreased by \$937,574 (- 5.2%) over the previous year. Revenues from general property tax increased by \$231,593 (+ 2.4%) over the previous year. Interest and investment income decreased (- 19.5%), due to decrease in net working capital and continuing decline in interest rates. Intergovernmental revenues received from the State of Rhode Island were down by \$392,306 (- 6.8%) over last year, resulting from mid-year state budget cuts. \$769,093 local fees and non-tax income were lower by \$49,007 (- 6.0%), due to a continued reduction in the number of permits (building, plumbing and electrical) compared to the prior year. Departmental revenues were up considerably \$205,666 (+ 147.3%) more than last year, while other revenues indicate a substantial reduction of \$921,729 (- 57.7%) total, due to a one-time sale of infrastructure assets (i.e. water pipes) to the Pawtucket Water Supply Board, which compared to the prior year.

Expenditure totals in the general fund amounted to \$19,110,471 in 2008, an increase in spending of \$1,738,500 (+ 10.0%) over the previous year. This large increase resulted from the recording of \$1,100,000 of expenditures made by the Police and Fire Private Pension Trust Fund (John Hancock) in 2008, which were funded from the designated fund balance in 2007. After an additional transfer to the general fund of \$378,185 (realized from the sale of city property) recorded, a deficiency of \$1,598,041 still remains, \$1,100,000 of which is the aforementioned pension contribution. As a matter of policy, the City's target amount of minimum fund balance is 5% of the general fund total operating budget. With a fund balance of \$840,429 and a final 2008 budget of \$18,520,133, this percentage now stands at 4.5%.

The following is a further analysis of "budget to actual" comparisons for both revenues and expenditures of the general fund, reported on a budgetary basis as required by the City Charter.

General Fund Budgetary Comparison Schedule – June 30, 2008

Revenue Analysis	Adopted Budget	Final Budget	Actual Amount	Variance
Tax revenue	\$ 10,060,390	\$ 10,038,410	\$ 9,837,045	\$ (201,365)
Fees/Non-tax revenue	1,112,650	1,112,650	817,767	(294,883)
State revenue	5,820,198	5,527,561	5,341,335	(186,226)
Departmental revenue	149,000	149,000	345,320	196,320
Other Income	1,692,512	1,692,512	1,782,971	90,459
Total	\$ 18,834,750	\$ 18,520,133	\$ 18,124,438	\$ (395,695)

Expense Analysis	Adopted Budget	Final Budget	Actual Amount	Variance
General government	\$ 1,899,063	\$ 1,861,083	\$ 1,861,415	\$ (332)
Public safety	6,092,133	5,970,555	6,356,914	(386,359)
Public works	1,457,061	1,427,920	1,461,575	(33,655)
Public education	254,895	249,797	239,111	10,686
Public recreation	451,665	443,463	458,607	(15,144)
Municipal debt service	1,682,727	1,682,727	1,877,797	(195,070)
Contingency	90,000	90,000	182,131	(92,131)
Employee benefits	5,254,889	5,149,791	5,021,594	128,197
Retirement	1,276,317	1,276,317	1,276,317	-
Major purchases	376,000	368,480	360,010	8,470
Total	\$ 18,834,750	\$ 18,520,133	\$ 19,095,471	\$ (575,338)

Other Governmental Funds

Other governmental funds consist of:

Fund Type	Total Net Assets	Note
Special Revenue	\$ 2,127,673	Proceeds from specific revenue sources, restricted in use Resources restricted for certain acquisition and construction Earnings and principle may be used to achieve fund objectives
Capital Projects	271,379	
Expendable Trust	<u>138,621</u>	
Total	\$ 2,537,673	

It should be noted that the Central Falls School District is a component unit of the State of Rhode Island. Separately issued financial statements are prepared and may be obtained from the Rhode Island Department of Education.

Pension Trust Funds

Pension Fund	Total Net Assets	Note
Police/Fire (1%)	\$ 1,210,773	Established in 1925 for employees hired prior to July 1972 Police and fire employees hired after July 1, 1972
John Hancock	<u>10,792,286</u>	
Total	\$ 12,003,059	

Total net assets of the City's pension trust funds amount to \$12,003,059 in 2008, a decrease of \$876,518 compared to last year, resulting from a less favorable return on investments. Although the City adopted a definitive funding plan in 2007, annual contributions appropriated by the City are less than the actuary's required contribution (ARC). Thus, the need continues to sell assets in the John Hancock pension fund from time to time in order to meet current obligations and pay pension benefit recipients. According to the City's most recent actuarial studies, the combined unfunded actuarial accrued liability (UAAL) for these two funds is now \$38.7 million (\$13.8 million for 1%ers; \$24.9 million for John Hancock) as of July 1, 2008.

Debt Administration

At year end total long-term debt for the City of Central Falls is \$43.8 million. The breakdown is as follows:

	2008		2007	
City's net pension obligation (NPO)	\$ 21,838,061	49.8%	\$ 20,773,034	49.7%
Bonded indebtedness (for school purposes)	10,985,000	25.1%	10,800,000	25.9%
Bonded indebtedness (for municipal purposes)	8,700,000	19.8%	7,900,000	18.9%
Liability for compensated absences	1,881,045	4.3%	1,853,400	4.4%
Other municipal debt (including capital leases)	<u>418,312</u>	<u>1.0%</u>	<u>453,369</u>	<u>1.1%</u>
Total	\$ 43,822,418	100.0%	\$ 41,779,803	100.0%

On October 10, 2007 after calling \$7,900,000 of bond anticipation notes, the City of Central Falls issued \$8,700,000 of general obligation bonds to finance capital improvements to various City buildings, including those in order to comply with state mandated fire/building code regulations. On August 1, 2007 the City of Central Falls, through the Rhode Island Health and Educational Building Corporation (RIHEBC) issued \$1,300,000 of general obligation bonds for similar school purposes. The City's underlying credit rating was recently reviewed by both Moody's Investors Service and Standard and Poor's in September 2007 and remains investment grade. Moody's affirmed their previous rating of Baa3 and Standard and Poor's affirmed their previous rating of BBB, slightly higher than Moody's equivalent of Baa2.

Capital Assets

The City of Central Falls has \$27,160,801 invested in capital assets, net of depreciation. Only capitalized assets with an original cost of \$5,000 or greater, are included. The straight-line/unrecovered cost method was used to calculate annual depreciation.

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

Independent Audit

State statutes and the City Charter require an annual audit by independent certified public accountants. The accounting firm of Braver PC provided this service for the purpose of issuing basic financial statements and supplementary information for the year ended June 30, 2008. In addition to meeting the requirements set forth in state statutes, the audit is also designed to meet the requirements of the federal Single Audit Act of 1984 as amended by the Single Audit Act Amendments of 1996 and related OMB Circular A-133. The auditors' reports related specifically to the single audit are contained in a separate document.

Acknowledgements

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

In closing, I would like to express my appreciation to Mayor Moreau and the members of the City Council for their collective support in conducting the financial affairs of the City of Central Falls.

Respectfully submitted,


John P. Kuzmiski, MBA
Finance Director

CITY OF CENTRAL FALLS

A - 1

**Statement of Net Assets
June 30, 2008**

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 5,727,803
Due from federal and state governments	1,026,744
Accounts receivable, net	1,130,146
Other receivables, net	552,068
Other assets	98,189
Capital assets (non-depreciable)	698,540
Capital assets (net of depreciation)	26,462,261
TOTAL ASSETS	<u>35,695,751</u>
LIABILITIES	
Accounts payable	1,200,529
Accrued interest payable	359,056
Accrued expenses	412,419
Unearned revenue	1,020,676
Anticipation note payable	1,000,000
Current portion of long-term liabilities	1,611,312
Net pension obligation	21,838,061
Long-term liabilities (net)	20,505,044
TOTAL LIABILITIES	<u>47,947,097</u>
NET ASSETS	
Invested in capital assets, net of related debt	10,263,095
Restricted for other purposes	2,940,424
Restricted for permanent trusts	
Expendable	103,621
Non-expendable	35,000
Unrestricted	(25,593,486)
TOTAL NET ASSETS	<u>\$ (12,251,346)</u>

CITY OF CENTRAL FALLS

**Statement of Activities
For the year ended June 30, 2008**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	
Governmental activities:				
General government	\$ 2,817,663	\$ 767,868	\$ 1,070,039	\$ (979,756)
Public safety	6,400,991	345,703	113,661	(5,941,627)
Public works	1,663,997	10,593	9,533	(1,643,871)
Public education	1,396,932			(1,396,932)
Public Recreation	647,886		122,818	(525,068)
Contingency	405,531			(405,531)
Employee benefits	5,021,594			(5,021,594)
Retirement	2,341,344			(2,341,344)
Capital outlays			\$ 6,781	6,781
Debt service interest	1,012,441			(1,012,441)
Totals	\$ 21,708,379	\$ 1,124,164	\$ 1,316,051	\$ (19,261,383)

General revenues:

Property taxes	9,898,722
Grants and contributions not restricted to specific programs	5,348,368
Investment earnings	90,733
Gain (loss) on sale of assets	378,540
Miscellaneous	1,142,167
Total general revenues	<u>16,858,530</u>
Change in Net Assets	(2,402,853)
Net Assets - beginning	<u>(9,848,493)</u>
Net Assets - ending	<u>\$ (12,251,346)</u>

CITY OF CENTRAL FALLS

Balance Sheet
Governmental Funds
June 30, 2008

	General Fund	Channel One	\$10 Million Muni Bond	Other Governmental Funds	Total Governmental Funds
ASSETS:					
Cash and cash equivalents	\$ 2,234,120	\$ 150,810	\$ 1,053,569	\$ 2,289,304	\$ 5,727,803
Due from federal and state governments	368,379	125,270		533,095	1,026,744
Accounts receivable, net	1,126,700			3,446	1,130,146
Other receivables, net	551,701		367		552,068
Due from other funds	2,540,039	1,673,089		1,217,943	5,431,071
TOTAL ASSETS	\$ 6,820,939	1,949,169	\$ 1,053,936	\$ 4,043,788	\$ 13,867,832
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 779,776	89,537	\$ 209,750	\$ 121,466	\$ 1,200,529
Accrued expenses	412,035		384		412,419
Due to other funds	2,604,587	1,548,875	336,672	940,937	5,431,071
Unearned revenue	1,184,112	276,515		443,712	1,904,339
Anticipation notes payable	1,000,000				1,000,000
TOTAL LIABILITIES	5,980,510	1,914,927	546,806	1,506,115	9,948,358
FUND BALANCES:					
Reserved for property taxes to be collected in a subsequent year	243,037				243,037
Unreserved, undesignated, reported in General fund	597,392				597,392
Special revenue funds		34,242			34,242
Capital project funds			507,130	2,127,673	2,161,915
Permanent trust funds				271,379	271,379
TOTAL FUND BALANCES	840,429	34,242	507,130	2,537,673	3,919,474
TOTAL LIABILITIES AND FUND BALANCES	\$ 6,820,939	\$ 1,949,169	\$ 1,053,936	\$ 4,043,788	

