

CITY OF CENTRAL FALLS

BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

**FOR THE YEAR ENDED
JUNE 30, 2012**

WITH

REPORT OF INDEPENDENT AUDITORS

CITY OF CENTRAL FALLS

YEAR ENDED JUNE 30, 2012

TABLE OF CONTENTS

	<u>EXHIBIT</u>	<u>PAGE(S)</u>
FINANCIAL SECTION:		
Report of Independent Auditors		1 - 2
Basic Financial Statements and Required Supplementary Information:		
Management's Discussion and Analysis.....		3 - 10
Basic Financial Statements:		
Government-wide Financial Statements:		
Statement of Net Assets	A-1	11
Statement of Activities	A-2	12
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet.....	B-1	13
Statement of Revenues Other financing sources, Expenditures, other financing uses, and Changes in Fund Balances	B-2	14
Reconciliation of the Statement of Revenues, Other financing Sources, Expenditures other financing uses and Changes in Fund Balances of Governmental Funds to the Statement of activities (B--2 to A-2).....	B-3	15
Fiduciary Funds:		
Statement of Fiduciary Net Assets.....	C-1	16
Statement of Changes in Fiduciary Net Assets	C-2	17
Notes to Financial Statements.....		18 - 44
Required Supplementary Information:		
Schedule of Funding Progress.....	D-1	45
Budgetary Comparison Schedule for the General Fund.....	D-2	46 - 52
Notes to Required Supplementary Information		53

(CONTINUED)

CITY OF CENTRAL FALLS

YEAR ENDED JUNE 30, 2012

TABLE OF CONTENTS (CONTINUED)

	<u>EXHIBIT</u>	<u>PAGE(S)</u>
Other Supplementary Information:		
Non-major Governmental Funds:		
Combining Balance Sheet and Combining Statement of Revenues, Expenses and Changes in Fund Balance.....	E-1	54 - 59
Agency Funds:		
Statement of Changes in Assets and Liabilities.....	F-1	60
General Fund:		
Schedule of Property Taxes Receivable.....	G-1	61

(CONCLUDED)

FINANCIAL SECTION

REPORT OF INDEPENDENT AUDITORS

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, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Central Falls 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 financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to previously 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, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in note 1, the Central Falls School District was previously reported as a Department of the City of Central Falls. Effective for fiscal year 2012, it was determined that the Central Falls School Department should not be included as a Department of the City of Central Falls. The effect of this restatement is described in note 14.

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

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedules of Funding Progress, and Budgetary Comparison Schedules on pages 3 through 10 and 45 through 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 and Schedule of Property Taxes Receivable are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining and Individual Fund Financial Statements are fairly stated in all material respects in relation to the financial statements as a whole.

Braver PC

Providence, Rhode Island
February 15, 2013

February 15, 2013

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

Management's Discussion and Analysis

Fiscal Year Ended June 30, 2012

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, 2012. This is the City's tenth (10th) 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 2012 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 improved this year to a negative \$23,386,071, reflecting an increase of \$4,455,707 over FY2011.

The Government-Wide Statement of Activities indicates that the City's total general revenues of \$16,954,425 combined with additional program revenues of \$4,393,177 less program expenses of \$16,891,895 resulted in an increase of \$4,455,707 in total net assets from a year ago.

The Governmental Fund Financial Statements indicate that the ending fund balance for the City's general fund was a surplus of \$1,368,639, reflecting an increase of \$1,853,654 to the FY2011 fund balance.

The Financial Statements

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

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

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

Overview of the Financial Statements
Government-Wide Financial Statements

The Statement of Net 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's 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 tenth (10th) year of implementation of the provisions of GASB Statement No. 34, the City continues to provide certain disclosures and compares them to prior year financial statements. In the sections that follow, a comparative analysis is provided between current year and prior year information.

As noted earlier, the total net assets for the City of Central Falls have increased by \$4,455,707 over the prior year's balance. This increase 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, 2012 were:

	<u>2012</u>	<u>2011</u> (as restated)
Net Assets		
Governmental Activities		
Current and other assets	\$ 11,764,001	\$ 9,809,566
Capital assets	<u>24,343,524</u>	<u>23,381,981</u>
Total Assets	<u>36,107,525</u>	<u>33,191,547</u>
Current liabilities	5,664,714	3,554,968
Long-term liabilities	<u>53,828,882</u>	<u>57,478,357</u>
Total Liabilities	<u>59,493,596</u>	<u>61,033,325</u>
Net Assets:	\$(23,386,071)	\$(27,841,778)
Invested in capital assets, net of debt	\$ 4,965,120	\$ 2,347,247
Restricted	4,498,885	5,369,106
Unrestricted	<u>(32,850,076)</u>	<u>(35,558,131)</u>
Total Net Assets	<u>\$ (23,386,071)</u>	<u>\$ (27,841,778)</u>

This year the City of Central Falls continues to report positive balances in two (2) areas of net assets. Invested in capital assets, net of related debt is \$4,965,120 and restricted net assets amount to \$4,498,885. The negative balance of \$32,850,076 in unrestricted net assets is mostly attributable to the City's net pension obligation of \$30,688,474 in the Police and Fire Private Pension Plan (John Hancock) and other post employment benefits (health insurance) for retired employees, \$2,479,595.

As indicated in the Statement of Activities, the total cost of governmental activities for the year ended June 30, 2012 was \$16,891,895. Some of the costs (i.e. \$3,533,358) were paid by federal, state and private grants and entitlements.

Program and General Revenues

	<u>2012</u>	<u>2011, as restated</u>
Charges for services		
General government	\$ 773,102	\$ 863,361
Public safety	<u>86,717</u>	<u>69,021</u>
Total	<u>\$ 859,819</u>	<u>\$ 932,382</u>

Total revenue received for charges for services in 2012 was \$859,819, a decrease of \$72,563 as compared to the amount received in 2011, which was equal to \$932,382.

Program and General Revenues (Continued)

	<u>2012</u>	<u>2011</u> (as restated)
Operating Grants and Contributions		
General government	\$ 664,897	\$ 557,166
Public safety	215,437	498,056
Public works	2,636,932	-
Public recreation	<u>16,092</u>	<u>23,698</u>
Total	<u>\$ 3,533,358</u>	<u>\$ 1,078,920</u>

Total revenue received from Operating Grants and Contributions in 2012 was \$3,533,358 an increase of \$2,454,438 as compared to the amount received in 2011, which was equal to \$1,078,920.

	<u>2012</u>	<u>2011</u>
Capital Grants and Contributions		
Capital outlays	\$ <u>0</u>	\$ <u>2</u>
Total	\$ <u>0</u>	\$ <u>2</u>

Total revenue received from Capital Grants and Contributions in 2012 was \$0, a decrease of \$2 as compared to the amount received in 2011, which was equal to \$2.

	<u>2012</u>	<u>2011</u> (as restated)
Total Program Revenues	\$ <u>4,393,177</u>	\$ <u>2,011,301</u>
General Revenues		
Property taxes	\$ 13,353,506	\$ 12,403,485
Grants and contributions (unrestricted)	2,630,919	2,395,363
Investment earnings	50,625	7,735
Loss on sale of assets	(21,645)	0
Miscellaneous	<u>941,020</u>	<u>475,420</u>
Total General Revenues	\$ <u>16,954,425</u>	\$ <u>15,282,003</u>

General revenues in 2012 were \$16,954,425, which reflects an increase of \$1,672,422 as compared to the amount received in 2011, \$15,282,003.

Total Government-Wide Revenues	\$ <u>21,347,602</u>	\$ <u>17,293,304</u>
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Total Government-Wide Revenues in 2012 were \$21,347,602, an increase of \$4,054,298 as compared to the amount received in 2011, which was equal to \$17,293,304.

Statement of Activities

Program Expenses	<u>Total Cost of Services 2012</u>	<u>Net Cost of Services 2012</u>	<u>Total Cost Services 2011</u> (as restated)	<u>Net Cost of Services 2011</u> (as restated)
General Government	\$ 4,053,914	\$ 2,615,915	\$ 4,542,417	\$3,121,890
Public Safety	5,432,818	5,130,664	6,347,094	5,780,017
Public Works	1,633,886	(1,003,046)	1,446,618	1,446,618
Public Education	1,726,365	1,726,365	1,457,278	1,457,278
Public Recreation	488,874	472,782	519,331	495,663
Contingency	492,585	492,585	89,842	89,842
Employee Benefits	898,113	898,113	3,610,465	3,610,465
Retirement	1,052,165	1,052,165	4,056,604	4,056,604
Capital Outlays	0	0	31,584	31,582
Debt Service Interest	1,113,175	1,113,175	989,090	989,090
Total Expenses	\$ 16,891,895	\$ 12,498,718	\$ 23,090,323	\$ 21,079,019

Statement of Activities (Continued)

The City's total program expenses were \$16,891,895. With additional program revenues of \$4,393,177 in FY 2012, the City's net cost of services was \$12,498,718. When subtracted from the City's total general revenues of \$16,954,425, the City realizes a favorable Change in Net Assets of \$4,455,707. Last year in FY 2011 the City realized an unfavorable Change in Net Assets of \$6,736,744.

Transfers

Inter-fund transfers for the year ended June 30, 2012 totaled \$423,937 for the year.

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

Statement of Changes in Fund Balances – Governmental Funds

	<u>Fund Balance</u> <u>June 30, 2012</u>	<u>Fund Balance</u> <u>June 30, 2011</u> (as restated)	<u>Increase</u> <u>(Decrease)</u>
General Fund	\$ 1,368,639	\$ (485,015)	\$ 1,853,654
State Pension	2,131,418	-	2,131,418
School Construction	463,268	3,249,496	(2,786,228)
Other Governmental	<u>1,904,199</u>	<u>2,157,598</u>	<u>(249,210)</u>
Total	\$5,867,524	\$ 4,917,890	\$ 949,634

The fund balance for the City of Central Falls general fund reflects a surplus of \$1,368,639, as of June 30, 2012. Increased revenues (and other sources) in addition to decreased expenditures (and other uses) amounted to \$1,853,654, a 282% increase over the prior year deficit fund balance of \$485,015.

General Fund Revenues	<u>2012</u>	<u>2011</u>	<u>Variance</u>	<u>Percentage</u> <u>Change</u>
General property taxes	\$12,645,217	\$12,080,003	\$ 565,214	4.7%
Interest and investment income	150	2,037	(1,887)	-92.6%
Intergovernmental	2,630,919	2,395,363	235,556	9.8%
Fees / Non-tax income	766,388	721,385	45,003	6.2%
Departmental revenue	93,431	169,844	(76,413)	-45.0%
Other revenues	<u>222,625</u>	<u>175,329</u>	<u>47,296</u>	<u>27.0%</u>
Total	<u>\$16,358,730</u>	<u>\$15,543,961</u>	<u>\$814,769</u>	<u>5.2%</u>

Analysis

The total increase in the City's general fund balance, \$1,853,654, under modified accrual was the result of the following:

A surplus of approximately \$750,000 was estimated for FY2012. Additionally, revenues from general property taxes increased by \$565,214 or 4.7%, as compared to the previous year. Interest and investment income decreased by \$1,887, reflecting a decrease in funds held by the City and static interest rates. Intergovernmental revenues received from the State of Rhode Island increased by \$235,556 or 9.8% as compared to last year, resulting from a slight increase in state aid. Local fees and non-tax income also increased by \$45,003 or 6.2%, mostly due to an increase in various building permits. Because the boarding up of abandoned properties program was put on hold, departmental revenues declined to \$93,431, reflecting a decrease of \$76,413 from FY2011. Other revenues indicate an increase of \$47,296 (27%) in total, mostly due to the closing of various special funds.

Total expenditures for the general fund in FY2012 were \$14,947,769, reflecting a decrease in spending of \$257,983 or 1.7%, as compared to FY2011. As a matter of policy, the City's minimum fund balance is 5% of the general fund total operating budget.