Amounts reported for governmental activities in the statement of net assets differ because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	27,160,801
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	(43,954,417)
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 Assets	883,663
Deferred bond issuance costs and other debt charges resulting from issuance of bonds. These charges have been included in the statement of net assets.	98,189
Accrued interest on long-term liabilities have been included in the governmental activities in the Statement of Net Assets	(359,056)
Net Assets of governmental activities	<u>\$ (12,251,346)</u>

CITY OF CENTRAL FALLS

**Statement of Revenues, Other Financing Sources, Expenditures,
Other Financing Uses and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2008**

	General Fund	Channel One	\$10 Million Muni Bond	Other Governmental Funds	Total Governmental Funds
REVENUES					
General property taxes	\$ 9,946,852				\$ 9,946,852
Interest and investment income	48,674	\$ 810	\$ 61,862	\$ 29,362	140,708
Intergovernmental	5,348,368	470,467		852,365	6,671,200
Fees/Non-tax income	769,093	9,751			778,844
Departmental revenue	345,320				345,320
Other revenues	675,938	249,977		606,252	1,532,167
Total Revenues	17,134,245	731,005	61,862	1,487,979	19,415,091
EXPENDITURES					
Current:					
General government	1,861,415	382,935		507,480	2,751,830
Public safety	6,356,914			111,403	6,468,317
Public works	1,461,575				1,461,575
Public education	239,111				239,111
Public recreation	458,607			5,741	464,348
Contingency	189,631				189,631
Employee benefits	5,021,594				5,021,594
Retirement	1,276,317				1,276,317
Debt Service:					
Principal and interest	1,877,797		152,997		2,030,794
Debt issuance costs			187,663		187,663
Capital:					
Capital and special appropriations	367,510	348,070	3,642,423	486,425	4,844,428
Total Expenditures	19,110,471	731,005	3,983,083	1,111,049	24,935,608
Excess of revenues over expenditures before transfers	(1,976,226)	-	(3,921,221)	376,930	(5,520,517)
Other financing sources/uses					
Transfers in	378,185			12,931	391,116
Transfers out	-			(391,116)	(391,116)
Bond proceeds			2,100,000		2,100,000
Bond premiums			137,688		137,688
Net other sources/uses	378,185	-	2,237,688	(378,185)	2,237,688
Excess (deficiency) of revenues and other sources over expenditures and other financing uses	(1,598,041)	-	(1,683,533)	(1,255)	(3,282,829)
Fund balance - beginning of the year	2,438,470	34,242	2,190,663	2,538,928	7,202,303
Fund balance - end of the year	\$ 840,429	\$ 34,242	\$ 507,130	\$ 2,537,673	\$ 3,919,474

CITY OF CENTRAL FALLS

B - 3

**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, 2008**

Net change in fund balances - total governmental funds (B-2) \$ (3,282,829)

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 capital outlays exceeded depreciation in the current period

3,329,925

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences.

(2,174,614)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds

(48,130)

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

(227,205)

Change in Net Assets of Governmental Activities
in the Statement of Activities (A-2)

\$ (2,402,853)

CITY OF CENTRAL FALLS

**Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2008**

	Pension Trust Funds	Agency Funds
	<u> </u>	<u> </u>
ASSETS		
Cash and cash equivalents	\$ 1,193,165	\$ 31,958
Investments:		
Equity securities	6,856,820	
Guaranteed annuity contracts	3,925,297	
Accrued interest receivable	3,193	
Other receivables	24,584	9,710
TOTAL ASSETS	<u>\$ 12,003,059</u>	<u>\$ 41,668</u>
LIABILITIES	<u>-</u>	<u>\$ 41,668</u>
NET ASSETS		
<i>Held in Trust for pension benefits</i>	<u>\$ 12,003,059</u>	

CITY OF CENTRAL FALLS

D - 2

*Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the year ended June 30, 2008*

	<u>Pension Trust Funds</u>
ADDITIONS:	
Contributions	\$ 2,784,019
Investment income	363,772
DEDUCTIONS:	
Trust expenses	4,024,309
CHANGE IN NET ASSETS	<u>(876,518)</u>
Net Assets - beginning	12,879,577
Net Assets - ending	<u>\$ 12,003,059</u>

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CITY OF CENTRAL FALLS

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

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 and 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 Central Falls School District is a component unit of the State of Rhode Island.

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

As a general rule the effect of Inter-fund activity has been eliminated from the government-wide financial statements.

Recently Issued Accounting Standards

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

- ✓ GASB Statement No. 45 – Accounting and Financial Reporting by Employees for Post-employment Benefits Other Than Pensions, effective for the City's fiscal year ending June 30, 2009.
- ✓ GASB Statement No. 49 – Accounting and Financial Reporting for Pollution Remediation Obligations, effective for the City's fiscal year ending June 30, 2009.
- ✓ GASB Statement No. 51 – Accounting and Financial Reporting for Intangible Assets, effective for the City's fiscal year ending June 30, 2010.

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

The following new accounting pronouncements were implemented in the year ended June 30, 2008

- ✓ GASB Statement No. 48 – Sales and Pledges of Receivables and Future Revenues and Intra-Entity transfers of Assets and Future Revenues
- ✓ GASB Statement No. 50 – Pension Disclosures – and amendment of GASB Statements No. 25 and No.27

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CITY OF CENTRAL FALLS

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reporting Entity

In evaluating how to define the City, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement No. 14. Under GASB Statement No. 14, the financial reporting entity includes both the primary government and all of its component units. Component units are legally separate entities that meet any one of the following three tests:

Test 1 - The primary government appoints the voting majority of the board of the potential component unit and

- is able to impose its will on the potential component unit and/or
- is in a relationship of financial benefit or burden with the potential component unit;

Test 2 - The potential component unit is fiscally dependent upon the primary government; or

Test 3 - The financial statements would be misleading if data from the potential component unit were not included.

The following entity was considered for classification as a component unit for fiscal year 2008:

- Central Falls Redevelopment Agency

Although this entity 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 the above entity has been included as non-major special revenue funds within the City's financial statements.

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

Since these entities do not meet any one of the above three tests, they have not been included in the financial reporting entity.

Basis of Presentation

Government-wide Financial Statements

The statement of net assets and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

(CONTINUED)

CITY OF CENTRAL FALLS

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- (a) Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- (b) Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

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

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally or administratively restricted to expenditures for certain purposes.

Capital Project Funds

Capital Project Funds are used to account for resources restricted for the acquisition or construction of specific capital projects or items.

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.

(CONTINUED)

CITY OF CENTRAL FALLS

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiduciary Funds (Not included in government wide statements)

Agency Funds

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

- Unclaimed Estates
- Highway clothing

Pension Trust Funds

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

Major and Non-Major Funds

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

<u>Fund</u>	<u>Brief Description</u>
Major:	
General:	See above for description
Capital:	\$10 Million Muni Bond
Special Revenue:	Channel One
Proprietary Fund:	See above for description

Non-Major:

Special Revenue Funds:	CDBG Revolving, CDBG 2003, CDBG 2004, CDBG 2005, CDBG 2006, CDBG 2007, UDAG Revolving Loan Fund, Home, ED, DEM Large Grant, Grant In Aid, Champlin Grant, RI Foundation, Recreation Summer Lunch Program, Community Policing, Police C.A.R.E., DARE Program, Police Special Accounts, JAG grant, LLBG Grants, COPS in School, Kennedy Grants, Fire Equipment, Fire Prevention, Public Rescue, Capital School Reserve, Emergency Equipment Replacement, Employee Christmas Club, Community Activities, Recycling Account, Zoning Account, Homeland Security, Rural Grants, Animal Control, Police Vehicle Maintenance
Capital Project Funds:	Property Development, Capital Reserve, Capital Lease \$600,000
Permanent Funds:	Lysander Flag Memorial Fund, Historic Trust.

CITY OF CENTRAL FALLS

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus

On the government-wide Statement of Net Assets and the Statement of Activities both governmental and business-like activities are presented using the economic resources measurement focus as defined in item (b) below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- (a) All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period. The City considers property taxes as available if they are collected within 60 days after year end.
- (b) The proprietary fund and pension trust funds utilize "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of net income, financial position and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Fund equity is classified as net assets.
- (c) Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All proprietary funds, agency funds, and private purpose trust funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

(CONTINUED)

CITY OF CENTRAL FALLS

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

Amounts reported as program revenues include charges to customers or applicants for goods, services or privileges provided and operating grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

Budgets

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

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrances outstanding at years end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent years.

Assets, Liabilities, and Fund Equity

Cash

Cash and cash equivalents are carried at cost. Cash equivalents are all highly liquid investments with a maturity of three months or less when purchased. Substantially, all of the City's cash and cash equivalents are held in public deposit institutions, except for \$1,300 in unsecured petty cash.

Investments

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

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 \$629,024 at June 30, 2008. Major receivable balances for the governmental activities include property taxes (80% of balance) and other receivables (20% of balance).

CITY OF CENTRAL FALLS

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable (Continued)

In the fund financial statements, material receivables in governmental funds include revenue accruals such as property taxes and grants and other similar intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Accounts Payable

Payable balances consist primarily of payables to vendors.

Short-Term Interfund Receivables/Payables

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

Property Taxes

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

Deferred Financing costs

Deferred financing costs incurred in connection with bonds payable are amortized on the straight-line basis over the terms of the related debt.

Property, Plant and Equipment

The accounting treatment over property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

(CONTINUED)

CITY OF CENTRAL FALLS

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, Plant and Equipment (Continued)

In the government-wide financial statements, long-lived assets are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets, which are recorded at their estimated fair value at the date of donation.

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

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

Depreciation of all exhaustible capital assets is recorded, as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Land	Not depreciated
Construction in progress	Not depreciated
Buildings and land improvements	20 years
Motor vehicles	5 years
Equipment	5 years
Infrastructure	20 years

Fund Financial Statements

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

Unearned Revenues

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

Interfund Transactions

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

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

(CONTINUED)

CITY OF CENTRAL FALLS

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interfund Transactions (Continued)

- Non-reciprocal interfund activities:
 - Interfund transfers are reported in governmental funds as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers.
 - Interfund reimbursements are repayments from the fund responsible for particular expenditures or expenses to other funds that initially paid for them. Reimbursements are not displayed separately within the financial statements.