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

General Fund Budgetary Comparison Schedule – June 30, 2012

Revenue Analysis	Adopted Budget	Final Budget	Actual	Variance
Tax revenue	\$12,136,255	\$11,986,255	\$12,918,501	\$932,246
Fees/Non-tax revenue	919,006	864,432	766,388	(98,044)
State revenue	7,648,749	2,665,657	2,625,669	(39,988)
Departmental revenue	306,800	425,300	366,128	(59,172)
Other Income	629,679	530,412	359,451	(170,961)
Sub-Total	\$21,640,489	\$16,472,056	\$17,036,137	\$564,081
Expenditure Analysis				
General government	\$1,706,292	\$1,836,832	\$1,715,404	\$121,428
Public safety	11,189,513	6,148,457	5,949,424	199,033
Public works	1,557,146	1,540,299	1,409,559	130,740
Public education	370,753	66,387	58,129	8,258
Public recreation	298,744	208,699	127,261	81,438
Municipal debt service	2,656,630	2,665,908	2,657,130	8,778
Contingency	526,000	621,000	557,585	63,415
Employee benefits	1,982,226	1,182,504	878,113	284,391
Retirement	1,276,685	1,461,519	1,568,731	(107,212)
Major purchases	76,500	-	6,433	(6,433)
Sub-Total	\$21,640,489	\$15,731,605	\$14,947,769	\$783,836

Other Governmental Funds

Other governmental funds consist of:

<u>Fund Type</u>	<u>Total Net Assets</u>	<u>Note</u>
Non-spendable	\$ 0	Includes the amount of fund balance that cannot be spent
Restricted	1,904,199	Resources restricted for specific purposes
Total	\$ 1,904,199	

It should be noted that the Central Falls School District was not classified a component unit of the State of Rhode Island in 2012. Separately issued financial statements were prepared and may be obtained from the Rhode Island Department of Education. The 2011 financial information has been restated to exclude the Central Falls School District.

Pension Trust Funds

<u>Pension Fund</u>	<u>Total Net Assets</u>
Total	\$ 5,631,147

Total net assets of the City's pension trust funds amount to \$5,631,147 in 2012, a decrease of \$176,547 compared to FY2011, resulting from pension expenses exceeding revenue. The accumulated deficit at the end of FY2011 and the ever present cash flow challenges were exacerbated by the notification by John Hancock that in October, 2011 the plan would no longer have sufficient assets. As a response the City after declaring bankruptcy in August, 2011 redesigned the John Hancock and 1% pension plans into a new plan called the "Central Falls Pension Plan". Changes include reduced accruals, minimum retirement age, change in disability benefits and "early retirement factor" (ERF) application.

Pension Trust Funds (Continued)

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

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

Debt Administration

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

	2012		2011	
			(as restated)	
City's net pension obligation (NPO)	30,688,474	55.2%	31,205,040	54.3%
Bonded indebtedness (for school purposes)	5,555,000	10.0%	6,165,000	10.7%
Bonded indebtedness (for municipal purposes)	13,740,000	24.7%	14,655,000	25.5%
Liability for compensated absences	164,695	0.3%	1,812,174	3.2%
Other municipal debt (including capital leases)	148,404	0.3%	252,151	0.4%
Other post employment benefits	2,479,595	4.5%	2,315,861	4.0%
Due to State	2,846,156	5.1%	1,073,131	1.9%
Total	55,622,324	100.0%	57,478,357	100.0%

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

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

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

Capital Assets

The City of Central Falls has \$24,343,524 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, 2012. 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.

Receivership

On May 19, 2010 the City filed a Petition for Appointment of Receiver with the Rhode Island Superior Court citing fiscal insolvency due to revenue shortfalls and state budget cuts, along with unaffordable collective bargaining agreements and pension obligations. On the same day, a Superior Court judge appointed Jonathan Savage, Esq. as temporary receiver of the City with oversight over all of the City's assets, effects, property and business ("Judicial Receiver").

On June 11, 2010 the State General Assembly passed Chapter 24/27 of the Public Laws of 2010 entitled "An Act Relating to Cities and Towns -- Providing Financial Stability" and codified as R.I.G.L. § 45-9-1 *et seq.* (the "Act"), providing a mechanism for State intervention in the finances of municipalities in financial distress including, but not limited to, review of such finances and possible control by the state Department of Revenue. The Act applied retroactively to May 15, 2010. In response to the Act, the City and State negotiated a Consent Order which was filed with the state Superior Court on June 18, 2010. The City withdrew its Petition for Appointment of Receiver and, in accordance with the terms of the Act, entered into a transition period during which control of the City's finances would shift from the Temporary Receiver to a non-judicial state-appointed receiver.

On July 16, 2010, the state Director of Revenue appointed retired Superior Court Judge Mark Pfeiffer, Esq. as receiver of the City (the "State Receiver"). Under the provisions of the Act, the State Receiver has the authority to exercise any function or power of any municipal officer of the City and the power to file for bankruptcy.

Bankruptcy

On January 31, 2011, Governor Chafee announced the appointment of former Supreme Court Justice Robert G. Flanders, Jr. as the State appointed receiver for the City of Central Falls. Receiver Flanders filed for Chapter 9 Federal Bankruptcy protection on behalf of the City on August 1, 2011.

The City submitted a five-year fiscal plan as part of the plan of debt adjustment to the federal bankruptcy court on September 22, 2011. The Receiver also signed five (5) year contracts with the following three unions on November 23, 2011: RI Council 94, AFSME, AFL-CIO Local 1627; Local 1485 International Association of Fire Fighters AFL-CIO; and Fraternal Order of Police Lodge 2. The Receiver also signed a Settlement Agreement with the City's retirees.

On October 25, 2012 the City officially emerged from Chapter 9 Bankruptcy. As a result of the bankruptcy proceedings, on or before June 30, 2013, certain obligations of the City that were classified as General Unsecured Convenience Claims (typically below \$5,000.00), with a balance of \$47,123 will be paid at thirty five percent (35%) of their allowed claim, estimated to be \$16,493. The remaining amount of \$30,630 will be written off in fiscal year 2013. Additionally, there are certain obligations of the City approximating \$1,086,069 that were classified as General Unsecured Claims (typically above \$5,000.00) that will be paid at an amount not to exceed 45% of the original claim commencing after July 1, 2013 over a four year period. While this is a very positive step, the City remains in receivership status until such time that the Director of Revenue is satisfied that the City's elected officials will adhere to the plan of debt adjustment as filed with the bankruptcy court.

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 The Receiver's Office and the employees of the City, specifically Gayle Corrigan, Chief of Staff and the Finance Department staff, for their collective support in conducting the financial affairs of the City of Central Falls.

Respectfully submitted,

Linda Dykeman CPA
Finance Director

Statement of Net Assets
June 30, 2012

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 8,315,313
Due from federal and state governments	871,574
Accounts receivable, net	2,507,120
Other receivables, net	449
Other assets	69,545
Capital assets (non-depreciable), net	670,850
Capital assets (net of depreciation), net	23,672,674
TOTAL ASSETS	<u>36,107,525</u>
LIABILITIES	
Accounts payable	1,325,536
Accrued interest payable	216,306
Accrued expenses	420,558
Unearned revenue	1,908,872
Current portion of long-term liabilities	1,793,442
Net pension obligation	30,688,474
Net OPEB obligation	2,479,595
Long-term liabilities (net)	20,660,813
TOTAL LIABILITIES	<u>59,493,596</u>
NET ASSETS	
Invested in capital assets, net of related debt	4,965,120
Restricted for other purposes	4,407,408
Restricted for permanent trusts	
Expendable	53,489
Non-expendable	37,988
Unrestricted	(32,850,076)
TOTAL NET ASSETS (DEFICIT)	<u>\$ (23,386,071)</u>

CITY OF CENTRAL FALLS

Statement of Activities
For the year ended June 30, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government	\$ 4,053,914	\$ 773,102	\$ 664,897	\$	(2,615,915)
Public safety	5,432,818	86,717	215,437		(5,130,664)
Public works	1,633,886		2,636,932		1,003,046
Public education	1,726,365				(1,726,365)
Public Recreation	488,874		16,092		(472,782)
Contingency	492,585				(492,585)
Employee benefits	898,113				(898,113)
Retirement	1,052,165				(1,052,165)
Capital outlays					(1,113,175)
Debt service interest					(12,498,718)
Totals	<u>16,891,895</u>	<u>859,819</u>	<u>3,533,358</u>	<u>\$</u>	<u>(12,498,718)</u>
General revenues:					
Property taxes					13,353,506
Grants and contributions not restricted to specific programs					2,630,919
Investment earnings					50,625
(Loss) on disposal of assets					(21,645)
Miscellaneous					941,020
Total general revenues					<u>16,954,425</u>
Change in Net Assets					4,455,707
Net Assets - beginning, as restated					(27,841,778)
Net Assets - ending					<u>\$ (23,386,071)</u>

See Notes to Financial Statements

CITY OF CENTRAL FALLS

B - 1

**Balance Sheet
Governmental Funds
June 30, 2012**

	General Fund	State Pension Settlement	School Construction	Other Governmental Funds	Total Governmental Funds
ASSETS:					
Cash and cash equivalents	\$ 4,015,183	\$ 2,131,418	\$ 463,268	\$ 1,705,444	\$ 8,315,313
Due from federal and state governments	237,649	-	-	633,925	871,574
Accounts receivable, net	2,507,120	-	-	-	2,507,120
Other receivables, net	449	-	-	-	449
Due from other funds	1,061,667	-	-	1,299,262	2,360,929
TOTAL ASSETS	\$ 7,822,068	2,131,418	463,268	\$ 3,638,631	\$ 14,055,385
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 1,138,882	\$ -	\$ -	\$ 186,654	\$ 1,325,536
Accrued expenses	420,558	-	-	-	420,558
Due to other funds	1,359,782	-	-	1,001,147	2,360,929
Unearned revenue	3,534,207	-	-	546,631	4,080,838
TOTAL LIABILITIES	6,453,429	-	-	1,734,432	8,187,861
FUND BALANCES :					
Nonspendable	-	-	-	-	-
Restricted	-	2,131,418	463,268	1,904,199	4,498,885
Committed	414,099	-	-	-	414,099
Unassigned	954,540	-	-	-	954,540
TOTAL FUND BALANCES	1,368,639	2,131,418	463,268	1,904,199	5,867,524
TOTAL LIABILITIES AND FUND BALANCES	\$ 7,822,068	\$ 2,131,418	\$ 463,268	\$ 3,638,631	

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	24,343,524
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	(55,622,324)
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	2,171,968
Deferred bond issuance costs and other debt charges resulting from issuance of bonds. These charges have been included in the statement of net assets.	69,545
Accrued interest on long-term liabilities have been included in the governmental activities in the Statement of Net Assets	(216,306)
Net Assets of Governmental Activities (A-1)	\$ (23,386,071)

CITY OF CENTRAL FALLS

B - 2

**Statement of Revenues, Other Financing Sources, Expenditures,
Other Financing Uses and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2012**

	General Fund	State Pension Settlement	School Construction	Other Governmental Funds	Total Governmental Funds
REVENUES					
General property taxes	\$ 12,645,217	\$ -	\$ -	\$ -	\$ 12,645,217
Interest and investment income	150			50,475	50,625
Intergovernmental	2,630,919	2,636,932		896,426	6,164,277
Fees/Non-tax income	766,388				766,388
Departmental revenue	93,431				93,431
Other revenues	222,625			718,395	941,020
Total Revenues	16,358,730	2,636,932	-	1,665,296	20,660,958
EXPENDITURES					
Current:					
General government	3,463,575			614,673	4,078,248
Public safety	5,929,290	505,514		128,816	6,563,620
Public works	1,408,661				1,408,661
Public education	58,129			424,313	482,442
Public recreation	127,261			13,462	140,723
Contingency	557,585				557,585
Employee benefits	898,113				898,113
Retirement	1,568,731				1,568,731
Debt Services:					
Principal and interest	2,657,130				2,657,130
Capital:					
Capital and special appropriations	30,933		2,786,228	311,935	3,129,096
Total Expenditures	16,699,408	505,514	2,786,228	1,493,199	21,484,349
Excess of revenues over (under) expenditures before transfers	(340,678)	2,131,418	(2,786,228)	172,097	(823,391)
Other financing sources (uses)					
Payments made by State for receivership costs	1,773,025			-	1,773,025
Transfers in	421,307			2,630	423,937
Transfers out	-			(423,937)	(423,937)
Net other sources (uses)	2,194,332	-	-	(421,307)	1,773,025
Excess (deficiency) of revenues and other sources over expenditures and other financing uses	1,853,654	2,131,418	(2,786,228)	(249,210)	949,634
Fund balance - beginning of the year- restated	(485,015)		3,249,496	2,153,409	4,917,890
Fund balance - end of the year	\$ 1,368,639	\$ 2,131,418	\$ 463,268	\$ 1,904,199	\$ 5,867,524

**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, 2012**

Net Change in Fund Balances - Total Governmental Funds (B-2)	\$ 949,634
 Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation and loss on disposals exceeded capital outlays in the current period.	 961,543
 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.	 1,856,033
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds.	 708,289
 Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	 <u>(19,792)</u>
 Change in Net Assets of Governmental Activities in the Statement of Activities (A-2)	 <u><u>\$ 4,455,707</u></u>

CITY OF CENTRAL FALLS

C - 1

**Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012**

	Pension Trust Funds	Agency Funds
	<u> </u>	<u> </u>
ASSETS		
Cash and cash equivalents	\$ -	\$ 32,469
Investments:		
Group annuity contracts	5,052,259	
Other receivables	578,888	
TOTAL ASSETS	<u>\$ 5,631,147</u>	<u>\$ 32,469</u>
LIABILITIES	<u>-</u>	<u>\$ 32,469</u>
NET ASSETS		
<i>Held in Trust for pension benefits</i>	<u>\$ 5,631,147</u>	

See Notes to Financial Statements

CITY OF CENTRAL FALLS

C - 2

*Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the year ended June 30, 2012*

	<u>Pension Trust Funds</u>
ADDITIONS:	
Contributions	\$ 1,920,705
Investment income	279,384
DEDUCTIONS:	
Trust expenses	2,318,759
Other expenses	57,877
CHANGE IN NET ASSETS	<u>(176,547)</u>
Net Assets - beginning, as restated	5,807,694
Net Assets - ending	<u><u>\$ 5,631,147</u></u>

See Notes to Financial Statements

CITY OF CENTRAL FALLS

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The City complies with generally accepted accounting principles (GAAP). 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 following new accounting pronouncements were implemented in the year ended June 30, 2012:

- ✓ GASB Statement No. 64 – Derivative Instruments : Application of Hedge Accounting Termination Provisions – amendment of GASB Statement No. 53, effective for the City's fiscal year ending June 30, 2012. The adoption of this Statement did not have an impact on the City's fiscal 2012 financial statements.

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

- ✓ GASB Statement No. 60 – Accounting and Financial Reporting for Service Concession Arrangement, effective for the City's fiscal year ending June 30, 2013.
- ✓ GASB Statement No. 61– The Financial Reporting entity: Omnibus an amendment of GASB Statements No. 14 and No. 34, effective for the City's fiscal year ending June 30, 2013.
- ✓ GASB Statement No. 62 – Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, effective for the City's fiscal year ending June 30, 2013.
- ✓ GASB Statement No. 63 – Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, effective for the City's fiscal year ending June 30, 2013.
- ✓ GASB Statement No. 65 – Items Previously Reported as Assets and Liabilities, effective for the fiscal year ending June 30, 2014.
- ✓ GASB Statement No. 66 – Technical Corrections – An Amendment of GASB Statements No. 10 and No. 63, effective for the fiscal year ending June 30, 2014.

(CONTINUED)

CITY OF CENTRAL FALLS

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

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

- ✓ GASB Statement No. 67 – Financial Reporting of Pension Plans – An Amendment of GASB Statement No. 25, effective for the fiscal year ending June 30, 2014.
- ✓ GASB Statement No. 68 – Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27, effective for the fiscal year ending June 30, 2015.

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

Reporting Entity

In evaluating how to define the City, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement No. 39. Under GASB Statement No. 39, 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 entities were considered for classification as component units for fiscal year 2012:

- 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.

The Central Falls School District was previously reported as a Department of the City of Central Falls. Effective for fiscal year 2012, it was determined that the Central Falls School Department should not be included as a Department of the City of Central Falls. The effect of this restatement is described in note 14.

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

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

(CONTINUED)

CITY OF CENTRAL FALLS

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

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

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.

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.

(CONTINUED)

CITY OF CENTRAL FALLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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

Permanent Funds

The Permanent Funds account for assets held by the City pursuant to trust agreements. The principle portion of this fund type must remain intact, but the earnings may be used to achieve the objectives of the fund.

Proprietary Funds

Proprietary funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

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

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:	School Construction
	Special Revenue:	State Pension Settlement
	Proprietary Fund:	See above for description

State Pension Settlement

During the bankruptcy a Settlement and Release Agreement was made between Robert G. Flanders, Jr. (the Receiver), the State of Rhode Island Department of Revenue, the Central Falls Police Retirees Association Inc., the Central Falls Firefighter Retirees Association, and various Central Falls retirees or the surviving spouse or beneficiary of a retiree under one or more pension plans established for such retirees. The agreement provides supplemental payments from a \$2.6m state appropriation to participating retirees and newly added participating retirees commencing in fiscal year 2012 and ending in July 2016. The payments are made once per year, the first being due within 30 days of the receipt of the appropriation from the State (June, 2012) and in the month of July beginning in FY2013 through FY2016. The appropriation and settlement payments are made from a restricted fund separate from the General Fund.

(CONTINUED)

CITY OF CENTRAL FALLS

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Major and Non-Major Funds (Continued)

Non-Major:

Special Revenue Funds:	CDBG Revolving, CDBG 2007, CDBG 2009, CDBG 2010, CDBG 2011, UDAG Revolving Loan Fund, Home, ED, DEM LRG Grant, EDI Community Center, EEC Block Grant, Grant In Aid, Champlin Grant, RI Foundation, Recreation Summer Lunch Program, Community Policing, Police C.A.R.E., DARE Program, Police Special Accounts, PD Printer Grant, PD Mobile Data Grant, PD Tech Grant, 2010 JAG Grant, JAG Grant, Fire Prevention, Public Rescue, Homeland Security, Rural Grants, Emergency Equipment Replacement, Channel One, Recycling Account.
Capital Project Funds:	Property Development, Recreation Capital, Capital Reserve, Capital Lease
Permanent Funds:	Lysander Flag Memorial Fund, Historic Trust.

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.

(CONTINUED)

CITY OF CENTRAL FALLS

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

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

Basis of Accounting (Continued)

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.

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 were adopted in accordance with Home Rule Charter requirements. Annual appropriated budgets are adopted for the general fund. Generally annual appropriations lapse at fiscal yearend. 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 year end 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 \$1,150 in unsecured petty cash.

Investments

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

(CONTINUED)

CITY OF CENTRAL FALLS

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

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

Accounts Receivable

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. The allowance for uncollectible property taxes amounted to \$850,000 at June 30, 2012. Major receivable balances for the governmental activities include property taxes (99% of balance) and other receivables (1% of balance).

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

Prepaid Items

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

Accounts Payable

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.

(CONTINUED)

CITY OF CENTRAL FALLS

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, Plant and Equipment

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

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	20-45 years
Motor vehicles	5-6 years
Furniture & equipment	5-10 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, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interfund Transactions (Continued)

Non-reciprocal interfund activities:

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

Inter-fund transfers totaled \$423,937 for the year, representing transfers to the general fund from Other Governmental Funds of \$421,307 and transfers between Other Governmental Funds of \$2,630.

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 Financial Statements

Governmental fund equity is classified as fund balance. In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, fund balance is classified as non-spendable, restricted, committed, assigned or unassigned. These categories are defined below:

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

(CONTINUED)

CITY OF CENTRAL FALLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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

Fund Financial Statements (Continued)

- **Committed Fund Balance** – includes amounts that can be used only for the specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. The Receiver currently has the highest level of decision-making authority.
- **Assigned Fund Balance** – includes amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The intent should be expressed by (a) the governing body itself or (b) a body (a budget or finance committee) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes. The City does not presently have a spending policy that has delegated this authority.
- **Unassigned Fund Balance** – is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The unassigned fund balance may also include negative balances for any governmental funds if the expenditures exceed amounts restricted, committed, or assigned for specific purposes.

Compensated Absences

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

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 \$55,622,324 difference are as follows:

Bonds payable	\$ 19,295,000
Net pension benefit obligation	30,688,474
Net other post-employment benefit obligation (City)	2,479,595
Compensated absences (City)	164,695
Due to State.....	2,846,156
Claims payable	65,000
Capital lease payable (City).....	<u>83,404</u>
Total.....	<u>\$ 55,622,324</u>

(CONTINUED)

CITY OF CENTRAL FALLS

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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

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

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 \$961,543 difference are as follows:

Capital outlays (net of disposals).....	\$ 3,235,198
Depreciation expense.....	<u>(2,273,655)</u>
Net adjustment	<u>\$ 961,543</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 \$1,856,033 difference are as follows:

Debt increased.....	\$1,936,759
Principal repayments.....	<u>3,276,226</u>
Net adjustment	<u>\$1,856,033</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 \$19,792 difference are as follows:

Change in accrued interest and bond issuance costs	<u>\$19,792</u>
--	-----------------

Another element of that reconciliation states that, "Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds." The details of this \$708,289 difference are as follows:

Deferred revenue - beginning.....	\$(1,463,677)
Deferred revenue – ending.....	<u>2,171,966</u>
Net difference	<u>\$ 708,289</u>

(CONTINUED)

CITY OF CENTRAL FALLS

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

3. DEPOSITS AND INVESTMENTS

Deposits

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

At June 30, 2012, the carrying amount of the City's deposits was \$8,347,782 and the bank balance was \$8,690,893, all of which was covered by federal depository insurance or collateralized by the financial institutions and/or third parties in the name of the City.

Investments

At June 30, 2012 the City's investments totaled \$5,052,259 (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>
Group annuity contracts	\$5,052,259	n/a	n/a	n/a

The Group Annuity Contract is an insurance contract issued by John Hancock Life Insurance Company. Contributions to or withdrawals from the Contract are made to the Pension Participating Segment of John Hancock's General Investment Account. Investments in the General Account are unallocated assets of John Hancock and back all of its general obligations. The Pension Participating segment of the General Investment Account of the John Hancock contains primarily fixed income investments. Currently, approximately ninety three per cent (92.6%) of the invested assets are corporate and government notes and bonds and mortgages with varying terms to maturity.

Investment earnings of the Pension Participating Segment of John Hancock's General Account are apportioned each December 31st and are reflected in the rate credited to the fund maintained under the Contract. The fund is maintained at book value. To report the contract at estimated fair value at June 30, 2012, a market value adjustment was applied which results in a reasonable approximation of fair value. The fair value of John Hancock's contracts are deemed to be "Level 3" or "unobservable" since the assets in the General Account are not publicly traded. Unobservable inputs are developed based on the best information available in the circumstances which might include the General Account's own data.

Interest Rate Risk

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

Concentration of Credit Risk

At June 30, 2012 the City had a diversified portfolio and was not deemed to be concentrated in any one investment category. Although the investments were held in group annuity contracts, these investments were in a wide range of companies and various industries enabling the City to minimize its risk.

(CONTINUED)

CITY OF CENTRAL FALLS

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

3. DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risk

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

4. FIXED ASSETS

Activity for governmental activity capital assets is summarized below:

	Balances June 30, 2011 <u>As restated</u>	<u>Additions</u>	<u>Deletions</u>	Balances June 30, 2012
Governmental activity fixed assets:				
Land (not being depreciated)	\$ 670,850	\$ -	\$ -	\$ 670,850
Buildings and land improvements	39,627,907	2,986,227	-	42,614,134
Motor vehicles	3,253,107	93,641	497,622	2,849,126
Equipment	1,804,571	137,248	-	1,941,819
Infrastructure	12,306,415	39,727	-	12,346,142
Total cost	<u>57,662,850</u>	<u>3,256,843</u>	<u>497,622</u>	<u>60,422,071</u>
Less: accumulated depreciation				
Buildings and land improvements	(19,204,823)	(1,819,975)	-	(21,024,798)
Motor vehicles	(2,824,694)	(144,873)	(475,977)	(2,493,590)
Equipment	(1,315,656)	(204,690)	-	(1,520,346)
Infrastructure	(10,935,696)	(104,117)	-	(11,039,813)
Total accumulated depreciation	<u>(34,280,869)</u>	<u>(2,273,655)</u>	<u>(475,977)</u>	<u>(36,078,547)</u>
Net fixed assets	<u>\$ 23,381,981</u>	<u>\$ 983,188</u>	<u>\$ 21,645</u>	<u>\$ 24,343,524</u>

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

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

Governmental activities:	
General government.....	\$ 145,918
Public safety	310,438
Public works	225,225
Public education	1,243,923
Public recreation.....	348,151
Total.....	<u>\$2,273,655</u>

(CONTINUED)

CITY OF CENTRAL FALLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

5. UNEARNED REVENUES

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

Property taxes receivable, net.....	\$2,507,120
Less: current year 60 day accrual	<u>(334,750)</u>
Total unearned tax revenue.....	<u>\$2,172,370</u>

General fund unearned revenue also includes \$1,358,978 of 2012 tax levy (fiscal 2013 revenue) collected during fiscal year ended June 30, 2012.