Interfund transfers totaled \$391,116 for the year, representing a transfer to the general fund from sale of fixed assets transfers between non-major funds.

Equity Classifications

Government-Wide Statements

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

- (a) Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- (b) Restricted net assets - Consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- (c) Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Proprietary fund equity is classified the same as in the government-wide statements.

Compensated Absences

Employees are granted vacation and sick leave in varying amounts. Upon retirement, termination of death, certain employees are compensated for unused vacation and sick leave (subject to certain limitations) at their current rates of pay. The amount recorded is the unused days earned at the current rate of pay. For governmental activities the general fund is used to record this liability if it is expected to be liquidated with expendable available resources.

(CONTINUED)

CITY OF CENTRAL FALLS

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reconciliation of Government-wide and Fund Financial Statements

The governmental fund balance sheet includes reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. 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 \$43,954,417 difference are as follows:

Bonds payable.....	\$19,685,000
Net pension benefit obligation.....	21,838,061
Compensated absences.....	1,881,045
Claims payable.....	292,500
Capital lease payable.....	<u>257,811</u>
Total.....	<u>\$43,954,417</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 assets 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 \$3,329,925 difference are as follows:

Capital outlays (net of disposals).....	\$5,167,705
Depreciation expense.....	<u>(1,837,780)</u>
Net adjustment.....	<u>\$3,329,925</u>

Another element of that reconciliation states that “the issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.” The details of this \$2,174,614 difference are as follows:

Debt increased.....	\$(3,517,672)
Principal repayments.....	<u>1,343,058</u>
Net adjustment.....	<u>\$(2,174,614)</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 \$(227,205) difference are as follows:

Change in accrued interest costs.....	<u>\$(227,205)</u>
---------------------------------------	--------------------

(CONTINUED)

CITY OF CENTRAL FALLS

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reconciliation of Government-wide and Fund Financial Statements (Continued)

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 \$(48,130) difference are as follows:

Deferred revenue - beginning	\$(931,793)
Deferred revenue - ending	<u>883,663</u>
Net difference.....	<u>\$ (48,130)</u>

2. BUDGETARY AND LEGAL COMPLIANCE

Budgets

All agencies of the City submit requests for appropriation to the City's finance director. These requests include information on the past years, current year's estimates and requested appropriations for the next fiscal year.

No later than forty-five days prior to the end of the fiscal year, the Mayor submits the proposed budget for public review. The City's Council holds public hearings and may reallocate appropriations but may not add to, subtract from or change the form of the budget.

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. Open encumbrances are reported as reservations of fund balances. Encumbrances do not constitute expenditures or liabilities.

Excess of Expenditures Over Appropriations

For the year ended June 30, 2008, expenditures exceeded budget at the department level as follows:

<u>Department</u>	<u>Excess</u>
City property	\$ 92,694
Police Department	\$166,244
Fire Department	\$106,903
Probate Court	\$ 2,183
Minimum Housing	\$125,710
Highway Department	\$ 65,625
Recreation	\$ 8,863
Celebrations	\$ 651
Channel One	\$ 7,418
Debt Service	\$195,070
Contingency	\$ 92,131

(CONTINUED)

CITY OF CENTRAL FALLS

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

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

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, 2008, the fund had a balance of \$1,703 with no further payments required before July 15, 2008. In accordance with state law, the Central Falls Review Commission was inactivated 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, 2008, the city was in compliance with this law.

3. **DEPOSITS AND INVESTMENTS**

Deposits

Deposits are in various financial institutions and are carried at cost, which approximates market value. The carrying amount of deposits is separately displayed on the balance sheet as "Cash" and includes \$1,300 of petty cash.

At years end, the carrying amount of the City's deposits was \$6,952,926 and the bank balance was \$7,132,513, of which \$701,790 was covered by federal depository insurance. The City has entered into collateralization agreements with various financial institutions and as a result, \$6,257,836 of the uninsured balance at June 30, 2008 was collateralized by securities held by the financial institutions and/or third parties in the name of the City. The remaining uninsured balance of \$172,887 was held in other accounts that were not covered by collateralization agreements.

Investments

At June 30, 2008 the City's investments totaled \$10,782,117 (including those held in Fiduciary Funds) and consisted of the following:

	<u>Fair Value</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Rating</u>
Equity securities	\$6,856,820	n/a	n/a	n/a
Group annuity contracts	3,925,297	n/a	n/a	n/a

(CONTINUED)

CITY OF CENTRAL FALLS

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

3. DEPOSITS AND INVESTMENTS (Continued)

Interest Rate Risk

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

Concentration of Credit Risk

At June 30, 2008 the City had a diversified portfolio and was not deemed to be concentrated in any one investment category. Although the investments were held in group annuity contracts, equity securities and corporate bonds, these investments were in a wide range of companies and various industries enabling the City to minimize its risk.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of financial institution failure, the City's deposits and/or investments may not be returned. The City does not believe that it has a significant custodial credit risk as substantially all investments securities are registered and held in the name of the City. The City also ensures that all deposits be placed in financial institutions that are FDIC insured up to \$100,000 and rated "well capitalized".

4. FIXED ASSETS

Activity for governmental activity capital assets is summarized below:

	<u>Balances</u> <u>7/1/2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> <u>6/30/2008</u>
<i>Governmental activity fixed assets:</i>				
Land (not being depreciated)	\$ 710,000	\$ -	\$ 11,460	\$ 698,540
Buildings and land improvements	27,543,497	10,120,911	38,050	37,626,358
Motor vehicles	3,136,122	60,971	10,500	3,186,593
Equipment	1,171,157	111,198	-	1,282,355
Construction in progress	5,543,345	645,781	6,072,896	116,230
Infrastructure	11,889,035	313,200	-	12,202,235
<i>Total cost</i>	49,993,156	11,252,061	6,132,906	55,112,311
<i>Less: accumulated depreciation</i>				
Buildings and improvements	(12,724,082)	(1,286,648)	-	(14,010,730)
Motor vehicles	(2,373,965)	(250,666)	(48,550)	(2,576,081)
Equipment	(531,564)	(201,820)	-	(733,384)
Infrastructure	(10,532,669)	(98,646)	-	(10,631,315)
<i>Total accumulated depreciation</i>	(26,162,280)	(1,837,780)	(48,550)	(27,951,510)
<i>Net fixed assets</i>	\$ 23,830,876	\$ 9,414,281	\$ 6,084,356	\$ 27,160,801

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

(CONTINUED)

CITY OF CENTRAL FALLS

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

4. FIXED ASSETS (Continued)

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

Governmental activities:	
General government.....	\$ 38,188
Public safety.....	240,011
Public works.....	218,222
Public education.....	1,157,821
Public recreation.....	183,538
Total.....	<u>\$1,837,780</u>

5. UNEARNED REVENUES

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

Property taxes receivable, net.....	\$1,126,700
Less: current year 60 day accrual.....	<u>(243,037)</u>
Total unearned tax revenue.....	<u>\$ 883,663</u>

6. LONG-TERM DEBT

General Obligation Bonds

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

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

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

	<u>Amount</u>	<u>Percent</u>
General obligation bonds.....	\$ 8,335,000	18%
General obligation municipal bonds.....	8,700,000	20%
General obligation refunding bonds.....	1,365,000	3%
RHIBEC revenue bonds.....	1,285,000	3%
Capital Leases.....	257,811	1%
Claims.....	292,500	1%
Net pension obligation.....	21,838,061	50%
Compensated absences.....	1,881,045	4%
Total.....	<u>\$43,954,417</u>	<u>100%</u>

(CONTINUED)

CITY OF CENTRAL FALLS

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

6. LONG-TERM DEBT (Continued)

General Obligation Bonds (Continued)

Schedule of long-term bond and lease requirements:

Year ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 1,390,813	\$1,067,202	\$ 2,458,015
2010	1,534,998	903,483	2,438,481
2011	1,197,000	842,683	2,039,683
2012	965,000	791,350	1,756,350
2013	1,005,000	741,955	1,746,955
2014-2018	5,850,000	2,834,732	8,684,732
2019-2023	4,520,000	1,195,225	5,715,225
2024-2028	3,480,000	377,185	3,857,185
Total	<u>\$19,942,811</u>	<u>\$8,753,815</u>	<u>\$28,696,626</u>

Capital Leases

The government has entered into lease agreements as lessee for financing the acquisition of vehicles and equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>
Asset:	
Vehicles and equipment	\$1,083,132
Other assets	104,430
Less: accumulated depreciation	<u>(1,017,032)</u>
Total	<u>\$ 170,530</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2008 were as follows:

<u>Year Ending June 30:</u>	
2009	134,404
2010	134,404
2011	<u>2,077</u>
Total minimum lease payments	270,885
Less: amount representing interest	<u>13,074</u>
Present value of minimum lease payments	<u>\$257,811</u>

(CONTINUED)

CITY OF CENTRAL FALLS

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

LONG-TERM DEBT (Continued)

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

	<u>Date of Issue</u>	<u>Maturity Date</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Outstanding June 30, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Outstanding 6/30/2008</u>	<u>Current Portion</u>
General obligation bonds	7/15/1999	5/15/2020	\$ 12,000,000	5.0%-6.25%	\$ 8,840,000	\$ -	\$ 505,000	\$ 8,335,000	\$ 530,000
General obligation municipal bonds	10/10/2007	7/15/2027	8,700,000	4.0%-5.5%	7,900,000	800,000	-	8,700,000	145,000
General obligation refunding bonds	8/15/2003	6/30/2011	4,595,000	0.95%-3.40%	1,960,000	-	595,000	1,365,000	560,000
EBC revenue bonds	8/1/2007	5/15/2027	1,300,000	4.25%-5.00%	-	1,300,000	15,000	1,285,000	30,000
Capital leases	6/11/2004	6/11/2008	55,950	7.29%	8,792	-	8,792	-	-
Capital leases	4/29/2006	4/29/2011	10,182	8.25%	8,165	-	1,888	6,277	2,050
Capital leases	10/25/2004	10/25/2009	600,000	3.24%	371,412	-	119,878	251,534	123,762
total bonds and leases					<u>19,088,369</u>	<u>2,100,000</u>	<u>1,245,558</u>	<u>19,942,811</u>	<u>1,390,812</u>
Accounts payable					65,000	325,000	97,500	292,500	32,500
Accrued compensated absences					1,853,400	523,331	495,686	1,881,045	188,000
Pension obligation					20,773,034	1,065,027	-	21,838,061	-
total long-term debt					<u>\$ 41,779,803</u>	<u>\$ 4,013,358</u>	<u>\$ 1,838,744</u>	<u>\$ 43,954,417</u>	<u>\$ 1,611,312</u>

Total interest paid on general long-term debt for the year ended June 30, 2008 was approximately \$632,000.