6. LONG-TERM DEBT

General Obligation Bonds and Other Debt

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

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

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

	<u>Amount</u>	<u>Percent</u>
General obligation bonds.....	\$ 6,060,000	11%
General obligation municipal bonds	7,680,000	14%
RIHEBC revenue bonds	5,555,000	10%
Capital Leases.....	83,404	0%
Claims	65,000	0%
Net pension obligation	30,688,474	56%
Other post-employment benefit	2,479,595	4%
Due to State.....	2,846,156	5%
Compensated absence	164,695	0%
Total.....	<u>\$55,622,324</u>	<u>100%</u>

(CONTINUED)

CITY OF CENTRAL FALLS

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

6. LONG-TERM DEBT (Continued)

General Obligation Bonds and Other Debt (Continued)

Schedule of long-term bond and lease requirements:

Year ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013.....	\$1,605,685	\$1,008,469	\$2,614,154
2014.....	1,662,719	920,722	2,583,441
2015.....	1,670,000	830,198	2,500,198
2016.....	1,725,000	737,179	2,462,179
2017.....	1,780,000	635,523	2,415,523
2018-2022	6,840,000	1,662,997	8,502,997
2023-2027	3,420,000	522,753	3,942,753
2028.....	675,000	13,838	688,838
Total.....	<u>\$19,378,404</u>	<u>\$6,331,679</u>	<u>\$25,710,083</u>

Capital Leases

The City 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.....	\$1,135,410
Other assets	104,080
Less: accumulated depreciation	<u>(1,239,490)</u>
Total	<u>\$ 0</u>

Amortization of assets acquired under capital leases is included in depreciation expense for the year ended June 30, 2012.

(CONTINUED)

CITY OF CENTRAL FALLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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

Capital Leases (Continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2012 were as follows:

<u>Year Ending June 30:</u>	<u>Total</u>
2013.....	\$22,093
2014.....	22,093
2015.....	22,093
2016.....	<u>22,093</u>
Total minimum lease payments.....	88,372
Less: amount representing interest.....	<u>4,968</u>
Present value of minimum lease payments	<u>\$83,404</u>

Due to State

Due to State represents amount due to the State of Rhode Island for receivership costs paid by the State. There is pending legislation which would allow the City to repay the State over a period of time for these costs. Progress payments are budgeted to commence in fiscal year 2017 with the final payment due by the end of fiscal year 2021.

(CONTINUED)

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

6. LONG-TERM DEBT (Continued)

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

	<u>Date of Issue</u>	<u>Maturity Date</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Outstanding 6/30/2011 as restated</u>	<u>Additions</u>	<u>Deductions</u>	<u>Outstanding June 30, 2012</u>	<u>Current Portion</u>
General obligation bonds	7/15/1999	5/15/2020	\$ 12,000,000	5.0%-6.25%	6,670,000		\$ 610,000	\$ 6,060,000	\$ 610,000
General obligation municipal bonds	10/1/2007	7/15/2027	8,700,000	4.0%-5.5%	7,985,000		305,000	7,680,000	305,000
RIHEBC revenue bonds	8/15/2007	4/1/2027	1,300,000	4.25%-5.00%	1,165,000		50,000	1,115,000	50,000
RIHEBC revenue bonds	6/29/2010	4/1/2020	750,000	5.39%	750,000		85,000	665,000	85,000
RIHEBC revenue bonds	6/30/2010	4/1/2020	4,250,000	6.00%	4,250,000		475,000	3,775,000	475,000
Capital leases	4/10/2009	7/5/2013	201,501	5.00%	122,151		38,747	83,404	22,093
Total bonds and leases					20,942,151		1,563,747	19,378,404	1,547,093
Claims payable					130,000		65,000	65,000	65,000
Accrued compensated absences					1,812,174		1,647,479	164,695	164,695
Net pension obligation					31,205,040		516,566	30,688,474	
Due to State					1,073,131	1,773,025		2,846,156	
Other Post-Employment Benefits					2,315,861	163,734		2,479,595	
Total long-term debt					\$ 57,478,957	\$ 1,936,759	\$ 3,792,792	\$ 55,622,924	\$ 1,776,788

Total interest paid on general long-term debt for the year ended June 30, 2012 was approximately \$1,086,775

(CONTINUED)

CITY OF CENTRAL FALLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

7. INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables at June 30, 2012 were as follows:

	Due from Other Funds	Due to Other Funds
General Fund	\$ 1,061,667	\$ 1,359,782
Other Governmental Funds	1,299,262	1,001,147
	\$ 2,360,929	\$ 2,360,929

8. FUND BALANCES

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

At June 30, 2012 **Restricted Fund Balance** consisted of the following:

State Pension Settlement	\$ 2,131,418
School Construction	463,268
Community Block Development Grant	663,347
2007 Community Block Development Grant	2
Revolving Loan Fund	75,719
Home	59,164
ED	396,695
Grant in Aid	56,370
Champlin Grant	142
Police C.A.R.E	39,595
DARE Program	3
Police Special Accounts	43,457
Fire Prevention	6,009
Public Rescue	198,443
Rural Grants	49
Emergency Equipment Replacement	144,400
Channel One	3,759
Recycling Account	25
Property Development	160,019
Recreation Capital	3,512
Historic Trust	53,489
Total restricted fund balance	\$ 4,498,885

(CONTINUED)

CITY OF CENTRAL FALLS

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

8. FUND BALANCES – (Continued)

At June 30, 2012 **Committed Fund Balance** consisted of the following:

Committed Fund Balance	
Committed for sixty day property tax collectons	
Budgeted in subsequent fiscal year	\$ 334,750
Encumbrances	79,349
Total Committed fund balance	<u>\$ 414,099</u>

9. EMPLOYEE RETIREMENT SYSTEMS

The City participates in the following retirement plans.

- (a) Municipal Employees' Retirement System of Rhode Island (City), an agent multiple-employer Public Employee Retirement System (PERS), which covers substantially all of the City's employees except police officers, firefighters, and all School Department employees.
- (b) *City of Central Falls Pension Plan*

The City provides retirement benefits for police officers and firefighters through its participation in one single-employer defined pension plan, which is reported as a pension trust fund.

(a) Municipal Employees' Retirement System of Rhode Island (City)

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's 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, 50 Service Avenue, Warwick, RI 02886, or by accessing their website a www.ersri.org.

In November 2011, the State enacted The Rhode Island Retirement Security Act of 2011 (the Act) as described in S1111A and H6319A. The Act makes significant changes to the Employee Retirement System and becomes effective July 1, 2012. Two of the most significant changes resulting from the Act are a change in structure from a defined benefit plan to a hybrid plan that includes a smaller defined benefit plan and a supplemental defined contribution plan. In addition, there was a re-amortization of the Unfunded Actuarial Accrued Liability to 25 years from the current 19 year schedules as of June 30, 2010.

Funding Policy

MERS members are required to contribute 6.0% of their annual covered salary. The City is required to contribute at an actuarially determined rate; the current rate is 9.05% of annual covered payroll. The contribution requirements of plan members and the City are established annually and may be amended by State Statute.

(CONTINUED)

CITY OF CENTRAL FALLS

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

9. EMPLOYEE RETIREMENT SYSTEMS – (Continued)

(a) Municipal Employees' Retirement System of Rhode Island (City) – (Continued)

Funded Status of Plan

The required supplementary information which follows the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Listed below are the details of the funding progress of the General Municipal Employee's Pension Plan with a valuation date of June 30, 2011, which is the most recent report available from the State who administers this plan, as revised to reflect pension reform legislation enacted on November 18, 2011.

Actuarial Value of Assets	\$5,023,360
Actuarial Accrued Liability	\$6,519,261
Unfunded (excess) actuarial accrued Liability	\$1,495,901
Funded Ratio	77%
Annual Covered Payroll	\$1,981,815
UAAL (excess) as percentage of payroll	75%

Significant actuarial assumptions as of June 30, 2011 include (a) a net investment return of 7.50% percent compounded annually, (b) projected salary increases at 4-8% (c) 2% percent per year cost-of-living adjustments, (d) mortality rates based on the RP2000 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 five-year period. MERS unfunded actuarial accrued liability is being amortized over a closed amortization period of 25 years. As of June 30, 2011 there were 24 years remaining.

Annual Pension Cost

For 2012, the City's annual pension cost of \$150,782 for MERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age normal cost method with frozen initial liability. The significant actuarial valuation assumptions used for the June 30, 2009 valuation were as follows: Entry age normal cost method; 20 year amortization period remaining utilizing level percent of payroll closed method; 8.25% investment rate of return; 4.5% to 8.5% projected salary increase; 3% inflation; and 3% costs of living adjustments non-compounded with a few exceptions.

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>
6/30/12	\$150,782	100%	\$0
6/30/11	\$176,784	100%	\$0
6/30/10	\$206,631	100%	\$0

(CONTINUED)

CITY OF CENTRAL FALLS

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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

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

Plan Description

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

As of June 30, 2012, employee membership data related to the pension plans is as follows:

Active membership.....	70
Retirees and beneficiaries.....	78

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

Funding Policy

Periodic employer contributions to the pension plan are determined on an actuarial basis using the entry age normal cost method. Employees of the City are required to contribute 9.5% of their gross earnings if they were an employee of the City prior to the new pension plan starting in December 2011. New member of the plan are required to contribute 10.5% of their gross earnings to the pension plan. For the year ended June 30, 2012, employee contributions was \$324,719. The City is required to contribute at an actuarially determined rate; the current rate is 49.5% of annual covered payroll.

Funded Status of Plan

The required supplementary information which follows the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Listed below are the details of the funding progress of the City of Central Falls Pension Plan with a valuation date of December 31, 2011, which was the most recent report available from the plan, until changes made as a result of bankruptcy proceedings described in in the prior year.

Actuarial Value of Assets	\$ 5,486,573
Actuarial Accrued Liability	\$29,421,723
Unfunded (excess) actuarial accrued Liability	\$23,935,150
Funded Ratio	18.6%
Annual Covered Payroll	\$ 3,620,778
UAAL (excess) as percentage of payroll	661%

(CONTINUED)

CITY OF CENTRAL FALLS

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

9. EMPLOYEE RETIREMENT PLAN (Continued)

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

Annual Pension Cost and Net Pension Obligation

For 2012, the City's annual required contribution was \$1,860,322 for the City of Central Falls Pension Plan and actual employer contributions were \$2,547,562. The annual required contribution includes \$68,109 of normal cost, \$68,151 of interest and \$1,724,062 of amortization of unfunded actuarial accrued liability. The required contribution was determined as part of the December 31, 2011 actuarial valuation using the entry age normal cost method. Significant actuarial assumptions included (a) a net investment return of 7.75 percent compounded annually (b) projected salary increases of 3 percent compounded annually, (c) 2.0 percent per year cost-of-living adjustments, (d) mortality rates based on the RP-2000 mortality table projected to 2006 using scale AA with 10-year setback for disableds and (e) retirement after the earlier of age 57 and 25 years of service or 25 years of service. Unfunded actuarial accrued liability is being amortized using the weighted average method over a 30 year period assuming a 3 percent per year increase. As of June 30, 2012, there were 21 years remaining.

The City's annual pension cost and net pension obligation for the year ended June 30, 2012 was as follows:

Annual required contribution	\$ 1,860,322
Interest on net pension obligation	2,418,390
Adjustment to annual required contribution.....	<u>(2,247,716)</u>
Annual pension cost	2,030,996
Contributions made	<u>(2,547,562)</u>
Decrease in net pension obligation	(516,566)
Net pension obligation, June 30, 2011	<u>31,205,040</u>
Net pension obligation, June 30, 2012.....	<u>\$30,688,474</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>
6/30/12	\$2,030,966	125.4%	\$30,688,474
6/30/11	\$4,056,604	4.2%	\$31,205,040
6/30/10	\$4,056,604	31.1%	\$27,318,891

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

10. POST RETIREMENT BENEFITS

Plan Description

The City's Post-Employment Medical Benefit Plan is a single-employer defined benefit postretirement health insurance program. Effective August 1, 2011 the City provides health care to retired police and firefighter employees and their spouses until the retiree reaches the age of 65. Retired employees are covered by the same plan as active employees and are subject to the same 20% co-share as actives. Health care benefits were paid to 48 retired employees during fiscal year ending June 30, 2012. Current membership consists of 115 active employees and 132 retirees, disabled and widows. Any changes to these provisions are subject to the City's approval. The plan does not issue a separate report.

(CONTINUED)

CITY OF CENTRAL FALLS

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

10. POST RETIREMENT BENEFITS (Continued)

Funding Policy

The City's funding policy provides for actuarially determined periodic contributions to the plans at rates that, increase gradually over time so that sufficient assets will be available to pay benefits when due. Municipal retirees are required to contribute 20% of the health care cost between ages 62 to 65, and 100% of the premium prior to age 62. Retired police officers and firefighters may elect to be covered by the City's medical plan until age 65 and must pay 20% co-shares. Coverage reverts to COBRA for 36 months upon death of the member, or until the spouse reaches age 65, whichever occurs first. The annual OPEB cost was estimated from the December 31, 2011 actuarial valuation using the projected unit credit funding method. The actuarial assumptions included a 4.5% unfunded discount rate and the 2011 IRS Static Mortality Table and RP 2000 Disabled Mortality Table.

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

Trend Information

Fiscal Year Ending	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
6/30/2012	\$838,365	80.4%	\$2,479,595
6/30/2011	\$2,088,438	58.7%	\$2,315,861
6/30/2010	\$2,029,301	71.6%	\$1,453,547

The City's annual OPEB cost and net OPEB obligation for the year ended June 30, 2012 was as follows:

Annual required contribution	\$828,610
Interest on net OPEB obligation.....	104,214
Adjustment to annual required contribution	<u>(94,459)</u>
Annual OPEB cost (expense)	838,365
Contributions made.....	<u>(674,631)</u>
Increase in net OPEB obligation	163,734
Net OPEB obligation-beginning of year	<u>2,315,861</u>
Net OPEB obligation-end of year.....	<u>\$2,479,595</u>

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (1)	Actuarial Accrued Liability (AAL) (2)	Unfunded AAL (UAAL) (2)-(1) (3)	AVA as a Percent of AAL (1)/(2) (4)	Covered Payroll (5)	UAAL as a Percent of Covered Payroll (3)/(5) (6)
12/31/11	0	\$14,112,791	\$14,112,791	0%	N/A	N/A
06/30/10	0	\$32,011,503	\$32,011,503	0%	N/A	N/A
06/30/09	0	\$30,693,955	\$30,693,955	0%	N/A	N/A

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

(CONTINUED)

CITY OF CENTRAL FALLS

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

10. POST RETIREMENT BENEFITS (Continued)

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

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

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. The outcome of these lawsuits is not presently determinable, and accordingly have 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.

12. RISK MANAGEMENT

The City of Central Falls is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; and natural disasters. As a result, the City participates in a non-profit, public entity risk pool (Rhode Island Interlocal Risk Management Trust, Inc.) which provides coverage for property/liability claims. Upon joining the Trust, the City signed a participation agreement which outlines the rights and responsibilities of both the Trust and the City. The Trust provides this insurance coverage through a pooled, self-insurance mechanism which includes reinsurance purchased by the Trust to protect against large, catastrophic claims above the losses the Trust retains internally for payment from the pooled contributions of its Members. Under the participation agreement, the City is insured for a maximum of \$2,000,000 per occurrence. Settled claims resulting from these risks have not exceeded the Trust Coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage during the year ended June 30, 2012.

(CONTINUED)

CITY OF CENTRAL FALLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

13. SUBSEQUENT EVENTS

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

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

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

As a result of the bankruptcy proceedings, on or before June 30, 2013, certain obligations of the City that were classified as General Unsecured Convenience Claims (typically below \$5,000.00), with a balance of \$47,123 will be paid at thirty five percent (35%) of their allowed claim, estimated to be \$16,493. The remaining amount of \$30,630 will be written off in fiscal year 2013. Additionally, there are certain obligations of the City approximating \$1,086,069 that were classified as General Unsecured Claims (typically above \$5,000.00) that will be paid at an amount not to exceed 45% of the original claim commencing after July 1, 2013 over a four year period. The amount of gain to be recognized is not presently determinable, and has not been recorded as of June 30, 2012.

The levels of services and operations of the City have not been affected by the bankruptcy.

On January 1, 2013 James Diossa was inaugurated as Mayor. However, the Receiver will remain in place with until such time as the Director of Revenue has determined that the receiver is no longer needed.

14. RESTATEMENTS

As stated in Note 1, the Central Falls School Department has been removed as a department of the City for fiscal year ended June 30, 2012. Net Assets of the pension trust fund has been restated to reflect the correction of market value of the investments.

(CONTINUED)

CITY OF CENTRAL FALLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

14. RESTATEMENTS (Continued)

The following represents the reclassification of governmental funds, which resulted from the removal of the Central Falls School Department.

Governmental Special Revenue Funds fund balance at June 30, 2011, as originally stated	\$ 3,035,130
School	(881,721)
	<u>\$ 2,153,409</u>
Governmental Special Revenue Funds fund balances at June 30, 2011, as restated	
Governmental School Fund fund balance at June 30, 2011, as originally stated	\$ 1,205,811
School	(1,205,811)
	<u>\$ -</u>
Governmental School Fund fund balances at June 30, 2011, as restated	
Governmental total fund balance at June 30, 2011, as originally stated	\$ 7,005,422
School	(2,087,532)
	<u>\$ 4,917,890</u>
Governmental total fund balance at June 30, 2011, as restated	

Government wide net assets at June 30, 2011 have been restated due to the removal of the school department as a department of the City. The detail of the restatement and impact on net assets is as follows:

Government wide governmental activity net assets at June 30, 2011, as originally stated	\$ (27,309,406)
School Fixed Assets	(4,312,388)
School Liabilities	5,867,548
School fund balance at beginning	<u>(2,087,532)</u>
Governmental activity net assets at June 30, 2011, as restated	<u>\$ (27,841,778)</u>

Fiduciary Fund net assets at June 30, 2011 have been restated due to the correction of the market value of the investments. The detail of the restatement and impact on net assets is as follows:

Fiduciary Fund total net assets at June 30, 2011 as originally stated	\$ 5,617,975
Correction of investment balance	189,719
Fiduciary Fund total net assets at June 30, 2011 as restated.	<u>\$ 5,807,694</u>

(CONCLUDED)

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CENTRAL FALLS*Schedule of Funding Progress (Unaudited)**June 30, 2012***Schedule of funding progress for the Municipal Employees' Retirement System***

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	(Unfunded) AAL (UAAL) (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as percentage Of Covered Payroll ((a-b)/c)
06/30/11	\$ 5,023,360	\$ 6,519,261	\$ (1,495,901)	77.1%	\$ 1,981,815	(75.5%)
06/30/10	\$ 5,176,066	\$ 6,906,941	\$ (1,730,875)	74.9%	\$ 2,361,819	(73%)
06/30/09	\$ 5,212,157	\$ 6,656,557	\$ (1,444,400)	78.3%	\$ 2,446,693	(59%)

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

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	(Unfunded) AAL (UAAL) (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	percentage Of Covered Payroll ((a-b)/c)
12/31/11	\$ 5,486,573	\$ 29,421,723	\$ (23,935,150)	18.6%	\$ 3,620,778	(661.%)
07/01/10	\$ 7,768,815	\$ 54,327,495	\$ (46,558,680)	14.3%	\$ 3,289,330	(1,415.4%)
07/01/08	\$ 12,002,382	\$ 50,739,300	\$ (38,736,918)	23.7%	\$ 3,561,781	(1087.6%)

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

Schedule of funding progress for the Post-Employment Benefits Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	(Unfunded) AAL (UAAL) (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as percentage Of Covered Payroll ((a-b)/c)
12/31/11	\$ -	\$ 14,112,791	\$ (14,112,791)	0%	N/A	N/A
06/30/10	\$ -	\$ 32,011,503	\$ (32,011,503)	0%	N/A	N/A
06/30/09	\$ -	\$ 30,693,955	\$ (30,693,955)	0%	N/A	N/A

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GENERAL FUND

CITY OF CENTRAL FALLS

D-2

GENERAL FUND

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2012

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Tax revenue				
Tax revenue (current year)	\$ 11,636,255	\$ 11,636,255	\$ 12,310,467	\$ 674,212
Tax revenue (prior years)	500,000	350,000	608,034	258,034
Total tax revenue	12,136,255	11,986,255	12,918,501	932,246
Fees / Non-tax revenue				
Interest on taxes	204,805	233,732	292,128	58,396
City clerk fees	-	-	-	-
VIN check fees	1,500	1,800	4,820	3,020
Probate fees	8,500	9,300	9,851	551
Realty Stamps	100,000	80,000	24,246	(35,754)
Real Estate Recordings	85,000	70,000	63,015	(6,985)
Licenses	75,000	75,000	79,023	4,023
Marriage Licenses	1,000	1,000	1,122	122
Certificates	12,000	10,000	9,783	(217)
Reports/copying fees	12,500	3,000	8,959	3,959
Constable fees	-	25	-	(25)
Miscellaneous	14,000	10,000	11,818	1,818
Fingerprinting	300	75	157	82
Fire code inspections	7,300	7,500	600	(6,900)
Other fire permits	2,000	-	3,200	3,200
Certificates of occupancy	4,000	8,000	5,500	(2,500)
Hazardous material permits	1,750	2,500	1,900	(600)
Building permits	60,000	40,000	45,860	5,860
Plumbing permits	18,000	25,000	14,505	(10,495)
Electrical permits	16,000	22,500	21,981	(519)
Road opening permits	7,500	-	2,025	2,025
Traffic fines	200,000	235,000	146,402	(88,598)
District court	1,500	-	-	-
Library fines	251	-	684	684
Dog officer fines (Animal Control Fines)	2,500	-	3,697	3,697
Investment Interest	29,020	2,500	-	(2,500)
RI Traffic Tribune	12,000	-	-	-
Municipal Court Fees	2,000	-	-	-
Administrative Fees	10,780	25,000	15,859	(9,141)
Vehicle Fees	15,000	22,500	338	(22,162)
Code Enforcement Fees	15,000	-	915	915
Total fees/non tax revenue	919,006	864,432	766,388	(98,044)
State revenue				
Federal Revenue	-	-	284	284
MV Phase out	84,330	94,281	92,588	(1,673)
Distressed Comm. Aid	293,509	292,172	292,172	-
Miscellaneous state aid	-	60,000	62,280	2,280
Telephone tax	204,938	218,083	233,190	15,107
Hotel/Meal tax	89,786	92,793	80,199	(12,594)
Police/fire incentive	-	-	-	-
School Housing aid	1,803,512	1,015,410	1,015,408	(2)
School Housing aid- RIHBE reimbursement	-	555,018	580,037	5,019
Special State Appropriation	5,152,751	-	-	-
Debt Service Subsidy	-	266,525	266,525	-
Non Profit Organizations	19,923	23,895	22,986	(909)
Emergency Management	-	47,500	-	(47,500)
Total state revenue	7,648,749	2,665,657	2,625,669	(39,988)
Departmental revenue				
Scrap metal	3,000	7,500	6,243	(1,257)
Prop preservation revenue	60,000	175,000	13,276	(161,724)
Code Court Fees	5,000	5,500	-	(5,500)
Misc. departmental revenue	10,000	5,800	10,797	4,997
Public works	3,800	6,500	4,495	(2,005)
Rescue runs	225,000	225,000	331,317	106,317
Total departmental revenue	306,800	425,300	366,128	(59,172)
Other Income				
Restitution	1,200	1,100	1,583	483
Lease/rental income	-	-	-	-
Athletic fees	150	-	1,290	1,290
Local revenue	13,514	13,514	13,514	-
Housing authority	56,974	65,800	64,976	(824)
Detention center	-	-	-	-
Misc. other revenue	456,841	90,000	91,570	1,570
Surplus sales	1,000	77,500	49,692	(27,808)
Other Financial Sources	-	282,498	136,828	(145,672)
Special revenue	100,000	-	-	-
Total other income	629,679	530,412	359,451	(170,981)
Total revenues	21,640,489	18,472,056	17,036,137	564,081