(CONTINUED)

CITY OF CENTRAL FALLS

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

7. INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables at June 30, 2008 were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Non-major Governmental Funds	\$ 654,494
	Channel One	1,548,875
	\$10 Million Muni Bond Fund	<u>336,672</u>
		<u>2,540,039</u>
Channel One	General Fund	1,620,589
	Non-major Governmental funds	<u>52,500</u>
		<u>1,673,089</u>
Non-major Governmental Funds	General Fund	983,997
	Non-major Governmental Funds	<u>233,946</u>
		<u>1,217,943</u>
		<u>\$ 5,431,071</u>

8. SHORT-TERM DEBT

On March 18, 2008 the City issued a \$1,000,000 State Aid anticipation note with an interest rate of 3.28%. The note matured on August 18, 2008.

9. FUND BALANCES

Reserves/Designated Fund Balances

The City of Central Falls records several types of reserves. The reserves indicate that a portion of fund equity is segregated for a specific use.

	<u>General Fund</u>	<u>Trust Funds</u>
<i>Reserved:</i>		
Reserved for nonexpendable bequests		\$ 138,621
Reserved for pension benefits		12,003,059
Reserved for property taxes to be appropriated in subsequent years	\$ 243,037	
<i>Unreserved, undesignated</i>	597,392	
<i>Total</i>	<u>\$ 840,429</u>	<u>\$12,141,680</u>

(CONTINUED)

CITY OF CENTRAL FALLS

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

10. EMPLOYEE RETIREMENT SYSTEMS

The City participates in the statewide Municipal Employees' Retirement System of Rhode Island, an agent multiple-employer Public Employee Retirement System (PERS), which covers substantially all of the City employees except police officers and firefighters.

The City also provides retirement benefits for police officers and firefighters through its participation in two single-employer defined pension plans, which are reported as pension trust funds.

Municipal Employees' Retirement System of Rhode Island

Plan Description

The City's defined benefit pension plan, Municipal Employee's Retirement System of the State of Rhode Island (MERS), provides retirement and disability benefits, annual cost-of-living adjustments, death and disability benefits to plan members and beneficiaries. MERS is an agent multiple-employer Public Employee Retirement System that acts as a common investment agent for participants. The Municipal Employee Retirement System of the State of Rhode Island issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the State of Rhode Island Employee Retirement Board, 40 Fountain Street, Providence, RI 02903, or by accessing their website at www.ersri.org.

Funding Policy

MERS members are required to contribute 6% of their annual covered salary. The City is required to contribute at an actuarially determined rate; the current rate is 7.81% of annual covered payroll. The contribution requirements of plan members and the City are established annually and may be amended by State Statute.

CITY OF CENTRAL FALLS

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

10. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Municipal Employees' Retirement System of Rhode Island (Continued)

Annual Pension Cost

For 2008, the City's annual pension cost of \$208,771 for MERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2006 actuarial valuation using the entry age normal cost method with frozen initial liability. Significant actuarial assumptions included (a) a net investment return of 8.25 percent compounded annually, (b) projected salary increases at an annual service related component plus a 3% inflation component compounded annually, (c) 3 percent per year cost-of-living adjustments, (d) mortality rates based on the 1994 Uninsured Pensioner Mortality Table and (e) a retirement age of 60 or completion of service requirements, if later. The actuarial value of MERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period. MERS unfunded actuarial accrued liability is being amortized using the weighted average method over a 25 year period.

Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/06	\$197,606	100%	\$0
6/30/07	\$217,493	100%	\$0
6/30/08	\$208,771	100%	\$0

Police and Fire Private Pension Plan (John Hancock)

Plan Description

All full-time non-civilian police and fire employees are eligible and must participate in the private pension plan administered by John Hancock Financial Services, Inc., if hired after July 1, 1972. All civilian police and fire employees are covered by the MERS, noted above. The pension plan provides pension benefits, as well as disability and death benefits. A member may retire after accumulating 20 years of service with the City. Benefits vest after 5 years of service. Employees with 20 years of service are entitled to pension payments equal to 50% of their final base salary for life. They can accrue an additional 2% per year for up to 5 years and then 1% per year thereafter, not to exceed 65% for 30 years of service. The final salary is the salary of the employee during the final year of full-time employment inclusive of base wages, longevity and holiday pay. After retirement, the benefit increases by the same percentage as the salary of an active participant of the same rank.

As of June 30, 2008, employee membership data related to the pension plans is as follows:

Active membership	85
Retirees and beneficiaries	69

Pension provisions include disability and death benefits. Upon the death of a retired police officer or firefighter, 67 ½ percent of the benefits being paid will continue to their dependent spouse and/or children under age 18.

(CONTINUED)

CITY OF CENTRAL FALLS

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

10. EMPLOYEE RETIREMENT PLAN (Continued)

Funding Policy

Periodic employer contributions to the pension plan are determined on an actuarial basis using the entry age normal cost method. Employees of the City are required to contribute 7% of their gross earnings to the pension plan. The City is required to contribute at an actuarially determined rate; the current rate is 7 percent of annual covered payroll.

Annual Pension Cost and Net Pension Obligation

For 2008, the City's annual required contribution was \$2,108,373 for the Police and Fire Pension Plan and actual employer and net pension obligation contributions were \$1,230,082. The annual required contribution includes \$873,211 of normal cost, \$151,647 of interest and \$1,315,490 of amortization of unfunded actuarial accrued liability. The required contribution was determined as part of the July 1, 2008 actuarial valuation using the entry age normal cost method. Significant actuarial assumptions included (a) net investment return of 7.75 percent compounded annually, (b) projected salary increases of 3 percent compounded annually, (c) 2.5 percent per year cost-of-living adjustments, (d) mortality rates based on the R-2000 mortality table projected to 2006 using scale AA with 10-year setback for disableds. and (e) retirement age after the earlier of age 55 and 10 years of service or age 50 and 20 years of service. Unfunded actuarial accrued liability is being amortized using the weighted average method over a 30 year period assuming a 7 percent per year increase.

Annual Pension Cost and Net Pension Obligation

The City's annual pension cost and net pension obligation for the year ended June 30, 2008 was as follows:

Annual required contribution.....	\$ 2,108,373
Interest on net pension obligation.....	1,584,762
Adjustment to annual required contribution.....	<u>(1,394,921)</u>
Annual pension cost.....	2,298,214
Contributions made	<u>(1,230,082)</u>
Increase in net pension obligation.....	1,068,132
Net pension obligation, June 30, 2007	<u>20,448,539</u>
Net pension obligation, June 30, 2008	<u>\$21,516,671</u>

Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/06	\$2,149,809	6.98%	\$18,719,865
6/30/07	\$2,308,584	25.12%	\$20,448,539
6/30/08	\$2,298,214	46.48%	\$21,516,671

(CONTINUED)

CITY OF CENTRAL FALLS

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

10. EMPLOYEE RETIREMENT PLAN (Continued)

City Police and Fire Pension Fund (1%)

All police officers and firefighters of the City hired prior to 1972 who have not elected to participate in the City's Police and Fire Pension Fund are covered by a private pension plan which is a cost-sharing single employer plan. Certain retired municipal employees and former employees with vested benefits are also covered by the plan.

Plan Description

The City Police and Fire Pension Fund was established by the Public Laws of Rhode Island, 1925, and was effective for all police and firefighters hired prior to July, 1972.

As of June 30, 2008, employee membership data related to the pension plan is as follows:

Active membership	1
Retirees and beneficiaries.....	58

The pension plan provides pension benefits, as well as disability and death benefits. A member may retire after accumulating 20 years of service with the City. Benefits vest after 5 years of service. Employees with 20 years of service are entitled to pension payments equal to 50% of their final base salary for life. They can accrue an additional 2% per year for the next 5 years and then 1% per year for the next five years thereafter, not to exceed 65% for 30 years of service. The final salary is the salary of the employee during the final year of full-time employment inclusive of base wages, longevity and holiday pay. After retirement, the benefit increases by the same percentage as the salary of an active participant of the same rank.

Funding Policy

Periodic employer contributions to the pension plan for fiscal year ended June 30, 2008 were determined on an actuarial basis using the entry age normal cost method. The normal cost is funded on a current basis. The Rhode Island 1925 law established the employee's contribution at 1% of their annual salary. The City is required to contribute at an actuarially determined rate; the current rate is 1,289 percent of annual covered payroll. Total contributions made during fiscal year 2008 amounted to \$1,276,317 of which \$1,276,317 was contributed by the City and \$0 by employees.

Annual Pension Cost and Net Pension Obligation

For 2008, the City's annual pension cost was \$1,273,212 for the City Police and Fire Pension Plan and actual contributions were \$1,276,317. The required contribution was determined as part of the July 1, 2006 actuarial valuation using the entry age normal cost method. Significant actuarial assumptions included (a) a net investment return of 7.5 percent compounded annually (b) projected salary increases of 3.0 percent compounded annually, (c) 2.5 percent per year cost-of-living adjustments, (d) mortality rates based on the mortality rates based on the RP-2000 mortality table projected to 2006 using scale AA with 10-year setback for disableds and (e) a retirement age of 65 for police officers and age of 60 for firefighters. Unfunded actuarial accrued liability is being amortized over a 17 year period assuming 3% per year increase.

(CONTINUED)

CITY OF CENTRAL FALLS

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

10. EMPLOYEE RETIREMENT PLAN (Continued)

Annual Pension Cost and Net Pension Obligation (Continued)

The City's annual pension cost and net pension obligation for the year ended June 30, 2008 was as follows:

Annual required contribution.....	\$1,276,317
Interest on net pension obligation.....	24,337
Adjustment to annual required contribution.....	<u>(27,442)</u>
Annual pension cost.....	1,273,212
Contributions made	<u>(1,276,317)</u>
Increase (decrease) in net pension obligation.....	(3,105)
Net pension obligation, June 30, 2007	<u>324,495</u>
Net pension obligation, June 30, 2008	<u>\$ 321,390</u>

Three-Year Trend Information

Fiscal Year <u>Ending</u>	Annual Pension Cost <u>(APC)</u>	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
6/30/06	\$ 981,164	126.45%	\$ 320,242
6/30/07	\$1,273,253	99.67%	\$ 324,495
6/30/08	\$1,273,212	100.02%	\$ 321,390

11. COMMITMENTS AND CONTINGENT LIABILITIES

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

The City has been named, along with another municipality, in a claim involving a wrongful death. The plaintiff is seeking \$2.2 million. The City has also been named in a suit regarding the application of the tangible tax statute. The plaintiff is seeking \$300,000. However, the outcome of these lawsuits is not presently determinable, and accordingly has not been recorded in the accompanying financial statements. The City is involved in various other pending suits. The outcome of these lawsuits is not presently determinable, although, in the opinion of the City's attorneys, the amount of actual or potential claims is not expected to have a material effect on the City's financial statements.