CITY OF CENTRAL FALLS

D-2

GENERAL FUND

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2012

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
GENERAL GOVERNMENT				
Mayor				
Salaries	26,000	32,923	32,747	176
Overtime	-	-	-	-
Social Security	1,612	2,077	2,328	(251)
Medicare	377	486	545	(59)
Municipal State Pension	-	679	588	91
Medical Insurance	-	928	1,600	(674)
Dental Insurance	-	81	62	19
Office Supplies	-	-	-	-
Other supplies	-	-	-	-
Non-capital equipment	-	-	-	-
Education & training	-	-	-	-
Total Mayor	27,989	37,172	37,870	(698)
City council				
Salaries	5,880	-	-	-
Camera operator	-	-	-	-
Social Security	365	-	-	-
Medicare	85	-	-	-
General (video)	-	-	-	-
Other Professional Services	-	-	-	-
Total city council	6,330	-	-	-
City clerk				
Salaries	141,436	186,267	170,453	(4,186)
Longevity	-	1,751	-	1,751
Social Security	8,769	10,205	9,673	532
Medicare	2,051	2,387	2,262	125
Municipal State Pension	12,800	14,896	15,002	(106)
Medical Insurance	37,074	37,959	38,016	(57)
Dental Insurance	2,434	3,120	2,823	297
Medical Waiver	1,100	-	-	-
Dues/subscriptions	50	50	-	50
Non-capital equipment	500	500	-	500
Other professional services	18,600	25,000	24,133	867
Meetings and Conference Fee	-	-	-	-
Education & Training	-	2,500	-	2,500
Charter Review Committee	-	-	15,000	(15,000)
Total city clerk	224,814	284,635	277,362	(12,727)
Personnel				
Salaries	33,893	12,720	(1,173)	13,893
Personnel overtime	-	-	-	-
Social Security	2,101	914	-	914
Medicare	491	214	-	214
Municipal State Pension	3,067	1,334	1,754	(420)
Medical Insurance	15,395	3,112	225	2,887
Dental Insurance	1,156	215	181	54
Non capital equipment	-	-	-	-
Other professional services	2,500	2,500	1,230	1,270
Education & training	-	-	-	-
Advertising	-	-	-	-
Supplies	-	-	-	-
Testing	3,000	3,000	3,711	(711)
Total personnel	61,603	24,009	5,908	18,101
Legal				
Salaries	-	45,400	44,957	443
Social Security	-	2,657	2,934	(277)
Medicare	-	684	686	(22)
Municipal State Pension	-	4,147	2,799	1,348
Medical Insurance	-	13,732	12,254	1,478
Dental Insurance	-	969	807	162
Dues/subscriptions	-	-	-	-
Other professional services	150,000	76,000	92,753	(16,753)
Education & training	-	-	-	-
Expense account	-	-	-	-
Total legal	150,000	143,569	157,190	(13,621)
Tax assessor				
Salaries	86,207	86,722	85,196	1,526
Overtime	-	-	-	-
Longevity Pay	1,895	2,334	3,723	(1,389)
Social Security	5,462	5,377	5,657	(280)
Medicare	1,277	1,257	1,323	(66)
Municipal State Pension	7,973	7,848	7,853	(105)
Medical Insurance	20,869	11,755	2,026	9,729
Dental Insurance	1,217	969	897	72
Medical Waiver	1,100	-	-	-
Dues/subscriptions	1,295	1,295	1,085	210
Advertising	2,450	2,450	-	2,450
Other professional services	15,300	15,300	13,815	1,485
Meetings & Conferences	-	-	-	-
Revaluation Services	-	-	-	-
Total tax assessor	180,498	170,760	157,128	13,632

CITY OF CENTRAL FALLS

GENERAL FUND

D-2

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2012

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Finance				
Salaries	186,637	252,636	232,076	20,560
Overtime	-	-	55	(55)
Longevity Pay	1,748	4,085	3,500	585
Social Security	11,680	15,827	15,958	(129)
Medicare	2,732	3,701	3,732	(31)
Municipal State Pension	17,049	22,398	21,908	490
Medical Insurance	18,782	49,088	32,342	16,757
Dental Insurance	1,096	4,602	3,075	1,527
Medical Waiver	1,100	-	-	-
Postage	22,500	37,200	13,254	23,946
Dues/subscriptions	-	-	-	-
Non-capital equipment	4,300	4,300	928	3,372
Collection agency	7,500	5,000	2,056	2,944
Accounting/auditing	30,000	30,000	30,154	(154)
Other professional services	79,714	86,500	90,994	(4,494)
Education & training	-	1,000	909	191
Total finance	384,838	516,346	450,837	65,509
Board of canvassers				
Salaries	-	-	-	-
City sergeant	-	-	536	(536)
Election workers	4,750	40,000	14,663	25,337
Office supplies	140	-	245	(245)
Advertising	340	-	-	-
Total board of canvassers	5,230	40,000	15,444	24,556
City property				
Salaries	62,223	19,529	17,576	1,953
Overtime	500	-	-	-
Longevity	1,818	1,751	1,500	251
Social Security	3,989	1,148	1,324	(176)
Medicare	933	268	310	(42)
Municipal State Pension	5,878	1,875	1,800	(125)
Medical Insurance	41,737	8,689	7,641	1,048
Dental Insurance	2,434	646	699	(53)
Custodial Services	-	21,060	25,199	(4,139)
Clothing	400	-	-	-
Office supplies	11,200	5,000	6,604	(1,604)
Other supplies	1,200	1,000	1,238	(238)
Janitorial Supplies	2,500	1,500	1,709	(200)
Heating	10,500	10,000	5,503	4,497
Dues/Subscriptions	350	850	691	159
Non-capital equipment	1,650	1,500	1,608	(108)
Telephone (Other)	17,800	35,000	24,988	10,012
Telephone (Police)	11,700	13,500	16,210	(2,710)
Telephone (Fire)	8,000	9,000	11,682	(2,682)
Telephone (Highway)	2,700	3,500	3,455	45
Advertising	10,800	28,600	17,607	10,893
Electric-Other	41,872	72,250	33,409	38,841
Electric-Police	8,000	20,000	24,791	(4,791)
Electric-Fire	8,000	20,000	15,950	4,050
Electric-Highway	38,000	11,250	11,528	(278)
General R & M	2,000	5,000	3,411	1,589
Travel cost	-	-	-	-
Water	12,842	12,000	21,070	(9,070)
Consulting services	21,000	40,000	33,554	6,446
Contracts, R & M	27,448	17,500	55,992	(38,492)
General liability insurance	234,780	195,000	214,002	(19,002)
Vehicle insurance	-	30,000	-	30,000
Workers compensation	65,951	40,000	44,435	(4,435)
Misc. city property	-	500	883	(183)
Total city property	852,990	627,616	606,149	21,467
City boards				
Pension board	675	675	506	169
Personnel board	675	-	56	(56)
Library board	675	-	113	(113)
Purchasing board	675	675	356	319
Appeals board	900	900	619	281
Recreation board	675	-	169	(169)
Planning board	1,125	1,125	675	450
Zoning board	1,750	1,750	1,313	437
Canvassers board	2,750	2,100	1,738	382
Wyall board	-	2,750	-	2,750
Housing authority board	2,100	2,750	1,971	779
Total city boards	12,000	12,725	7,516	5,209
Total general government	1,706,292	1,836,832	1,715,404	121,428

CITY OF CENTRAL FALLS

D-2

GENERAL FUND

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2012

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
PUBLIC SAFETY				
<i>Police department</i>				
Salaries	2,208,883	1,601,047	1,572,973	28,974
Detective Premium	-	6,594	-	6,594
Clerk & IT Salaries	-	71,858	69,893	1,965
Dispatcher Salaries	-	204,263	181,132	23,121
Parking violations	-	-	279	(279)
Police trainee wages	9,000	19,485	-	19,485
Overtime	182,466	175,000	158,401	16,599
Dispatcher & Clerk Overtime	-	30,000	46,262	(16,262)
Holiday pay	118,727	93,830	92,723	1,107
Dispatcher Holiday Pay	-	14,307	9,707	4,600
Longevity pay	69,258	58,334	54,850	3,484
Clerk longevity pay	4,708	3,501	4,607	(1,106)
Dispatchers Longevity	7,331	6,419	5,000	1,419
Clothing/tool allowances	-	33,479	35,397	(1,918)
Dispatcher clothing/tool allowances	59,150	2,368	-	2,368
Police Social Security	746	1,563	19,309	(17,746)
Clerk & IT Social Security	-	4,455	-	4,455
Dispatcher Social Security	-	13,210	-	13,210
Police Medicare	33,104	23,644	34,413	(10,769)
Clerk & IT Medicare	-	1,042	-	1,042
Dispatchers Medicare	-	3,089	-	3,089
Municipal State Pension	32,539	25,785	25,750	35
Police Medical Insurance	538,501	226,797	284,637	(37,840)
Dispatcher & Clerk Medical Insurance	-	77,896	-	77,896
Police Dental Insurance	42,959	20,312	30,955	(10,643)
Dispatcher & Clerk Dental Insurance	-	6,210	-	6,210
Public Safety Pension (Uses)	1,837,500	-	-	-
Injuries/Medical (Work Related Injuries)	5,000	39,629	42,162	(2,533)
Medical Waiver	6,600	-	-	-
Office supplies	5,000	4,000	4,112	(112)
Other supplies	3,000	3,000	4,930	(1,930)
Heating fuel	10,000	15,000	6,753	8,247
Vehicle fuel	85,000	85,000	74,520	10,480
Detective supplies	6,000	4,000	4,018	(18)
Non-capital equipment	4,000	4,000	36,122	(32,122)
General R & M	16,000	20,000	61,883	(41,883)
Vehicle R & M	40,000	37,000	49,566	(12,566)
Other professional services	37,000	37,500	43,374	(5,874)
Finger printing	2,500	2,500	1,495	1,005
Education & training	10,000	9,800	8,534	1,266
College tuitions	30,000	35,000	10,783	24,217
State Incentive	3,500	3,500	-	3,500
Rescue/Detective Pay	-	-	4,750	(4,750)
Special Investigations	15,000	20,000	20,886	(686)
Code Compliance	10,000	-	-	-
Total police department	5,433,272	3,045,107	2,979,976	65,131
<i>Fire department</i>				
Salaries	1,938,590	1,794,379	1,737,266	57,093
Fire trainee wages	-	-	-	-
Overtime	400,000	230,000	180,206	49,794
Holiday pay	170,893	104,170	118,974	(12,804)
Longevity pay	111,545	68,502	70,761	(2,259)
Out of rank pay	26,603	20,000	13,851	6,149
Rescue pay	14,560	7,366	1,960	5,426
Fire EMT - Cardiac	49,920	-	5,620	(5,620)
Mechanics pay	7,280	-	6,480	(8,480)
Clothing/tool allowance	105,000	37,537	35,000	2,537
Social Security	-	-	1,584	(1,584)
Medicare	39,428	25,801	29,075	(3,274)
Medical Insurance	639,173	282,559	250,182	12,397
Dental Insurance	38,822	23,053	24,048	(995)
Public Safety Pension (Uses)	1,837,500	-	-	-
Injuries/Medical (Work Related Injuries)	-	69,651	69,471	180
Medical Waiver	8,800	-	-	-
Other supplies	25,000	25,000	14,814	10,186
Heating fuel	15,000	15,000	9,845	5,355
Vehicle fuel	21,000	21,000	11,766	9,234
Dues/subscriptions	150	150	240	(90)
Non-capital equipment	10,000	12,000	16,390	(4,390)
General R & M	5,000	8,000	20,780	(14,780)
Vehicle R & M	27,000	31,500	36,844	(5,344)
Other professional services	10,923	13,000	10,545	2,455
Education & training	2,000	2,500	7,081	(4,581)
State Incentive	-	-	-	-
Fire Fighter Equipment	6,000	-	-	-
Total fire department	5,509,987	2,769,188	2,670,583	98,605
<i>Probate court</i>				
Salaries	7,309	7,309	7,309	-
Social Security	-	-	680	(680)
Medicare	-	-	159	(159)
Total probate court	7,309	7,309	8,148	(839)

CITY OF CENTRAL FALLS

D-2

GENERAL FUND

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2012

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Municipal court				
Salaries	47,353	62,722	52,972	9,750
Overtime	1,004	1,750	1,672	78
Longevity Pay	1,493	2,334	2,000	334
Social Security	3,091	3,889	4,057	(168)
Clothing Allowance	-	296	-	296
Medicare	723	909	949	(40)
Municipal State Pension	4,511	3,142	3,384	(242)
Medical Insurance	20,001	12,881	11,231	1,450
Dental Insurance	1,014	969	897	72
Office supplies	1,500	1,250	1,065	185
Other Professional Services	4,500	4,500	20,499	(15,999)
Total municipal court	85,190	94,442	98,726	(4,284)
Animal control				
Salaries	-	17,780	13,875	3,905
Overtime	-	1,575	1,138	437
Social Security	-	1,124	992	132
Clothing/tool allowance	-	296	275	21
Medicare	-	283	232	31
Municipal State Pension	-	1,641	1,136	505
Medical Insurance	-	7,410	1,903	5,507
Dental Insurance	-	646	-	646
Non-capital equipment	-	500	1,120	(620)
Other Professional Services	10,000	2,500	2,798	(298)
Meetings & Conference Fees	-	500	-	500
Education & Training	-	2,500	-	2,500
Boarding of animals	-	4,000	1,819	2,181
Total animal control	10,000	40,735	25,286	15,447
Inspection officers				
Plumbing officer	4,323	4,654	4,323	331
License officer	-	-	1,081	(1,081)
Electrical inspector	4,323	4,654	4,323	331
Social Security	-	-	902	(902)
Medicare	-	-	211	(211)
Medical Insurance	-	-	476	(476)
Total inspection officers	8,646	9,308	11,316	(2,008)
Code Enforcement				
Salaries	83,972	127,308	115,405	11,903
Overtime	1,000	-	212	(212)
Longevity pay	2,972	2,334	2,500	(168)
Clothing	250	1,184	-	1,184
Social Security	5,468	7,894	7,710	184
Medicare	1,279	1,846	1,803	43
Municipal State Pension	7,982	6,654	9,036	(382)
Medical Insurance	20,669	23,510	11,289	12,221
Dental Insurance	1,217	1,938	1,794	144
Medical Waiver	2,200	-	-	-
Other supplies	1,400	400	8	392
Dues & subscriptions	-	-	-	-
Non-capital equipment	-	-	-	-
Other Professional Services	1,500	2,300	2,775	(475)
Education & training	-	-	-	-
Property protection	5,000	5,000	2,855	2,145
Total code enforcement	135,109	182,366	155,387	26,961
Total public safety	11,189,513	6,148,457	5,949,424	199,033
PUBLIC WORKS				
Highway department				
Salaries	622,826	634,108	600,209	33,897
Overtime	-	45,000	14,449	30,551
Mechanical operators	600	-	360	(360)
Longevity pay	36,772	39,095	29,045	10,050
Specialty pay	520	-	60	(60)
Clothing/tool allowance	3,850	4,145	3,781	364
Social Security	41,203	36,036	37,907	(1,871)
Medicare	9,636	8,428	9,602	(1,174)
Municipal State Pension	60,143	52,601	53,205	(604)
Medical Insurance	208,886	117,549	100,982	16,587
Dental Insurance	13,390	9,689	9,982	(293)
Medical Waiver	8,600	-	-	-
Other supplies	2,000	1,500	217	1,283
Heating fuel	7,500	7,150	4,733	2,417
Vehicle Fuel	50,000	50,000	56,673	(6,673)
Non-capital equipment	-	4,000	4,980	(980)
Winter road supplies	20,000	18,000	7,156	8,844
General R & M	7,500	7,500	3,917	3,583
Vehicle R & M	75,000	60,000	81,010	(21,010)
Road R & M	15,000	45,000	11,896	33,104
Education & training	-	1,000	-	1,000
Traffic Signal R & M	3,000	5,500	10,266	(4,766)
Misc. Highway	1,500	2,000	4,424	(2,424)
Total highway department	1,185,728	1,146,299	1,044,824	101,475

GENERAL FUND

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2012

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Public works obligations				
Hydrants	71,531	75,000	77,623	(2,823)
Sewer/ NBC	22,085	14,000	18,438	(4,438)
Solid waste removal/disposal	145,000	145,000	118,874	26,126
Street lights	132,824	160,000	149,800	10,200
Total public works obligations	371,420	394,000	364,735	29,265
Total public works	1,557,148	1,540,299	1,409,559	130,740
PUBLIC EDUCATION				
Library				
Salaries	185,775	10,707	14,530	(3,823)
Overtime	-	-	-	-
Longevity	9,334	-	2,087	(2,087)
Social Security	12,717	684	1,817	(953)
Medicare	2,839	155	378	(223)
Municipal State Pension	17,718	1,017	886	151
Compensated Absences	-	1,501	-	1,501
Medical Insurance	90,120	9,682	6,870	2,992
Dental Insurance	5,269	-	308	(309)
Medical Waiver	2,200	-	-	-
Office supplies	3,000	-	(26)	26
Other supplies	2,000	21,017	13,658	7,359
Heating fuel	11,000	-	-	-
Dues/subscriptions	1,500	-	-	-
Non-Capital Equipment	500	-	-	-
Books	4,000	-	(353)	353
Electric	7,500	-	19,393	3,271
Other professional services	5,000	21,664	-	-
Education & training	281	-	-	-
Total public education	370,753	66,387	58,129	8,258
PUBLIC RECREATION				
Recreation				
Salaries	58,535	37,700	38,052	(352)
Social Security	3,505	2,337	2,998	(661)
Medicare	820	547	701	(154)
Municipal State Pension	5,116	2,377	2,827	(450)
Medical Insurance	-	-	419	(419)
Other supplies	5,000	5,000	4,840	160
General R & M	7,000	6,500	7,544	(1,044)
Other professional services	6,000	5,750	4,300	1,450
Public events & activities	-	1,000	1,000	-
Team subsidy	3,000	-	-	-
Misc. recreation	4,000	2,775	2,267	508
Total recreation	90,976	63,986	64,948	(962)
Planning				
Salaries	7,768	105,336	34,605	70,731
Social Security	-	6,259	5,543	716
Medicare	-	1,484	1,296	188
Municipal State Pension	-	8,922	8,702	220
Medical Insurance	-	14,705	11,270	3,435
Dental Insurance	-	1,208	897	311
Total planning	7,768	137,894	62,313	75,581
CHANNEL ONE				
Salaries	-	6,819	-	6,819
RJH community center	200,000	-	-	-
Total Channel One	200,000	6,819	-	6,819
Total public recreation	298,744	208,699	127,261	81,438
MUNICIPAL DEBT SERVICE				
Issuance Costs	-	-	-	-
Bond principal	1,525,000	1,525,000	1,525,000	-
Bond Interest	1,088,775	1,088,775	1,088,775	-
Note Interest	-	-	500	(500)
Paying agency fees	-	9,278	-	9,278
Other debt fees	-	-	-	-
Lease purchase	44,855	44,855	44,855	-
Total municipal debt service	2,658,630	2,665,908	2,657,130	8,778

CITY OF CENTRAL FALLS

D-2

GENERAL FUND

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2012

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
CONTINGENCY				
Legal contingencies	200,000	125,000	87,204	37,796
Receivership Costs	-	448,000	426,820	19,380
General contingencies	326,000	50,000	43,781	8,239
Total contingency	526,000	621,000	557,585	63,415
MAJOR PURCHASES				
Improvements (Other than Building)	76,500	-	-	-
Machinery & Equipment	-	-	6,433	(6,433)
Total major purchases	76,500	-	6,433	(6,433)
EMPLOYEE BENEFITS				
Social security 6.2%	-	-	3,584	(3,584)
Medicare 1.45%	-	-	2,848	(2,848)
Municipal State pension	-	-	-	-
Compensated absences	160,000	90,000	(34,092)	124,092
Unemployment compensation	262,054	156,000	199,916	(43,916)
Group Life	-	17,750	10,877	7,073
Medical Insurance	1,537,790	768,754	643,029	125,725
Dental Insurance	22,382	-	626	(626)
Public safety pension	-	-	44,292	(44,292)
Injuries/medical	-	150,000	27,255	122,745
Total employee benefits	1,982,226	1,182,504	898,113	284,391
RETIREMENT				
Police retirement	606,180	419,381	378,541	40,840
Police retirement- Public Safety Pension	-	249,901	317,925	(68,024)
Fire retirement	668,505	465,888	407,221	58,667
Fire retirement - Public Safety Pension	-	306,507	465,044	(158,537)
Public Pension - JH Other Paygo	-	19,842	-	19,842
Total retirement	1,274,685	1,461,519	1,568,731	(107,212)
Total expenditures	21,640,489	15,731,605	14,947,769	783,836
Other financing sources (use)				
Transfers from other funds	-	-	-	-
Transfers to other funds	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Excess of revenues and other sources over expenditures and other uses-budgetary basis	\$ -	\$ 740,451	\$ 2,088,368	\$ 1,347,917

CITY OF CENTRAL FALLS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

June 30, 2012

The difference between the amounts shown in the accompanying schedule D-2 relates to reclassifications made between revenues and expenditures as presented below.

	<u>General Fund</u>
Total budgetary revenues and transfers per schedule D-2 .	\$ 17,036,137
Reclassification of:	
Property tax revenue- sixty day rule	334,750
Prior years property tax revenue - sixty day rule	(608,034)
Payments made by State for receivership costs	1,773,025
Revenue from various other special revenue funds combined with General Fund per GASB 54 requirements	
Fire equipment	36,179
Police vehicle maintenance	(19,016)
Zoning	21
Total revenues and transfers per financial statements B-2	<u>\$ 18,553,062</u>
Total budgetary expenditures and transfers per schedule D-2	\$ 14,947,769
Reclassification of:	
Receivership costs	1,773,025
Encumbrances outstanding as of June 30, 2012	(79,439)
Expenses and transfers of various other special revenue funds combined with General Fund per GASB 54 requirements	
Fire equipment	26,207
Police vehicle maintenance	30,933
Zoning	913
Total expenditures and transfers per financial statements B-2	<u>\$ 16,699,408</u>

NON-MAJOR GOVERNMENTAL FUNDS

CITY OF CENTRAL FALLS

E - 1

**Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2012**

	CDBG Revolving	CDBG 2007	CDBG 2009	CDBG 2010	CDBG 2011	UDAG Revolving Loan Fund
ASSETS						
Cash and cash equivalents	\$ 638,920	\$ -	\$ -	\$ -	\$ -	\$ 91,693
Due from federal and state governments		24,427	94,452	17,957	402,704	
Accounts receivable						
Due from other funds	24,427	15,845	185,441	277,031	109,296	987
Prepaid expenditures						
TOTAL ASSETS	663,347	40,272	279,893	294,988	512,000	92,680
LIABILITIES						
Accounts payable						8,147
Due to other funds		40,270	185,441	272,041	109,296	8,814
Deferred revenue			94,452	22,947	402,704	
TOTAL LIABILITIES		40,270	279,893	294,988	512,000	16,961
FUND BALANCE						
Nonspendable						
Restricted	663,347	2	-	-	-	75,719
TOTAL FUND BALANCE	\$ 663,347	\$ 2	\$ -	\$ -	\$ -	\$ 75,719

CITY OF CENTRAL FALLS

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Non-Major Governmental Funds
For the year ended June 30, 2012**

	CDBG Revolving	CDBG 2007	CDBG 2009	CDBG 2010	CDBG 2011	UDAG Revolving Loan Fund
Revenues:						
Interest and Investment Income	\$ 1,497	\$ -	\$ -	\$ -	\$ -	\$ 290
Licenses, fees, permits and fines						1,000
Intergovernmental		39,728	37,400	181,872	109,296	
Other	2,907					3,087
Total revenues	4,404	39,728	37,400	181,872	109,296	4,377
Expenditures:						
General government		39,727	37,400	81,872	109,296	76,862
Public safety						
Recreation						
Public Education				100,000		
Capital outlays						
Total expenditures & capital outlays		39,727	37,400	181,872	109,296	76,862
Excess of revenue over (under) expenditures before transfers	4,404	1	-	-	-	(72,485)
Other financing sources (uses):						
Transfers in						
Transfers out						
Net other financing sources (uses)						
Excess of revenues and other sources over (under) expenditures and other uses	4,404	1	-	-	-	(72,485)
Fund balance, beginning of the year-restated	658,943	1	-	-	-	148,204
Fund balance, end of the year	\$ 663,347	\$ 2	\$ -	\$ -	\$ -	\$ 75,719

(CONTINUED)

CITY OF CENTRAL FALLS

*Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2012*

	Home	ED	DEM LRG GRANT	EDI Community Center	EEC Block Grant	Grant In Aid
ASSETS						
Cash and cash equivalents	\$ 59,164	\$ 396,694	\$ -	\$ -	\$ -	\$ -
Due from federal and state governments						
Accounts receivable			100,000	1		58,306
Due from other funds						
Prepaid expenditures						
TOTAL ASSETS	<u>\$ 59,164</u>	<u>\$ 396,694</u>	<u>\$ 100,000</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 58,306</u>
LIABILITIES						
Accounts payable			100,000			
Due to other funds						1,936
Deferred revenue						1,936
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>\$ 100,000</u>	<u>-</u>	<u>-</u>	<u>\$ 1,936</u>
FUND BALANCE						
Nonspendable				1		56,370
Restricted	59,164	396,694				
TOTAL FUND BALANCE	<u>\$ 59,164</u>	<u>\$ 396,694</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 56,370</u>

CITY OF CENTRAL FALLS

*Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Non-Major Governmental Funds
For the year ended June 30, 2012*

	Home	ED	DEM LRG GRANT	EDI Community Center	EEC Block Grant	Grant In Aid
Revenues:						
Interest and Investment Income	\$ 148	\$ 998	\$ -	\$ 46,566	\$ -	\$ 2
Licenses, fees, permits and fines			100,000		193,634	
Intergovernmental						
Other						
Total revenues	<u>148</u>	<u>998</u>	<u>100,000</u>	<u>46,566</u>	<u>193,634</u>	<u>2</u>
Expenditures:						
General government				46,565	193,634	
Public safety						
Recreation						
Public Education			100,000			
Capital outlays				46,565	193,634	
Total expenditures & capital outlays	<u>-</u>	<u>-</u>	<u>100,000</u>	<u>46,565</u>	<u>193,634</u>	<u>-</u>
Excess of revenue over (under) expenditures before transfers	<u>148</u>	<u>998</u>	<u>-</u>	<u>1</u>	<u>-</u>	<u>2</u>
Other financing sources (uses):						
Transfers in						
Transfers out						
Net other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>148</u>	<u>998</u>	<u>-</u>	<u>1</u>	<u>-</u>	<u>2</u>
Fund balance, beginning of the year-restated	<u>59,016</u>	<u>395,696</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>56,368</u>
Fund balance, end of the year	<u>\$ 59,164</u>	<u>\$ 396,694</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 56,370</u>