As of June 30, 2008, the City is committed under the terms of construction contracts approximating \$12,000 and a purchase and sales agreement approximating \$92,500.

The City has entered into various agreements with an independent contractor for emergency property preservation services of abandoned and vacant properties within the city. Payment to this contractor is contingent upon the satisfaction of the City's liens against these properties. Should these liens become uncollectible, the services provided by the contractor may constitute a liability of the general fund. However, the City expects the liens to be ultimately collectible, and expects potential claims resulting from these agreements, if any, to be immaterial.

(CONTINUED)

CITY OF CENTRAL FALLS

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

13. POST-EMPLOYMENT BENEFITS

The City provides post retirement health care benefits on a "pay-as-you-go" basis to employees in accordance with the terms of collective bargaining agreements as follows. Police officers retiring between July 1, 1977 and June 30, 1990 are covered for life as well as retirees after June 30, 1990 not eligible for Medicare, Part A. Otherwise, officers are covered to age 65, unless eligible for equivalent coverage elsewhere. Firefighters retiring after June 30, 1979 are covered until eligible for Medicare or secure employment elsewhere with equivalent coverage.

Postretirement benefits paid during fiscal year ended June 30, 2008 were as follows:

	<u>Number of Participants</u>	<u>Cost</u>
Police	42	\$ 632,751
Fire	34	<u>395,650</u>
Total	76	<u>\$1,028,401</u>

14. 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, 2008.

15. SUBSEQUENT EVENTS

On July 10, 2008 the City of Central Falls issued \$4,000,000 of tax anticipation notes with interest rate of 2.6%. These notes mature on June 25, 2009.

(CONCLUDED)

CITY OF CENTRAL FALLS

E-1

Schedule of Funding Progress for the Municipal Employees' Retirement System (Unaudited)

June 30, 2008

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)
6/30/2004	\$3,164,511	\$4,624,974	(\$1,460,463)	68.40%	\$2,043,879	(71.5%)
6/30/2005	\$3,321,201	\$4,999,396	(\$1,678,195)	66.43%	\$2,706,858	(62.0%)
6/30/2006	\$3,712,494	\$5,549,953	(\$1,837,459)	66.90%	\$2,963,049	(62.0%)

Schedule of funding progress for the Police and Fire Private Pension Plan (John Hancock)

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)
7/1/2004	\$10,197,286	\$27,444,926	(\$17,247,640)	37.20%	\$2,579,257	(668.71%)
7/1/2006	\$10,909,756	\$31,509,376	(\$20,599,620)	34.62%	\$3,383,361	(608.85%)
7/1/2008	\$10,791,609	\$35,701,111	(\$24,909,502)	30.23%	\$3,881,420	(641.76%)

Schedule of funding progress for the Police and Fire Pension Plan (1%)

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)
7/1/2004	\$1,101,570	\$15,780,309	(\$14,678,739)	6.98%	\$109,959	(13,349.16%)
7/1/2006	\$1,146,741	\$15,738,443	(\$14,591,702)	7.29%	\$56,506	(25,823.28%)
7/1/2008	\$1,210,773	\$15,038,189	(\$13,827,416)	8.05%	\$57,393	(24,092.51%)

CITY OF CENTRAL FALLS

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GENERAL FUND

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2008

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Tax revenue				
Tax revenue (current year)	\$ 9,760,390	\$ 9,738,410	\$ 9,530,299	\$ (208,111)
Tax revenue (prior years)	300,000	300,000	306,746	6,746
Total tax revenue	10,060,390	10,038,410	9,837,045	(201,365)
Fees/ Non-tax revenue				
Interest on taxes	185,000	185,000	163,731	(21,269)
City clerk fees	275,000	275,000	531	(274,469)
VIN check fees	2,000	2,000	1,240	(760)
Probate fees	5,000	5,000	6,900	1,900
Realty Stamps	50,000	50,000	98,407	48,407
Real Estate Recordings	50,000	50,000	83,299	33,299
Licenses	36,000	36,000	73,659	37,659
Marriage Licenses	500	500	1,328	828
Certificates	5,000	5,000	12,894	7,894
Reports/copying fees	3,600	3,600	2,571	(1,029)
Constable fees	300	300	-	(300)
Micellaneous	6,000	6,000	17,467	11,467
Fingerprinting	300	300	144	(156)
Fire code inspections	12,000	12,000	6,000	(6,000)
Other fire permits	-	-	400	400
Certificates of occupancy	3,000	3,000	3,150	150
Hazardous material permits	1,600	1,600	1,170	(430)
Building permits	105,000	105,000	37,828	(67,172)
Plumbing permits	12,000	12,000	13,959	1,959
Electrical permits	17,000	17,000	13,756	(3,244)
Traffic fines	250,000	250,000	209,124	(40,876)
District court	1,000	1,000	1,431	431
Library fines	100	100	206	106
Dog officer fines	2,250	2,250	2,015	(235)
Investment interest	60,000	60,000	48,674	(11,326)
RI Traffic Tribune	10,000	10,000	9,115	(885)
Municipal Court Fees	5,000	5,000	5,429	429
Code Enforcement Fees	15,000	15,000	3,339	(11,661)
Total Fees/non tax revenue	1,112,650	1,112,650	817,767	(294,883)
State revenue				
General revenue sharing	6,000	6,000	649,162	643,162
Tangible phase out	1,693,857	1,432,051	782,890	(649,161)
MV Phase out	1,588,340	1,557,509	1,510,701	(46,808)
Distressed Comm. Aid	298,278	298,278	300,986	2,708
Miscellaneous state aid	-	-	3,438	3,438
Telephone tax	186,716	186,716	166,194	(20,522)
Hotel/Meal tax	116,878	116,878	88,041	(28,837)
Police/fire incentive	14,996	14,996	15,861	865
School Housing aid	1,908,985	1,908,985	1,801,135	(107,850)
Non Profit Organizations	-	-	20,927	20,927
Emergency Management	6,148	6,148	2,000	(4,148)
Total State revenue	5,820,198	5,527,561	5,341,335	(186,226)
Departmental revenue				
Scrap metal	1,000	1,000	3,323	2,323
Prop preservation revenue	2,000	2,000	185,852	183,852
Misc. departmental revenue	1,000	1,000	7,601	6,601
Public works	20,000	20,000	10,593	(9,407)
Rescue runs	125,000	125,000	137,951	12,951
Total departmental revenue	149,000	149,000	345,320	196,320
Other income				
Restitution	1,000	1,000	983	(17)
Lease/rental income	-	-	4,200	4,200
Athletic fees	1,000	1,000	300	(700)
Local revenue	13,514	13,514	13,514	-
Housing authority	58,710	58,710	56,974	(1,736)
Detention center	492,288	492,288	560,479	68,191
Misc. other revenue	25,000	25,000	34,591	9,591
Funds from fund balance	1,100,000	1,100,000	1,100,000	-
Surplus sales	1,000	1,000	-	(1,000)
Special revenue	-	-	4,897	4,897
Federal revenue	-	-	7,033	7,033
Total other income	1,692,512	1,692,512	1,782,971	90,459
Total revenues	18,834,750	18,520,133	18,124,438	(395,695)

CITY OF CENTRAL FALLS

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GENERAL FUND

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
GENERAL GOVERNMENT				
Mayor				
Salaries	127,892	125,079	120,374	4,705
Office Supplies	100	100	86	14
Other Supplies	150	150	30	120
Non capital Equipment	4,000	4,000	3,972	28
Education & training	500	500	-	500
Donations	4,000	4,000	4,042	(42)
Expense account	4,000	4,000	3,983	17
Total Mayor	140,642	137,829	132,487	5,342
City council				
Salaries	15,000	15,000	15,061	(61)
Camera operator	7,000	7,000	6,746	254
Non-Capital Equipment	2,000	1,480	318	1,162
General (video)	1,000	1,000	-	1,000
Expense account	1,000	1,000	885	115
Total city council	26,000	25,480	23,010	2,470
City clerk				
Salaries	158,779	158,779	164,789	(6,010)
Overtime	5,000	5,000	2,942	2,058
Dues/subscriptions	520	520	319	201
Non-capital equipment	500	1,950	1,191	759
Other professional services	45,000	35,689	30,653	5,036
Meetings & conferences	2,000	2,000	1,095	905
Education & training	1,275	1,275	370	905
Chrater review committee	5,000	5,000	4,120	880
Total city clerk	218,074	210,213	205,479	4,734
Personnel				
Salaries	90,880	90,880	91,868	(988)
Personnel overtime	-	-	-	-
Dues/subscriptions	-	-	-	-
Non capital equipment	600	800	652	148
Advertising	3,000	828	87	741
Other professional services	6,100	6,100	2,884	3,216
Meeting & conference fees	500	500	10	490
Education & training	2,500	800	319	481
Testing	5,000	6,500	7,437	(937)
Total personnel	108,580	106,408	103,257	3,151
Legal				
Salaries	145,438	142,313	136,203	6,110
Office	-	-	-	-
Dues/subscriptions	4,725	4,725	3,949	776
Non capital equipment	600	600	-	600
Meetings & conferences	2,000	2,000	1,059	941
Education & training	1,000	1,000	386	614
Expense account	2,500	2,500	2,072	428
Total legal	156,263	153,138	143,669	9,469

CITY OF CENTRAL FALLS

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GENERAL FUND

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2008**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Tax assessor				
Salaries	83,432	83,432	82,216	1,216
Overtime	1,200	1,200	2,535	(1,335)
Longevity Pay	1,536	1,536	1,536	-
Dues/subscriptions	2,201	2,201	1,273	928
Non capital equipment	7,379	7,379	7,373	6
Advertising	820	820	-	820
Other professional services	9,765	7,582	4,924	2,658
Meetings & Conferences	950	950	-	950
Revaluation service	1,100	1,100	-	1,100
Education & Training	775	775	-	(775)
Total tax assessor	109,158	106,975	99,857	7,118
Finance				
Salaries	241,084	241,084	214,320	26,764
Overtime	3,000	3,000	5,108	(2,108)
Longevity pay	1,354	1,354	1,353	1
Postage	32,600	32,600	20,561	12,039
Dues/subscriptions	775	775	472	303
Non-capital equipment	3,000	3,000	368	2,632
Collection agency	14,000	6,604	6,578	26
Accounting/auditing	27,100	27,100	22,340	4,760
Other professional services	40,805	40,805	40,283	522
Meetings & conferences	700	700	40	660
Contract R & M	900	900	-	900
Education & Training	4,500	4,500	-	4,500
Total finance	369,818	362,422	311,423	50,999
Board of canvassers				
Salaries	51,975	51,975	51,175	800
City sergeant	2,186	2,186	2,186	-
Election workers	17,100	15,606	10,600	5,006
Office supplies	200	215	215	-
Advertising	2,256	2,256	1,042	1,214
Other professional services	-	-	-	-
Meetings & Conferences	250	250	55	195
Total board of canvassers	73,967	72,488	65,273	7,215
City property				
Salaries	61,004	61,004	60,085	919
Overtime	3,000	3,000	5,096	(2,096)
Clothing	400	400	400	-
Office supplies	20,000	6,309	19,030	(12,721)
Other supplies	3,000	2,260	2,263	(3)
Janitorial Supplies	3,000	3,000	3,015	(15)
Heating	10,000	13,931	13,930	1
Dues/Subscriptions	8,000	9,000	8,132	868
Non-capital equipment	1,000	1,040	1,434	(394)
Telephone	66,000	55,089	61,902	(6,813)
Advertising	12,000	13,340	15,512	(2,172)
Electric	95,000	90,371	104,386	(14,015)
General R & M	5,000	5,000	4,094	906
Travel cost	1,500	1,500	1,437	63
Water	12,000	15,969	16,569	(600)
Consulting services	17,000	26,500	32,520	(6,020)
Other professional services	-	-	-	-
Contracts, R & M	32,000	32,000	31,244	756
General liability insurance	205,000	205,000	227,797	(22,797)
Vehicle Insurance	-	-	-	-
Workers compensation	124,657	124,657	153,147	(28,490)
Misc. city property	5,000	5,000	5,071	(71)
Total city property	684,561	674,370	767,064	(92,694)

CITY OF CENTRAL FALLS

GENERAL FUND

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**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Positive (Negative)
City boards				
Pension board	675	675	525	150
Personnel board	675	675	788	(113)
Library board	675	675	638	37
Purchasing board	675	675	450	225
Appeals board	900	900	900	-
Recreation board	675	675	675	-
Planning board	1,125	1,125	900	225
Zoning board	1,750	1,750	1,899	(149)
Canvassers board	2,100	1,860	1,444	416
Housing authority board	2,750	2,750	1,677	1,073
Total city boards	12,000	11,760	9,896	1,864
Total general government	1,899,063	1,861,083	1,861,415	(332)
PUBLIC SAFETY				
Police department				
Salaries	2,113,299	2,061,799	2,086,272	(24,473)
Police trainee wages	-	-	20,280	(20,280)
Parking violations officer	13,069	13,069	12,486	583
Overtime	200,000	200,000	336,596	(136,596)
Holiday pay	109,870	104,601	104,072	529
Longevity pay	74,793	74,793	74,793	-
Clerk longevity pay	2,457	2,457	3,993	(1,536)
Dispatchers Longevity	3,200	3,200	1,600	1,600
Federal grants match	-	-	-	-
Clothing/tool allowances	113,975	108,475	105,135	3,340
Office supplies	8,000	8,000	7,149	851
Other supplies	4,000	4,000	3,964	36
Heating fuel	9,600	9,100	8,200	900
Vehicle fuel	110,000	110,000	105,314	4,686
Dues/subscriptions	2,500	2,600	2,195	405
Detective supplies	7,500	6,500	6,036	464
Non-capital equipment	8,000	8,000	7,978	22
General R & M	22,500	22,500	21,385	1,115
Vehicle R & M	42,000	48,300	46,891	1,409
Other professional services	40,000	34,050	33,684	366
Meetings & conferences	600	200	149	51
Finger printing	2,500	3,500	3,090	410
Education & training	20,000	17,000	17,303	(303)
College tuitions	38,000	43,450	47,023	(3,573)
State incentive	12,586	12,586	14,130	(1,544)
Special Investigations	25,000	25,000	25,447	(447)
Code Compliance	30,000	30,000	24,259	5,741
Total police department	3,013,449	2,953,180	3,119,424	(166,244)
Fire department				
Salaries	1,909,576	1,766,611	1,872,515	(105,904)
Fire trainee wages	2,400	4,800	4,125	675
Overtime	300,000	361,500	375,716	(14,216)
Holiday pay	125,191	124,963	122,968	1,995
Longevity pay	86,992	86,992	84,026	2,966
Out of rank pay	20,000	23,252	24,949	(1,697)
Rescue pay	14,560	14,560	14,882	(322)
Fire EMT - Cardiac	42,120	42,120	39,386	2,734
Mechanics pay	7,280	7,280	7,459	(179)
Clothing/tool allowance	82,950	82,950	82,950	-
Other supplies	30,000	33,000	31,892	1,108
Heating fuel	15,000	11,000	10,926	74
Vehicle fuel	8,000	29,813	29,102	711
Dues/subscriptions	400	400	354	46
Non-capital equipment	30,000	16,000	8,104	7,896
General R & M	10,000	8,750	7,576	1,174
Vehicle R & M	30,000	43,993	49,791	(5,798)
Other professional services	9,000	12,681	11,768	913
Education & training	8,000	5,738	5,301	437
State incentive	5,409	5,637	6,155	(518)
Fire fighter equipment	5,000	5,000	3,998	1,002
Total fire department	2,741,878	2,687,040	2,793,943	(106,903)

CITY OF CENTRAL FALLS

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GENERAL FUND

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2008

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Probate court				
Salaries	7,458	7,458	9,688	(2,230)
Expenses	200	47	-	47
Total probate court	7,658	7,505	9,688	(2,183)
Municipal court				
Salaries	74,974	73,281	65,242	8,039
Longevity Pay	1,494	1,494	1,493	1
Office supplies	1,800	1,800	1,375	425
Non-capital Equipment	2,000	2,000	1,205	795
Other Professional Services	4,400	4,400	4,426	26
Total municipal court	84,668	82,975	73,741	9,234
PUBLIC SAFETY				
Animal control				
Salaries	13,069	12,567	12,341	226
Clothing/tool allowance	350	750	377	373
Non-capital equipment	800	1,700	1,613	87
Meeting & conferences	500	-	-	-
Education & training	400	-	-	-
Boarding of animals	10,000	9,600	4,839	4,761
Total animal control	25,119	24,617	19,170	5,447
Inspection officers				
Plumbing officer	4,411	4,411	4,411	-
License officer	4,411	4,411	4,411	-
Electrical inspector	4,411	4,411	4,411	-
Total inspection officers	13,233	13,233	13,233	-
Minimum housing				
Salaries	185,859	173,736	176,997	(3,261)
Overtime	-	-	-	-
Longevity pay	2,457	2,457	2,457	-
Clothing	400	400	266	134
Other supplies	400	900	670	230
Dues & subscriptions	200	-	-	-
Non-capital equipment	4,500	2,220	2,220	-
Other Professional Services	1,312	11,385	11,291	94
Meeting & conferences	400	-	-	-
Education & training	600	1,095	1,094	1
Property protection	10,000	9,812	132,720	(122,908)
Total minimum housing	206,128	202,005	327,715	(125,710)
Total public safety	6,092,133	5,970,555	6,356,914	(386,359)
PUBLIC WORKS				
Highway department				
Salaries	735,475	715,535	761,037	(45,502)
Overtime	40,000	40,000	45,298	(5,298)
Longevity pay	24,668	24,668	24,663	5
Specialty pay	520	520	480	40
Clothing/tool allowance	5,350	5,350	4,400	950
Other supplies	8,000	8,000	8,008	(8)
Heating fuel	9,000	14,500	12,811	1,689
Vehicle Fuel	35,000	59,900	59,813	87
Non-capital equipment	8,000	8,000	23,593	(15,593)
Winter road supplies	15,000	19,270	19,269	1
General R & M	10,000	10,000	9,729	271
Vehicle R & M	58,000	51,500	55,053	(3,553)
Road R & M	24,000	20,447	20,140	307
Education & training	1,000	1,000	60	940
Water Lines R & M	1,500	1,500	1,478	22
Traffic Signal R & M	15,000	11,939	11,922	17
Rentals	3,500	53	53	-
Misc. Highway	3,000	2,891	2,891	-
Total highway department	997,013	995,073	1,060,698	(65,625)

CITY OF CENTRAL FALLS

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GENERAL FUND

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2008**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Public works obligations				
Hydrants	139,595	129,595	127,561	2,034
Sewer/ NBC	17,453	17,453	12,626	4,827
Solid waste removal/disposal	160,000	152,000	148,023	3,977
Street lights	143,000	133,799	112,667	21,132
Total public works obligations	460,048	432,847	400,877	31,970
Total public works	1,457,061	1,427,920	1,461,575	(33,655)
PUBLIC EDUCATION				
Library				
Salaries	194,434	189,336	186,658	2,678
Overtime	1,000	1,000	725	275
Longevity	5,486	5,486	3,811	1,675
Office supplies	4,600	4,600	4,385	215
Other supplies	1,600	1,300	1,060	240
Heating fuel	10,000	11,000	10,234	766
Dues/subscriptions	2,375	2,375	2,227	148
Non-Capital Equipment	3,000	3,000	2,533	467
Books	14,000	14,000	10,834	3,166
Electric	6,500	7,885	7,743	142
Other professional services	10,400	9,200	8,316	884
Education & training	1,500	615	585	30
Total public education	254,895	249,797	239,111	10,686
PUBLIC RECREATION				
Recreation				
Salaries	114,713	115,801	120,955	(5,154)
Other supplies	7,500	6,700	6,665	35
Non-capital equipment	12,000	11,000	11,574	(574)
General R & M	8,000	8,200	11,475	(3,275)
YMCA contract	-	-	-	-
Other professional services	10,400	9,100	9,043	57
Public events & activities	3,000	3,000	2,983	17
Team subsidy	5,000	4,500	4,500	-
Misc. recreation	5,000	4,000	3,969	31
Total recreation	165,613	162,301	171,164	(8,863)
Celebrations				
Decorations	2,000	1,544	1,915	(371)
Veterans Council	2,000	2,000	2,000	-
Community activities	10,600	10,600	10,882	(282)
Sponsorships	200	200	200	-
Special events	8,000	8,000	7,998	2
Total celebrations	22,800	22,344	22,995	(651)
Planning				
Salaries	41,537	41,537	39,749	1,788
	41,537	41,537	39,749	1,788
CHANNEL ONE				
Salaries	171,715	167,281	174,699	(7,418)
RJH community center	50,000	50,000	50,000	-
Total Channel One	221,715	217,281	224,699	(7,418)
Total public recreation	451,665	443,463	458,607	(15,144)