(CONTINUED)

CITY OF CENTRAL FALLS

**Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2012**

	Champlin Grant	RI Foundation	Recreation Summer Lunch Program	Community Policing	Police C.A.R.E.	DARE Program
ASSETS						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ 50,899	\$ -
Due from federal and state governments					2,453	
Accounts receivable						3
Due from other funds	2,355	5,954				
Prepaid expenditures						3
TOTAL ASSETS	2,355	5,954	-	-	53,352	3
LIABILITIES						
Accounts payable					5,190	
Due to other funds					8,567	
Deferred revenue	2,213	5,954				
TOTAL LIABILITIES	2,213	5,954	-	-	13,757	-
FUND BALANCE						
Nonspendable						3
Restricted	142				39,595	
TOTAL FUND BALANCE	\$ 142	\$ -	\$ -	\$ -	\$ 39,595	\$ 3

CITY OF CENTRAL FALLS

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Non-Major Governmental Funds
For the year ended June 30, 2012**

	Champlin Grant	RI Foundation	Recreation Summer Lunch Program	Community Policing	Police C.A.R.E.	DARE Program
Revenues:						
Interest and investment income	\$ 47	\$ -	\$ -	\$ -	\$ 106	\$ -
Licenses, fees, permits and fines					35,930	
Intergovernmental			16,092		47,650	
Other	5,537					
Total revenues	5,584	-	16,092	-	83,686	-
Expenditures:						
General government	5,537				53,797	
Public safety						
Recreation			13,462			
Public Education						
Capital outlays	5,537		13,462		53,797	
Total expenditures & capital outlays	5,537	-	13,462	-	53,797	-
Excess of revenue over (under) expenditures before transfers	47	-	2,630	-	29,889	-
Other financing sources (uses):						
Transfers in						
Transfers out			(2,630)	(3)		
Net other financing sources (uses)	-	-	(2,630)	(3)	-	-
Excess of revenues and other sources over (under) expenditures and other uses	47	-	-	(3)	29,889	-
Fund balance, beginning of the year-restated	95	-	-	3	9,706	3
Fund balance, end of the year	\$ 142	\$ -	\$ -	\$ -	\$ 39,595	\$ 3

(CONTINUED)

CITY OF CENTRAL FALLS

**Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2012**

	Police Special Accounts	PD Printer Grant	PD Mobile Data Grant	PD Tech Grant	2010 JAG Grant	JAG Grant
ASSETS						
Cash and cash equivalents	\$ 132,224	\$ -	\$ -	\$ 1,135	\$ -	\$ 10,737
Due from federal and state governments		68,244	11,816			
Accounts receivable	26,552			28,552		2,685
Prepaid expenditures						
TOTAL ASSETS	158,776	68,244	11,816	29,687	-	13,422
LIABILITIES						
Accounts payable	56,543	68,244	11,816			2,045
Due to other funds	58,776			26,250		10,737
Deferred revenue				3,437		640
TOTAL LIABILITIES	115,319	68,244	11,816	29,687	-	13,422
FUND BALANCE						
Nonrestricted	43,457					
Restricted						
TOTAL FUND BALANCE	\$ 43,457	\$ -	\$ -	\$ -	\$ -	\$ -

CITY OF CENTRAL FALLS

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Non-Major Governmental Funds
For the year ended June 30, 2012**

	Police Special Accounts	PD Printer Grant	PD Mobile Data Grant	PD Tech Grant	2010 JAG Grant	JAG Grant
Revenues:						
Interest and investment income	\$ 382	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses, fees, permits and fines	19,255	68,244	11,816	19,843	8,927	28,426
Intergovernmental	12,769				21	
Other						
Total revenues	32,406	68,244	11,816	19,843	8,948	28,426
Expenditures:						
General government	19,930	3,850				
Public safety				19,843	8,948	18,330
Recreation						
Public Education						
Capital outlays	25,629	64,394	11,816			10,096
Total expenditures & capital outlays	45,559	68,244	11,816	19,843	8,948	28,426
Excess of revenue over (under) expenditures before transfers	(13,153)	-	-	-	-	-
Other financing sources (uses):						
Transfers in						
Transfers out						
Net other financing sources (uses)	-	-	-	-	-	-
Excess of revenues and other sources over (under) expenditures and other uses	(13,153)	-	-	-	-	-
Fund balance, beginning of the year-restated	56,610	-	-	-	-	-
Fund balance, end of the year	\$ 43,457	\$ -	\$ -	\$ -	\$ -	\$ -

(CONTINUED)

CITY OF CENTRAL FALLS

E - 7

Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2012

	Fire Prevention	Public Rescue	Homeland Security	Rural Grants	Emergency Equipment Replacement	Recycling Account	Channel One	Property Development
ASSETS								
Cash and cash equivalents	\$ 8,693	\$ 288,865	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from federal and state governments								
Accounts receivable								
Due from other funds	1,298	69,564		49	144,400	10,331	29,363	161,180
Prepaid expenditures								
TOTAL ASSETS	9,991	378,429	-	49	144,400	10,331	29,363	161,180
LIABILITIES								
Accounts payable	1,297	1,716					25,604	
Due to other funds	2,685	178,270						
Deferred revenue						10,306		1,161
TOTAL LIABILITIES	3,982	179,986	-	-	-	10,306	-	1,161
FUND BALANCE								
Nonspendable								
Restricted	6,009	198,443		49	144,400	25	3,759	160,019
TOTAL FUND BALANCE	\$ 6,009	\$ 198,443	\$ -	\$ 49	\$ 144,400	\$ 25	\$ 3,759	\$ 160,019

CITY OF CENTRAL FALLS

Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2012

	Fire Prevention	Public Rescue	Homeland Security	Rural Grants	Emergency Equipment Replacement	Recycling Account	Property Development
Revenues:							
Interest and investment income	\$ 48	\$ 81	\$ -	\$ -	\$ -	\$ 1	\$ -
Licenses, fees, permits and fines	1,635						1,270
Intergovernmental		2,905	8,371				2,967
Other		315,172					3,711
Total revenues	1,683	318,158	8,371	-	-	1	7,948
Expenditures:							
General government							
Public safety	2,685	16,842	8,371				
Recreation							
Public Education							
Capital outlays							
Total expenditures & capital outlays	2,685	16,842	8,371	-	-	-	-
Excess of revenue over (under) expenditures before transfers	(1,002)	301,316	-	-	-	1	7,948
Other financing sources (uses):							
Transfers in							
Transfers out		(321,849)					
Net other financing sources (uses)	-	(321,849)	-	-	-	-	-
Excess of revenues and other sources over (under) expenditures and other uses	(1,002)	(20,533)	-	-	-	1	7,948
Fund balance, beginning of the year-restated	7,011	218,976	-	49	144,400	24	(4,189)
Fund balance, end of the year	\$ 6,009	\$ 198,443	\$ -	\$ 49	\$ 144,400	\$ 25	\$ 3,759

(CONTINUED)

CITY OF CENTRAL FALLS
 Combining Balance Sheet
 Non-Major Governmental Funds
 June 30, 2012

	Recreation Capital	Capital Reserve	Capital Lease	\$10 Million Muni Bond	Historic Trust	Lysander Flag Memorial Fund	GRAND TOTALS
ASSETS							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ 38,292	\$ -	\$ 1,705,444
Due from federal and state governments							633,925
Accounts receivable	4,393				21,249		1,299,262
Due from other funds							
Prepaid expenditures					59,541		3,638,631
TOTAL ASSETS	4,393				59,541		3,638,631
LIABILITIES							
Accounts payable					6,052		186,654
Due to other funds							1,001,147
Deferred revenue	881						546,631
TOTAL LIABILITIES	881				6,052		1,734,432
FUND BALANCE							
Nonspendable	3,512				53,489		1,904,199
Restricted							
TOTAL FUND BALANCE	\$ 3,512	\$ -	\$ -	\$ -	\$ 53,489	\$ -	\$ 1,904,199

CITY OF CENTRAL FALLS

Combining Statement of Revenues, Expenditures and Changes in Fund Balance
 Non-Major Governmental Funds
 For the year ended June 30, 2012

	Recreation Capital	Capital Reserve	Capital Lease \$600,000	\$10 Million Muni Bond	Historic Trust	Lysander Flag Memorial Fund	GRAND TOTALS
Revenues:							
Interest and Investment Income	\$ 1	\$ -	\$ -	\$ -	\$ 96	\$ 212	\$ 50,475
Licenses, fees, permits and fines							39,835
Intergovernmental					8,001	327,355	896,428
Other					8,097	327,567	678,560
Total revenues	1				8,097	327,567	1,655,296
Expenditures:							
General government							614,673
Public safety							128,816
Recreation						424,313	13,462
Public Education							424,313
Capital outlays						424,313	311,935
Total expenditures & capital outlays						424,313	1,493,199
Excess of revenue over (under) expenditures before transfers	1				8,097	(96,746)	172,097
Other financing sources (uses):							
Transfers in	2,630						2,630
Transfers out		(2,902)	(96,553)				(423,937)
Net other financing sources (uses)	2,630	(2,902)	(96,553)				(421,307)
Excess of revenues and other sources over (under) expenditures and other uses	2,631	(2,902)	(96,553)		8,097	(96,746)	(249,210)
Fund balance, beginning of the year-restated	881	2,902	96,553		45,392	96,746	2,153,409
Fund balance, end of the year	\$ 3,512	\$ -	\$ -	\$ -	\$ 53,489	\$ -	\$ 1,904,199

(CONCLUDED)

AGENCY FUNDS

CITY OF CENTRAL FALLS

**Statement of Changes in Assets and Liabilities
Agency Funds
For the year ended June 30, 2012**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<u>Unclaimed Estates</u>				
ASSET				
Cash	\$ 32,307	\$ 162	\$ -	\$ 32,469
LIABILITY				
Deposits Held in Custody for Others	\$ 32,307	\$ 162	\$ -	\$ 32,469
<u>Totals</u>				
ASSET				
Cash	\$ 32,307	\$ 162	\$ -	\$ 32,469
TOTAL ASSETS	\$ 32,307	\$ 162	\$ -	\$ 32,469
LIABILITIES				
Deposits Held in Custody for Others	\$ 32,307	\$ 162	\$ -	\$ 32,469
TOTAL LIABILITIES	\$ 32,307	\$ 162	\$ -	\$ 32,469

CITY OF CENTRAL FALLS
SCHEDULE OF PROPERTY TAXES RECEIVABLE
YEAR ENDED JUNE 30, 2012

Assessment of	Balance Uncollected July 1, 2011	2011 Assessment	Additions & Adjustments	Abatements	Amount to be Collected	Current Year Collections	Balance June 30, 2012
2011	\$ 1,295,427	\$ 13,148,778	\$ 37,362	\$ (20,447)	\$ 13,165,693	\$ 12,074,304	\$ 1,091,389
2010	140,097		75,869	(1,209)	1,370,087	804,841	565,246
2009	132,786		41,476		181,573	23,183	158,390
2008	143,212		38,972		171,758	9,807	162,151
2007	84,959		29,675		172,887	1,606	171,281
2006	69,765		3,026		87,985	1,248	86,737
2005	66,054				69,765	454	69,311
2004	66,054				66,054	513	65,541
2003	66,651				66,651	463	66,188
2002	70,852				70,852	512	70,340
2001	78,565				78,565	767	77,798
2000	63,073				63,073	72	63,001
1999	84,505				84,505	90	84,415
1998	109,129				109,129	259	108,870
1997	105,085				105,085	298	104,787
1996 and prior	411,956				411,956	281	411,675
	2,922,116	\$ 13,148,778	\$ 226,380	\$ (21,656)	\$ 16,275,618	\$ 12,918,498	3,357,120

Less: allowance for uncollectible accounts
(850,000)
\$ 2,072,116

Schedule of property valuation assessed as of December 31, 2010:

Real estate	\$ 11,071,424
Motor vehicles	2,554,880
Tangibles	1,020,354
Less: exemptions	(1,497,880)
	<u>\$ 13,148,778</u>

(850,000)
\$ 2,507,120