CITY OF CENTRAL FALLS

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GENERAL FUND

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
MUNICIPAL DEBT SERVICE				
Issuance Costs	-	-	9,900	(9,900)
Bond principal	913,113	913,113	1,115,000	(201,887)
Bond interest	621,778	621,778	618,485	3,293
Paying agency fees	4,000	4,000	2,500	1,500
Lease purchase	143,836	143,836	131,912	11,924
Total municipal debt service	1,682,727	1,682,727	1,877,797	(195,070)
CONTINGENCY				
Legal contingencies	40,000	40,000	133,245	(93,245)
Contingent/salaries	-	-	-	-
General contingencies	25,000	30,387	48,886	(18,499)
Debt escrow fund	25,000	19,613	-	19,613
Total contingency	90,000	90,000	182,131	(92,131)
EMPLOYEE BENEFITS				
Social security 6.2%	219,570	199,472	196,189	3,283
Medicare 1.45%	113,884	113,884	117,371	(3,487)
Municipal State pension	240,343	210,343	208,771	1,572
Compensated absences	142,093	142,093	210,169	(68,076)
Unemployment compensation	15,000	26,606	42,878	(16,272)
Medical insurance	2,954,521	2,887,915	2,887,680	235
Dental insurance	137,648	137,648	125,126	12,522
Public safety pension	1,426,830	1,426,830	1,231,736	195,094
Injuries/medical	5,000	5,000	1,674	3,326
Total employee benefits	5,254,889	5,149,791	5,021,594	128,197
RETIREMENT				
Police retirement	640,365	640,365	640,365	-
Fire retirement	635,952	635,952	635,952	-
Total retirement	1,276,317	1,276,317	1,276,317	-
MAJOR PURCHASES				
Improvements (other than bldg.)	366,000	361,480	353,597	7,883
Machinery & equipment	10,000	7,000	6,413	587
Total major purchases	376,000	368,480	360,010	8,470
Total expenditures	18,834,750	18,520,133	19,095,471	(575,338)
Other financing sources (use)				
Lease proceeds				
Transfers from other funds			378,185	378,185
Transfers to other funds				
Total other financing sources (uses)	-	-	378,185	(378,185)
Excess of revenues and other sources over expenditures and other uses	\$ -	\$ -	(592,848)	\$ (592,848)
Adjustments required under generally accepted accounting principles:				
Property tax revenue - sixty day rule			243,037	
Prior years property tax revenue - sixty day rule			(133,230)	
Change in reserve for encumbrances			(15,000)	
Appropriation of prior years' surplus			(1,100,000)	
			<u>\$ (1,598,041)</u>	

CITY OF CENTRAL FALLS
 Combining Balance Sheet
 Non-Major Governmental Funds
 June 30, 2004

	CDBG Revolving	CDBG 2003	CDBG 2004	CDBG 2005	CDBG 2006	CDBG 2007	UDAG Revolving Loan Fund	Home	ED	DEM (Large Grant)
ASSETS										
Cash and cash equivalents	\$ 508,606		\$ 119,408	\$ 45,000	\$ 20,000	\$ 280,000	\$ 162,852	\$ 59,875	\$ 263,849	
Due from federal and state governments										
Accounts receivable	233,944		2	2	2	135,625	162,852	59,875	263,849	201,044
Due from other funds	742,550		119,410	45,002	20,002	418,625	162,852	59,875	263,849	201,044
TOTAL ASSETS										
	\$ 1,474,040		\$ 238,820	\$ 90,004	\$ 40,004	\$ 714,252	\$ 325,704	\$ 119,750	\$ 527,698	\$ 402,088
LIABILITIES										
Accounts payable										
Due to other funds										
Deferred revenue										
TOTAL LIABILITIES										
	\$ -		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FUND BALANCE										
Capital Projects	742,550						161,852	59,875	263,849	(990)
Special Revenue										
Expendable Trust										
TOTAL FUND BALANCE	\$ 742,550		\$ -	\$ -	\$ -	\$ -	\$ 161,852	\$ 59,875	\$ 263,849	\$ (990)

CITY OF CENTRAL FALLS
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Non-Major Governmental Funds
 For the year ended June 30, 2004

	CDBG Revolving	CDBG 2003	CDBG 2004	CDBG 2005	CDBG 2006	CDBG 2007	UDAG Revolving Loan Fund	Home	ED	DEM (Large Grant)
Revenues:										
Interest and investment income	\$ 4,331	\$ 75,000	\$ 50,015	\$ -	\$ -	\$ 220,578	\$ 165,618	\$ 1,286	\$ 467	\$ 2,119
Licenses, fees, permits and fines										
Intergovernmental										
Other										
TOTAL REVENUES	\$ 4,331	\$ 75,000	\$ 50,015	\$ -	\$ -	\$ 220,578	\$ 165,618	\$ 1,286	\$ 467	\$ 2,119
Expenditures:										
General government	2,500	75,000	50,019	-	-	165,618	26,402	-	10,000	-
Public safety										
Recursion										
Capital outlays	27,146	75,000	50,019	-	-	165,618	26,402	-	10,000	-
Total expenditures & capital outlays	\$ 29,646	\$ 150,000	\$ 100,038	\$ -	\$ -	\$ 331,236	\$ 218,432	\$ 26,402	\$ 20,000	\$ -
Excess of revenue over (under) expenditures before transfers	\$ (25,315)	\$ -	\$ (49,993)	\$ -	\$ -	\$ (110,658)	\$ (152,814)	\$ (125,116)	\$ (19,533)	\$ (2,119)
Other financing sources (uses):										
Proceeds from sale of assets										
Transfers in										
Transfers out										
Net other financing sources (uses)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Excess of revenues and other sources over (under) expenditures and other uses	\$ (25,315)	\$ -	\$ (49,993)	\$ -	\$ -	\$ (110,658)	\$ (152,814)	\$ (125,116)	\$ (19,533)	\$ (2,119)
Fund balance, beginning of the year	\$ 742,550	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 161,852	\$ 59,875	\$ 263,849	\$ (990)
Fund balance, end of the year	\$ 742,550	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 161,852	\$ 59,875	\$ 263,849	\$ (990)

CITY OF CENTRAL FALLS
 Combining Balance Sheet
 Non-Major Governmental Funds
 June 30, 2008

	Grant In Aid	Champion Grant	RI Foundation	Recreation Summer Lunch Program	Community Police	Police S.C.A.R.E.	DARE Program	Police Special Accounts
ASSETS								
Cash and cash equivalents	\$ 4,566	\$ 51,819	\$ 104	\$ -	\$ 1,097	\$ 67,889	\$ 1,157	\$ 147,774
Due from federal and state governments	3,446	-	-	-	-	3,152	-	1,300
Accounts receivable	107,843	427	-	-	-	16,471	3,050	56,652
Due from other funds	119,647	52,046	104	-	1,097	87,812	4,207	204,726
TOTAL ASSETS								
	\$ 235,462	\$ 104,292	\$ 212	\$ -	\$ 3,291	\$ 167,324	\$ 8,414	\$ 310,652
LIABILITIES								
Accounts payable	10,541	6,400	-	-	-	876	-	30,391
Due to other funds	100,619	44,148	104	-	712	73,046	2,267	76,890
Deferred revenue	2,625	1,500	-	-	-	-	-	-
TOTAL LIABILITIES								
	\$ 113,785	\$ 52,048	\$ 212	\$ -	\$ 712	\$ 73,922	\$ 2,267	\$ 106,981
FUND BALANCE								
Capital Projects	1,862	-	-	-	385	13,550	1,940	97,745
Special Revenue	-	-	-	-	-	-	-	-
Expendable Trust	-	-	-	-	-	-	-	-
TOTAL FUND BALANCE								
	\$ 1,862	\$ -	\$ -	\$ -	\$ 385	\$ 13,550	\$ 1,940	\$ 97,745

CITY OF CENTRAL FALLS
 Combining Statement of Revenues, Expenditures and Changes in Fund Balance
 Non-Major Governmental Funds
 For the year ended June 30, 2008

	Grant In Aid	Champion Grant	RI Foundation	Recreation Summer Lunch Program	Community Police	Police S.C.A.R.E.	DARE Program	Police Special Accounts
Revenues:								
Interest and investment income	\$ -	\$ -	\$ -	\$ -	\$ 10	\$ 304	\$ 7	\$ 1,295
Licenses, fees, permits and fines	88,357	27,823	4,724	81,076	500	38,710	500	26,002
Intergovernmental	-	-	-	-	-	20,681	-	-
Other	-	-	-	-	-	-	-	-
Total revenues	88,357	27,823	4,724	81,076	510	59,075	507	27,297
Expenditures:								
General government	88,357	-	-	68,145	674	57,566	1,713	10,236
Public safety	-	-	-	-	-	-	-	-
Recreation	-	-	-	-	-	-	-	-
Capital outlays	-	-	-	-	-	-	-	-
Total expenditures & capital outlays	88,357	27,823	4,724	68,145	674	57,566	1,713	22,189
Excess of revenue over (under) expenditures before transfers	-	-	-	12,931	(164)	1,507	(1,206)	(5,130)
Other financing sources (uses):								
Proceeds from sale of assets	-	-	-	-	-	-	-	-
Transfers in	-	-	-	(12,931)	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Net other financing sources (uses)	-	-	-	(12,931)	-	-	-	-
Excess of revenues and other sources over (under) expenditures and other uses	-	-	-	-	(164)	1,507	(1,206)	(5,130)
Fund balances, beginning of the year	1,862	-	-	-	548	12,083	3,146	102,875
Fund balances, end of the year	\$ 1,862	\$ -	\$ -	\$ -	\$ 385	\$ 13,590	\$ 1,940	\$ 97,745

CITY OF CENTRAL FALLS
 Combining Balance Sheet
 Non-Major Governmental Funds
 June 30, 2008

	JAG Grant	LLBG Grants	Cops in School	Kennedy Grants	Fire Equipment	Fire Prevention	Public Rescue	Capital School Reserve	Emergency Equipment Replacement	Employee Christmas Club	Community Activities
ASSETS											
Cash and cash equivalents											
Due from federal and state governments	10,081		32,594	17,185	96,585	5,387	1,867	500,067	166,615		2,510
Accounts receivable	1,022	301		5,950	8,838		53,120		35,398		
Due from other funds	11,103	301	32,594	23,135	105,393	5,387	84,787	500,067	264,013	744	2,510
TOTAL ASSETS											
LIABILITIES											
Accounts payable											
Due to other funds	11,103		32,594	22,862	4,952	50					
Deferred revenue				85,928	5,274		12,066		26,174		682
TOTAL LIABILITIES											
	11,103	301	32,594	23,135	102,828	5,324	12,066		26,174		682
FUND BALANCE											
Capital Projects											
Special Revenue					2,585	63	42,721	500,067	177,039	744	1,837
Expendable Trust											
TOTAL FUND BALANCE											
					2,585	63	42,721	500,067	177,839	744	1,837

CITY OF CENTRAL FALLS
 Combining Statement of Revenues, Expenditures and Changes in Fund Balance
 Non-Major Governmental Funds
 For the year ended June 30, 2008

	JAG Grant	LLBG Grants	Cops in School	Kennedy Grants	Fire Equipment	Fire Prevention	Public Rescue	Capital School Reserve	Emergency Equipment Replacement	Employee Christmas Club	Community Activities
Revenues:											
Interest and investment income											
Licenses, fees, permits and fines					618	43	26	3,905	5,215		
Intergovernmental	10,081		26,380	17,185	36,631						21
Other					6,552						
Total revenues	10,081		26,380	17,185	43,801	3,005	16,787	3,905	34,650		21
Expenditures:											
General government			26,380			4,357				1,017	
Public safety					83,846						
Recreation	10,473		26,380	17,185	83,945	4,357				1,017	
Capital outlays											
Total expenditures & capital outlays											
					(33,947)	(1,309)	(6,813)	3,805	39,855	(1,017)	
Excess of revenue over (under) expenditures before transfers	(392)										
Other financing sources (uses):											
Proceeds from sale of assets											
Transfers in											
Transfers out											
Net other financing sources (uses)											
Excess of revenues and other sources over (under) expenditures and other uses	(392)				(33,947)	(1,309)	(6,813)	3,805	39,855	(1,017)	21
Fund balance, beginning of the year	392				36,512	1,372	25,906	486,162	137,974	1,761	1,816
Fund balance, end of the year					2,585	63	42,721	500,067	177,839	744	1,837

CITY OF CENTRAL FALLS

Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2008

	Recycling Account	Zoning Account	Homeland Security	Rural Grants	Animal Control	Recreation Capital	Police Vehicle Maintenance	Property Development	Capital Reserve	Capital Lease \$600,000	Historic Trust	Lysander Ping Memorial Fund	GRAND TOTALS
ASSETS													
Cash and cash equivalents	\$ 50,513	\$ 40,982	\$ 4,375	\$ -	\$ 1,680	\$ 9,807	\$ -	\$ 390	\$ -	\$ 4,608	\$ 37,789	\$ 100,337	\$ 2,289,304
Due from federal and state governments													\$ 533,095
Accounts receivable		1,100	11,525		162	28,181	11,939	160,789	2,802	99,478	41,930		1,446
Due from other funds	50,913	42,082	19,960		1,852	36,088	11,939	161,179	2,802	104,084	79,419	100,337	1,219,943
TOTAL ASSETS													\$ 4,043,768
LIABILITIES													
Accounts payable		260	13,375			1,698				7,565	1,657		121,468
Due to other funds	11,900	6,782	2,525		502	35,290		1,160			34,184	3,026	940,937
Deferred revenue	27,684	7,082	15,900		902	38,988		1,160			2,268		443,712
TOTAL LIABILITIES													\$ 1,506,115
FUND BALANCE													
Capital Projects					1,350		11,939	160,019	2,902	96,519			271,379
Special Revenue	22,829	35,000									43,568	95,063	2,127,873
Expendable Trust													138,621
TOTAL FUND BALANCE													\$ 2,537,673

CITY OF CENTRAL FALLS

Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Non-Major Governmental Funds
For the year ended June 30, 2008

	Recycling Account	Zoning Account	Homeland Security	Rural Grants	Animal Control	Recreation Capital	Police Vehicle Maintenance	Property Development	Capital Reserve	Capital Lease \$600,000	Historic Trust	Lysander Ping Memorial Fund	GRAND TOTALS
Revenues:													
Interest and investment income	\$ 733	\$ 587	\$ -	\$ -	\$ -	\$ 134	\$ -	\$ 3,574	\$ -	\$ 80	\$ 301	\$ 4,326	\$ 29,362
Licenses, fees, permits and fines	9,533	3,545	6,900	6,781		910	10,798						86,340
Inter-governmental	10,288	4,132	6,900	6,781	33	1,044	10,799	375,000			10,968	4,867	652,365
Other								375,574		80	11,289	9,183	519,912
Total revenues													\$ 1,487,979
Expenditures:													
General government	3,970	5,764									6,487	5,218	507,460
Public safety													111,403
Recreation	7,230		6,900	6,781		14,123							5,741
Capital outlays	11,900	5,764	6,900	6,781		14,123							486,475
Total expenditures & capital outlays													\$ 1,111,049
Excess of revenue over (under) expenditures before transfers	(1,634)	(1,632)			33	(13,079)	10,799	376,574		80	4,792	3,875	376,930
Other financing sources (uses):													
Proceeds from sale of assets													12,931
Transfers in						12,931		(376,185)					(391,116)
Transfers out						12,931		(376,185)					(376,185)
Net other financing sources (uses)													
Excess of revenues and other sources over (under) expenditures and other uses	(1,634)	(1,632)			33	(149)	10,799	389		80	4,792	3,875	(1,259)
Fund balance, beginning of the year	24,463	36,632			1,317	148	1,140	159,630	2,902	96,438	38,766	91,078	2,538,928
Fund balance, end of the year	\$ 22,829	\$ 35,000	\$ -	\$ -	\$ 1,350	\$ -	\$ 11,939	\$ 160,019	\$ 2,902	\$ 96,519	\$ 43,568	\$ 95,063	\$ 2,537,673

CITY OF CENTRAL FALLS

G - 1

***Combining Statement of Net Assets
Pension Trusts
June 30, 2008***

	Fire Pension Fund 1%	Police Pension Fund 1%	Police & Fire Pension Fund (John Hancock)	Totals
ASSETS				
Cash and cash equivalents	\$ 571,279	\$ 621,886		\$ 1,193,165
Investments			\$ 10,782,117	10,782,117
Other receivables	4,835	9,580	10,169	24,584
Accrued interest receivable		3,193		3,193
Total Assets	576,114	634,659	10,792,286	12,003,059
LIABILITIES				
	-	-	-	-
NET ASSETS				
Held in Trust for pension benefits	\$ 576,114	\$ 634,659	\$ 10,792,286	\$ 12,003,059

CITY OF CENTRAL FALLS

G - 2

**Combining Statement of Changes in Net Assets
Pension Trusts
For the year ended June 30, 2008**

	<u>Fire Pension Fund 1%</u>	<u>Police Pension Fund 1%</u>	<u>Police & Fire Pension Fund (John Hancock)</u>	<u>Totals</u>
ADDITIONS:				
Contributions	\$ 635,952	\$ 640,366	\$ 1,507,701	\$ 2,784,019
Investment income	13,863	10,773	339,136	363,772
DEDUCTIONS:				
Trust expenses	633,571	632,857	2,757,881	4,024,309
CHANGE IN NET ASSETS	<u>16,244</u>	<u>18,282</u>	<u>(911,044)</u>	<u>(876,518)</u>
Net Assets - beginning	<u>559,870</u>	<u>616,377</u>	<u>11,703,330</u>	<u>12,879,577</u>
Net Assets - ending	<u>\$ 576,114</u>	<u>\$ 634,659</u>	<u>\$ 10,792,286</u>	<u>\$ 12,003,059</u>

CITY OF CENTRAL FALLS

H-1

**Statement of Changes in Assets and Liabilities
Agency Funds
For the year ended June 30, 2008**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<u>Unclaimed Estates</u>				
ASSET				
Cash	\$ 25,803	\$ 6,171	\$ 16	\$ 31,958
LIABILITY				
Deposits Held in Custody for Others	\$ 25,803	\$ 6,171	\$ 16	\$ 31,958
<u>Highway Clothing</u>				
ASSET				
Other receivables	8,665	4,400	3,355	9,710
	\$ 8,665	\$ 4,400	\$ 3,355	\$ 9,710
LIABILITIES				
Deposits Held in Custody for Others	8,665	4,400	3,355	9,710
Total Liabilities	\$ 8,665	\$ 4,400	\$ 3,355	\$ 9,710
<u>Totals</u>				
ASSET				
Cash	\$ 25,803	\$ 6,171	\$ 16	\$ 31,958
Other receivables	8,665	4,400	3,355	9,710
TOTAL ASSETS	\$ 34,468	\$ 10,571	\$ 3,371	\$ 41,668
LIABILITIES				
Deposits Held in Custody for Others	34,468	10,571	3,371	41,668
TOTAL LIABILITIES	\$ 34,468	\$ 10,571	\$ 3,371	\$ 41,668

CITY OF CENTRAL FALLS

**SCHEDULE OF PROPERTY TAXES RECEIVABLE
YEAR ENDED JUNE 30, 2008**

Assessment of	Balance Uncollected July 1, 2007	2007 Assessment	Additions & Adjustments	Abatements	Amount to be Collected	Current Year Collections	Balance June 30, 2008
2007		\$ 10,075,041	\$ 34,532	\$ (103,436)	\$ 10,006,137	\$ 9,530,625	\$ 475,512
2006	\$ 398,252		405	(591)	398,066	273,507	124,559
2005	87,859			(500)	87,359	10,484	76,875
2004	79,691			(154)	79,537	6,276	73,261
2003	74,434				74,434	2,615	71,819
2002	75,137				75,137	2,402	72,735
2001	85,007			(260)	84,747	3,108	81,639
2000	66,366			(145)	66,221	1,575	64,646
1999	86,781				86,781	1,127	85,654
1998	111,497				111,497	2,058	109,439
1997	107,391				107,391	1,914	105,477
1996	116,072				116,072	241	115,831
1995	129,864				129,864	457	129,407
1994 and prior	732,005			(562,478)	169,527	657	168,870
		\$ 10,075,041	\$ 34,937	\$ (667,564)	\$ 11,592,770	\$ 9,837,046	1,755,724

Less: allowance for
uncollectible accounts

\$ (1,085,022)
\$ 1,065,334

Schedule of property valuation assessed as of December 31, 2006:

Real estate	\$ 8,948,995
Tangibles	814,681
Motor vehicles	2,081,211
Less: exemptions	(1,769,846)
	<u>\$ 10,075,041</u>